

RON DESANTIS
Governor



250 MARRIOTT DRIVE
TALLAHASSEE, FLORIDA 32301

LONG-RANGE PROGRAM PLAN

Florida, Department of the Lottery
Tallahassee, Florida
September 30, 2020

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

J. Eric Pridgeon, Staff Director
House Appropriations Committee
221 Capitol
Tallahassee, Florida 32399-1300

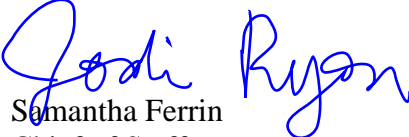
Cynthia Kynoch, Staff Director
Senate Committee on Appropriations
201 Capitol
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long-Range Program Plan (LRPP) for the Department of the Lottery is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of the Department's mission, goals, objectives and measures for Fiscal Year 2021-22 through Fiscal Year 2025-26. 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 Samantha Ferrin, Chief of Staff of the Lottery.

Any questions concerning this submission can be directed to the Florida Lottery's Chief Financial Officer, Gina Ballard, at 850-915-2104.

Sincerely,


Samantha Ferrin
Chief of Staff

Florida Lottery

Long Range Program Plan

Fiscal Years 2021-22 through 2025-26

Samantha Ferrin
September 30, 2020



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 (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 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, the Lottery received certification for its 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. Further, in December 2019, the Lottery received level 2 certification from the World Lottery Association for our Responsible Gaming efforts. While we have always been committed to protecting the interests of those who play our games, these certifications further serve 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.

Beyond these certifications, which provide third party support of our efforts, we built a comprehensive, award-winning website to educate and empower our players to play and win responsibly. The Player's Guide website was designed to provide tools and resources



on playing within your means, making thoughtful decisions for responsible play, as well as preparing you for winning.

Maximize Contributions to Enhance Education

The Lottery's mandate is to maximize funding to enhance public education. Since the Lottery's inception, more than \$37 billion has been generated for education. For Fiscal Year (FY) 2019-20 alone, contributions to education were approximately \$1.9 billion. The Florida Bright Futures Scholarship Program, supported by the Lottery's contributions, has helped 880,829 students pursue their academic goals for higher education, as of June 2020.

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 continuing to focus on 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 continue to be a key initiative in FY 2020-21 and beyond. Large strides are also being made to breakthrough unaffiliated retailer corporations. 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.

Customer Service

The Lottery's two main business functions are selling tickets and paying prizes. The Lottery is proactively identifying opportunities to improve the way we deliver these services from the customer's perspective.

Providing superior customer service is a key component of the Lottery's initiative to improve satisfaction by exceeding customer expectations. The Lottery recently



authorized a Retailer Satisfaction Survey administered by its market research vendor, Ipsos Reid, and results indicate that the Lottery is highly regarded by its retailer base. One way the Lottery seeks to exceed expectations is through frequent communication including on-site visits and phone calls to retailers. Sales Representatives plan their retailer contacts on a two-week cycle, with some higher volume retailers, such as top selling accounts, often visited or contacted weekly. This aids the Lottery with the development of sales rep rapport among retailers, enabling reps to secure prime dispenser and point-of-sale placement at retail and ensures product fullness both on the counter and in vending machines. Two-week visitation also minimizes inventory liability concerns and maintains a positive rep/retailer relationship statewide.



Agency Objectives

The Lottery has not only kept its promise as a committed partner to enhance 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 2019-20	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
\$1.82 Billion	\$1.87 Billion	\$1.89 Billion	\$1.94 Billion	\$1.93 Billion	\$1.96 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 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 18 fiscal years to benefit Florida students and schools statewide. Lottery contributions are instrumental to ensuring the future success of Florida's students. Since 1988, Florida's institutions of higher learning have benefited from \$9.5 billion that helps keep them affordable for Florida students.

Economic Development and Job Creation

The Lottery is statutorily charged with operating as much as possible like an entrepreneurial business enterprise. As a more than \$7.5 billion annual enterprise, it is paramount that the Lottery embraces proven business principles designed to ensure sustainable growth.

The Lottery continues to reach and exceed milestones. In FY 2019-20, the Lottery exceeded a record \$7.5 billion in sales which generated more than \$1.9 billion for the EETF. FY 2019-20 sales exceeded FY 2018-19 by more than \$354 million – a 5 percent increase. Since 1988, the Lottery has generated more than \$117.9 billion in sales and contributed over \$37 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 2019-20, 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 35 percent more compared to FY 2014-15.



Lottery players also embrace and support a variety of retail store types, fostering the entrepreneurial spirit within the state. The 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 2019-20, Scratch-Off sales exceeded \$5.6 billion, accounting for more than \$727 million in additional Scratch-Off sales compared to a year ago. The Lottery also achieved all-time Scratch-Off sales records for the ninth consecutive year and broke its own industry record set last year with \$149.8 million in Scratch-Off sales in a single week. Additionally, when compared to 14 weeks of Scratch-Off sales above \$100 million in FY 2018-19, Florida had 33 weeks of Scratch-Off sales above \$100 million in FY 2019-20.

Sales were driven by industry best-in-class Scratch-Off games, consisting of 35 new games that included a family of the top-performing, multiplier-themed Scratch-Off games. Other top performing products in the Scratch-Off lineup included the WEEK FOR LIFE and HOLIDAY LUCK families of games, as well as \$5,000,000 LUCK, THE FASTEST ROAD TO \$1,000,000 - featuring 155 top prizes of \$1,000,000, and \$500 MADNESS that was a follow to the previous year's record-breaking \$50, \$100 AND \$500 BLOWOUT game. In FY 2019-20, the Lottery had the best-selling \$30, \$20, and \$2 games in the country with the \$30 game, THE FASTEST ROAD TO \$1,000,000, taking honors as the top-selling game in the industry with a single week of sales that exceeded \$28.3 million.

The Lottery's Terminal game portfolio saw an expansion of the CASH4LIFE™ Draw game with the introduction of daily draws at the beginning of the fiscal year. The instant win Terminal games, Fast Play™, continued to develop, with two three-game launches during the year and the introduction of holiday themed tickets at the \$1 and \$2 price points in November.

The Lottery's Terminal game portfolio boasted five different promotions that included: Cold Hard Cash, POWERBALL® New Year's Eve, FANTASY 5® Bonus Cash Fridays, Triple Cash featuring daily games, and the MEGA MILLIONS Mega Bucks promotion. Scratch-Off games were supported with the Cash Payday, Holiday Luck, and Xtra Chance Second Chance



Promotions. Several retailer promotions throughout the year also provided added support towards the awareness of both Scratch-Off and Terminal Games.

Public Safety

Chapter 24, 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 received 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 assistance of Lottery special agents, security specialists, and retailers, the 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 child(ren) and/or missing adult(s).

The Division of Security provides support 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 investigated. 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 Division of Security strives to strengthen its reputation for professional excellence and quality customer service through a dedicated, well-trained, specialized and diversified workforce. Each member is expected to be courteous and respectful to all customers both internal and external to the Florida Lottery. The Division supports this goal by setting challenging, achievable expectations and provides members with mentoring and training opportunities in an effort to assist them reaching their goals.



The Division of Security is accredited by the Commission for Florida Law Enforcement Accreditation (CFA). Successfully maintaining accreditation helps ensure that the Division of Security uses its resources wisely, is transparent, and is held to and operates at the highest level of ethical and professional standards in law enforcement. Accreditation increases the law enforcement agency's ability to prevent and control crime through more effective, efficient delivery of law enforcement services to the community it serves. Additionally, it enhances community understanding of the law enforcement agency, its role in the community, as well as its goals and objectives, all while increasing cooperation with other law enforcement agencies and other branches of the criminal justice system. The Division of Security undergoes an in-depth review of every aspect of the agency's organization, management, operations, and administration by an outside assessment team that reviews the Divisions compliance with set standards. This includes:

- Establishment of Lottery goals and objectives with provisions for periodic updating;
- Evaluation of whether resources are being used in accord with Lottery goals, objectives, and mission;
- Evaluation of Lottery policies and procedures, especially as documented in the Lottery's written directive system;
- Correction of internal deficiencies and inefficiencies before they become public problems; and
- Measures to justify decisions related to budget requests and personnel policies.

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 Information Technology (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 IT resources of the 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 technology services, a layered approach to Security Management has been implemented at the Lottery, which covers all operating systems, servers, cloud and endpoint protection. As the next step on our journey to protect the Lottery, we will be implementing a risk-based vulnerability management system which gives the ISM stronger decision-making metrics.

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

Public Integrity

The Lottery's mission is predicated on the public's trust, confidence and transparency in our operations and activities. The integrity of the Lottery in relation to field and district office operations is extremely important to the Lottery's success. The review process leading up to the approval of a new Lottery retailer includes several steps. A prospective retailer must first complete a new retailer application, sign a retailer contract, and thoroughly understand and agree to comply with retailer rules and retailer integrity guidelines. Once these documents are received by the Lottery district office, the assigned Sales Representative conducts an Americans with Disabilities Act (ADA) inspection of the prospective retailer's business. Once the retailer is determined to be ADA compliant, the paperwork is submitted to Retailer Contracting for further application review and background checks. Applicants are also checked for financial standing. Should any issues be discovered, the business owner is contacted, and a letter is prepared and mailed/emailed to allow the owner the opportunity to address any issues. Financial issues may require the retailer to post a certificate of deposit or bond before their account may be approved to sell Lottery games. Once approvals are completed the retailer must then go through a thorough training process with the Lottery's gaming system provider, IGT. The retailer is trained on the Lottery's portfolio of games, how to sell tickets and redeem prizes, how to manage and understand weekly settlement and accounting, as well as other functions of the Lottery equipment. Once the training is completed the retailer is approved to begin selling.

Retailers shall not pay prizes valued at \$600 or more. Prizes over \$600 must be claimed at one of the Lottery's nine district offices and/or at Lottery Headquarters, per Lottery rules. The process that a player must follow for prize payment includes the completion of a Claim Form, completion of ownership information on the ticket back, and submission of an acceptable form of identification (ID). If a discrepancy is observed on the ticket back related to the claim, it is



immediately sent to Lottery Headquarters in Tallahassee for review by the Divisions of Security and/or Claims Processing.

A taxpayer identification number (TIN) match takes place to verify the social security number is a match to the player. Once the TIN is confirmed, the ticket is validated in the Fortune system while verifying the name and date of birth (DOB) on the acceptable ID matches what was written on the claim form by the player. The expiration date on the ID is also verified. During this step the social security number is run through a state database to see if there's any state owed debt (SOD) by the player. If a SOD hit is noted, a process begins with the corresponding Agency (Department of Children's and Families and Department of Economic Opportunity are the most common) in order to reconcile. If no SOD is present, the claim is then passed on to a "payer" who ensures accuracy of the claim to that point by double checking all of the relevant information. Once the claim has been validated and paid, the check is printed and can then be awarded to the player. The player must present their ID again to the employee awarding the check and must then sign a "winner's report," acknowledging receipt of their check and ensuring the name and amount are correct.

The Lottery takes public integrity seriously, as it applies to information security. The Lottery concentrates on maintaining a current Confidentiality, Integrity, and Availability (CIA) Triad. The CIA Triad provides coverage for a variance of different degrees in attack vectors.

With confidentiality, the Lottery employs the concept of "least privilege" ensuring access on need-to-know basis, protecting against weak classifications of assets, guarding against leakage, and aligning with the Lottery with identification, authentication, and authorization of data.

With integrity, the Lottery ensures that the information entrusted has not been compromised. The Lottery takes the necessary precautions to encrypt, monitor, and ensure that the integrity of the data itself remains unaltered.

With availability, the Lottery ensures services will be available to the public. The Lottery guards against tangible or intangible risks, natural or otherwise, and replicates where necessary to ensure continuity by limiting access, ensuring additional controls in the management of internal systems, and ensuring quality control over the information entrusted prior to public consumption.

The Lottery Triad ensures a strong sense of public integrity by limiting the insider threat by limiting the scope of access to information and managing big data with the appropriate access controls.



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 \$37 billion.
- FY 2019-20 was the 18th consecutive year the Florida Lottery contributed more than \$1 billion to the EETF.
- In FY 2019-20, the Lottery achieved its ninth consecutive year of record sales with annual sales surpassing \$7.5 billion.
- The Lottery had transfers to the EETF of more than \$1.9 billion in FY 2019-20, exceeding the Revenue Estimating projection by \$26.8 million.
- In FY 2019-20, the Lottery set a record for the highest all-time single week of Scratch-Off sales at \$149.8 million. Additionally, Scratch-Off sales exceeded \$100 million 33 weeks during the fiscal year when compared to 14 weeks in FY 2018-19.
- Annual Scratch-Off sales have more than doubled, increasing by over \$3.5 billion since FY 2009-10, resulting in increased contributions to education of approximately 173 percent.
- In FY 2019-20, total sales of Lottery Scratch-Off games increased by 14.7 percent over FY 2018-19.
- In FY 2019-20, the Lottery had the top performing \$30, \$20, \$10, \$5, \$2 and \$1 Scratch-Off games compared to all other U.S. Lotteries.
- In FY 2018-19, the Lottery ranked second nationally in government transfers to its beneficiary (the EETF) and third in prizes paid to players. This means Florida 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.
- 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 2018-19.
- The Lottery's Cash Lotto game, known as FANTASY 5[®], is ranked third in the nation.



- The Lottery also maintained its rank of second in the nation for both total Scratch-Off sales and POWERBALL® sales in FY 2018-19.
- In FY 2018-19, the Lottery maintained its rank of third in the nation for total sales.
- In calendar year 2019, the Lottery rose to 9th place, from 10th in 2018, among worldwide Lotteries for total sales and maintained its rank of 16th in total per capita sales.
- In calendar year 2019, the Lottery rose to 3rd place, from 4th in 2018, among worldwide Lotteries for Scratch-Off sales and rose to 4th place in Scratch-Off per capita sales, from 5th place in 2018.

Sources: LaFleur's 2019 and 2020 World Lottery Almanac



Lottery Operations

In FY 2019-20, the Lottery realized growth from its continued efforts to engage the public. The Lottery achieved \$7.5 billion in sales revenue, up 4.7 percent from \$7.15 billion in FY 2018-19, and 12 percent compared to FY 2017-18. Contributions to the EETF for FY 2019-20 were \$1.9 billion. FY 2019-20 marks the 18th consecutive year that contributions to the EETF have exceeded \$1 billion.

The 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)

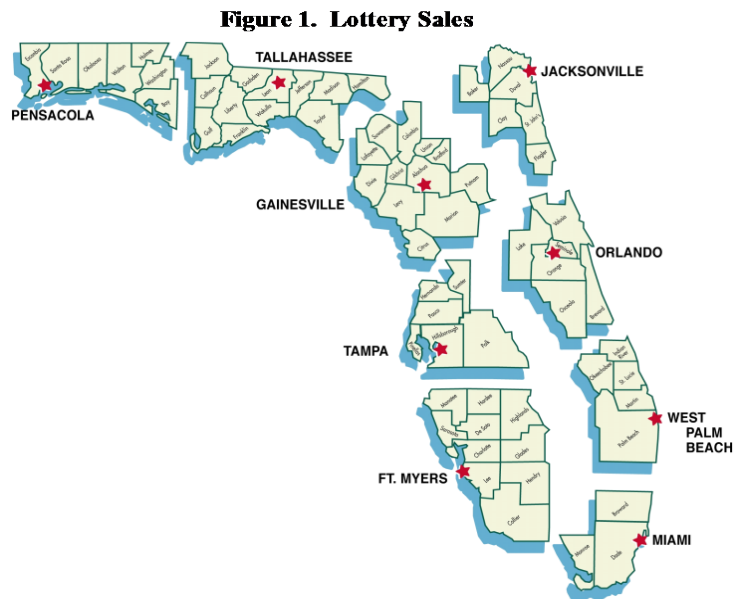


Table 1 below represents a comparative statement of income and expenses for the past five fiscal years. The data demonstrates a steady increase in revenue since FY 2015-16. Total revenue reflects a significant increase from \$6.09 billion to \$7.52 billion, or 23.48 percent in FY 2019-20. The Lottery's contributions to public education during this period have increased from \$1.69 billion to \$1.9 billion, or 12.4 percent. Noteworthy is the fact the Lottery's operating costs, expressed as a percentage of revenue, are trending down. 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 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20*
Total Revenue	\$6,092.76	\$6,167.85	\$6,713.01	\$7,166.34	\$7,524.24
Total EETF Contributions	\$1,692.55	\$1,656.35	\$1,758.33	\$1,927.05	\$1,914.70
Total Operating Costs**	\$80.12	\$80.80	\$81.20	\$82.20	\$76.55
Total FTE's	420.00	420.00	418.50	418.50	418.50
Operating Costs as a Percent of Total Revenue	1.32%	1.31%	1.21%	1.15%	1.02%
EETF Contribution per FTE	\$4.03	\$3.94	\$4.20	\$4.60	\$4.58

**Data for FY 2019-20 is unaudited.*

***Department operations only.*



Table 2 illustrates sales by product for the five most recent fiscal years. As shown, Scratch-Off ticket sales significantly exceed the previous year with Draw game products decreasing over the same period.

Table 2

Net Ticket Sales (Millions)

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20*
Scratch-Off	\$3,954.70	\$4,243.60	\$4,652.30	\$4,937.78	\$5,665.32
PICK Family of Games™	\$671.41	\$672.96	\$698.23	\$709.26	\$736.86
FLORIDA LOTTO®	\$291.38	\$253.04	\$240.02	\$223.50	\$210.10
FANTASY 5®	\$296.31	\$275.66	\$264.42	\$258.41	\$245.84
LUCKY MONEY™	\$84.88	\$89.44	\$74.19	\$41.85	\$0.00
POWERBALL®	\$602.00	\$434.26	\$474.03	\$459.39	\$282.15
MEGA MILLIONS®	\$149.95	\$147.38	\$220.62	\$416.97	\$225.04
Raffle	\$11.72	\$11.36	\$0.00	\$0.00	\$0.00
CASH4LIFE™	\$0.00	\$28.78	\$59.22	\$50.34	\$65.32
Fast Play™	\$0.00	\$0.00	\$17.78	\$20.96	\$20.03
JACKPOT TRIPLE PLAY™	\$0.00	\$0.00	\$0.00	\$32.78	\$54.45
Draw Game Sales	\$2,107.65	\$1,912.88	\$2,048.51	\$2,213.46	\$1,839.79
Total Ticket Sales	\$6,062.35	\$6,156.48	\$6,700.81	\$7,151.24	\$7,505.11

* Data for FY 2019-20 is unaudited.

In FY 2019-20, the CASH4LIFE Draw game moved from twice weekly draws to daily draws allowing players more days to play and more chanced to win. The Fast Play line of instant win



Draw games was further developed by introducing holiday themed games at the \$1 and \$2 price point which were available for a limited time during the holiday season.

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 2019-20, the Lottery exceeded both its sales and EETF contribution forecasts adopted by the December 2019 Revenue Estimating Conference (REC) by 2.9 percent and 4.3 percent, respectively. The July 2020 REC forecasted an increase in growth for FY 2020-21, at a combined rate of 2.2 percent. The REC projected an increase in Scratch-Off of 3.0 percent and a decrease in Draw game ticket sales of 0.4 percent for FY 2020-21.

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, 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 Lottery games.
- Newly implemented Managed Detection and Response system (MDR) and Digital Loss Prevention (DLP) system protect sensitive information while ensuring public trust.
- Implementing an IT Risk Assessment suite assisting stakeholders with strong communication channels, better development concepts for inhouse designs, and assists in the management of access privileges.
- Continued dedication to contributions to EETF.
- State-of-the-art gaming system equipment, software and reporting systems.
- A field sales staff equipped with mobile technology providing comprehensive data readily available at each retailer location.
- 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.
- Transparency, integrity, and responsible business practices, including internal controls of games, prize payments, and drawing activities.
- The Florida Lottery recognizes the importance of promoting Responsible Play and has developed a strategic initiative aimed at generating greater public awareness. In FY 2017-18, the 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, and in 2019 the World



Lottery Association (WLA) awarded the Florida Lottery with its Level 2 Certification for Responsible Gaming. Both of these certifications allow the Lottery to take a greater leadership position in the lottery industry to promote Responsible Play.

- The Lottery ensures that retailers are well educated on the federal and state accessibility requirements relating to the Americans with Disabilities Act (ADA), resulting in a 97.69 percent compliance rate as of June 30, 2020.
- Scratch-Off sales in Florida have grown over 172 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 2017-18 to enhance the disaster recovery systems.

Opportunities ⇒

- 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. In FY 2019-20, 404 new retailer applications were received (289, or 71.5%, were from minority-owned business).
- The Lottery understands the importance of training as a means of guarding against newly developed ransomware attacks. The Information Security Management unit has attained access to one of the industry's most powerful training suites. This unit has provided security training to Lottery staff and implemented the industry's best practices in recognizing security threats.
- According to tracking study data, Lottery Scratch-Off and Draw games have a low perception of harmfulness with 76 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 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.



- The Lottery is in the process of redesigning and restructuring its website to better utilize and increase its impact as a marketing tool and reinforce its commitment to integrity, increasing education contributions and playing responsibly.
- On October 1, 2019, the Lottery began a new Scratch-Off contract which was projected to generate \$135 million in additional revenue to education over the life of the contract. This contract allows the Lottery to continue to offer best-in-class Lottery products, emphasize responsible gaming initiatives, and maximize revenues in support of Governor DeSantis' bold vision for education in our state. The Lottery 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 accommodates 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 29 out of 44 domestic Lotteries in retailer-to-population ratio, suggesting the continuing opportunity to emphasize retailer recruitment.
- The multi-state game CASH4LIFE[®] moved from twice weekly drawings to daily drawings 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 allows 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.
- Due to COVID pandemic, player prize claim and validation methods have been expanded to include claiming a prize by mail or via a secured drop box, resulting in an opportunity to offer players different methods to receive prize payment in the future.

Threats ⇒

- The ever-changing marketplace in which the Lottery operates can impact its operations and revenue stream. For example, the Lottery is a cash-only business, and this may present additional challenges as Commerce is generally moving towards a more electronic transaction platform. In that same vein, an evolution from brick and mortar to a telework type environment may continue to impact the Lottery's traditional transaction environment. Finally, severe weather events, changing economic conditions and other global events, are all variables that will impact business to some extent.



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 remote access, data storage, resource utilization, and security. The Lottery is developing its strategic plan for cloud adoption, as more and more products and services are being moved to the cloud. As hardware can be reapportioned to the cloud, this changes the cost model for technology provisioning. As new services are being developed or revamped, the cloud will be the first option to consider for SaS (software as a service), PaaS (platform as a service) or hybrid cloud options. This will enable faster adoption and a more stable cost model to support Lottery infrastructure and applications.

The Lottery continues to expand the use of the Orlando Data Center (ODC) as its primary disaster recovery location where hardware and software were installed to expand redundancy and availability of all processes and systems for disaster recovery (DR). 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. As we move to the cloud, opportunities exist for this to be expanded to meet our DR needs also.

Cherwell replaced an in-house ticketing system designed to assist the agency in managing services provided by internal staff. First phase development focused on off-boarding employees and IT Help Desk tickets, while future development will be to replace graphic request systems, support services and HR on-boarding.

The Lottery's aging application infrastructure has begun the process to analyze what is required to update the processes and procedures used to manage the IT Services and bring us to current best practices. This effort will result in plans, roadmaps and timelines to implement Service-Oriented Architecture (SOA), and a new Systems Development Lifecycle (SDLC) with accompanying policies and procedures; and leaves the Agency with suggested IT strategic initiatives that can be undertaken in the future to further enhance the output of the Lottery's IT shop. Improved business processes that will be implemented will enable better management of development projects and provisioning of IT services; and provides the IT shop with a plan for further enhancing IT Service Management and IT Operations. Implementing known best practices in IT further matures the Lottery's IT shop.

IT Service Management processes and procedures are being adopted to replace the current paper-based Change Management/Change Control system. This will streamline processes and provide better automated business solutions. Change Control is an IT Service Management process that



ensures that all changes made to Lottery data center production environments - both hardware and software changes - are reviewed, tested and approved prior to implementation; and are reviewed post-implementation, with the goal of having repeatable processes that can continuously be monitored and improved. Automating the paper-based system of approving changes to production systems will save time and produce better, electronic documentation of those changes. Having a more controlled Change Management process will allow for better communications across the IT work units, eliminating potential conflicts with competing changes and reducing the risk of work begin delayed because of lack of planning for testing changes.

The Lottery has installed and configured a new state-of-the-art Intrusion Detection and Prevention system (IDS/IPS) designed to provide tailored information security for current services. The Lottery has installed and configured a Digital Loss Prevention (DLP) system designed to control and provide additional security for sensitive information. The additional security provides stakeholders protected services and arms the stakeholder with stronger decision processes.

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 engaged 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.

The Lottery is procuring a new Power Protection System that will provide continual support to sell tickets, pay prizes, and conduct drawings during any power outage situation, helping maintain business continuity and prevent downtime. A loss of continued power to the computer systems from power outages or fluctuations can cause a loss of data, loss of equipment, or downtime which translates to a loss of revenue. The system will ensure uninterrupted power during the transition from commercial power to generator power and protects the Lottery's data and internal control systems from damage.



The Lottery has renewed its focus on data and analytics (D&A) based on a qualitative understanding of value: helping managers make better decisions. With D&A being at the core of the digital platform, a more concrete articulation of value is needed. This initiative will focus initially on structure and reporting but grow to be a driver in the business.

The Lottery is in the process of procuring IT auditing services. With the increases in technological advances and increased complexity in IT structure, IT audits are becoming more important. This will provide an IT certified auditor(s) to specifically audit the Lottery IT systems and their operations, which will include the gaming system.

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.

The Lottery's website is designed to provide the public with easily accessible information about new game launches and promotions, 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. The Lottery will continue to incorporate the website into its internet marketing campaigns by leveraging player emails, providing mobile phone applications, and offering marketing and sales initiatives. Additional plans include continued support of Draw and Scratch-Off game promotions.

3. Advertising

Maximizing Florida Lottery brand awareness is core to the Lottery's advertising mission. 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 32 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 2018-2019, the Lottery built awareness of the Lottery’s contributions to Education by highlighting real student stories. In addition to promoting that the Lottery is a dedicated funding source for public education in Florida, the campaign for FY 2018-19 also focused on putting Education in the spotlight with the Bright Futures Scholarship and how the Lottery helps hundreds of thousands of Florida students shine. This campaign was supported in both the General market and Hispanic market on custom TV and radio spots, and across all key channels (Digital/Social, OOH) in the general market.

In FY 2019-20, the Lottery continued the theme of putting Education in the spotlight and highlighting real student stories. FY 2019-20 initiatives included a “Beyond the Spotlight” campaign where Bright Futures students and current teachers were encouraged to tell their Education stories and were entered for a chance to win school gear or classroom supplies. This database of real students’ stories will be used for FY 20-21 campaign initiatives.

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 expenditures, constantly evaluates the impact and return on investment of all advertising funds used to support its products. The Brand Management division 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 - what is unique and valuable about an MMM study is its ability to account for factors 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 2016-17 annual sales. This is a tool the Lottery continues to use in an effort to ensure the most effective mix of media is purchased and placed in market and has been successful at maintaining at least that 9 percent contribution, or better, since 2017.



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 continued to experience positive overall growth in FY 2019-20. Lack of jackpot rollovers to high levels on multi-state games POWERBALL and MEGA MILLIONS during FY 2019-20 greatly impacted Terminal game sales vs. the prior fiscal year, with overall Terminal games down 16.88%. The Lottery mitigated the negative impact on overall sales by leveraging strengths of other terminal games, such as CASH4LIFE and the PICK Family of games. The Lottery was also aggressive in launching and promoting Fast Play games, an exciting instant win game play style printed at the Lottery terminal. When combined with the 14.73% growth in Scratch-Off game sales, the Lottery was able to overcome a terminal game deficit year over year, achieving a 4.95% overall increase in gross sales for an increase of nearly \$354 million over the prior fiscal year. Total gross sales exceeded \$7.5 billion for FY 2019-20.

The Corporate Sales team continues participation in retail events and meetings with our top chain partners to enhance business building relationships, allowing the Lottery to have a platform for retailer engagement on a variety of topics important to the Lottery. Through strong partnerships, the Corporate Sales team was able to accomplish several major initiatives with key chain partners, resulting in net new retailers, facings, and sales in FY 2019-20. After a successful initial pilot with Walmart, the Lottery and vendor partners trained and installed vending



machines and terminals in 200 additional Walmart Supercenter locations during the fiscal year. This endeavor increased the retailer base across the state, adding 4,000 facings of Scratch-Off games in a key strategic retail partner. The Lottery was also successful in upgrading game presence and game variety by implementing a customized dispenser for our largest chain partner, Publix. While the project added facings and led to Scratch-Off growth in our top volume retailer, it also created operational efficiencies for Publix, serving as a great example of the Lottery's goal to increase sales and contributions to education through a true partnership that meets the needs of our corporate chains as well. 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. Partnerships allowed for advancements in social media use and advertising materials at store level. Scratch-Off growth for the fiscal year was 15.61% in chain partners, exceeding the growth seen in the non-chain universe (13.71%) and the state overall (14.73%). The performance trend is expected to continue in FY 2020-21 with continued focus on strategic partners, though the Lottery could continue to see shifts in business across trade channels based on the COVID-19 environment.

The Lottery must ensure it has the tools and support necessary to maintain - and ideally improve - its external operations. Flexibility is key, both for maintaining operations with the current retailer base and for recruitment efforts to add to our retailer network. The Lottery needs to be able to pivot as necessary to maximize sales (and therefore contributions to education), as the retail landscape changes. Within current retailers, staffing limitations and budget cuts have started to impact the traditional "service desk" model where Lottery is typically located. As retailers across all trade channels execute self-check-out (SCO) strategies and minimize staffing, the Lottery must prepare to stay relevant and convenient in the changing environment. Additionally, resource commitment requirements on the part of the retailer continue to be barriers to entering new trade styles. A smaller footprint in the retail environment is ideal to sell products in a more convenient, less resource-demanding manner. Driving foot-traffic for new partners without burdening their operations are critical. 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 to make products available to consumers where and when consumers want them. However, cost and effort required by the retailer must be minimal to justify the potential earnings. The ability to be agile with offerings and selling styles is critical if the Lottery is to be successful in non-traditional trade styles and have continued growth in our current network.

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. Investment in technology is critical to offer self-serve options to operate in a self-service environment.



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 with all promotions being web-based. 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. With the launch of a new Lottery mobile app at the end of the fiscal year, the Lottery takes the next step in offering Lottery content delivery in a manner convenient for players. The mobile app initially offers players an option of creating and using a digital playslip, the ability to check their numbers, and the ability to enter second chance promotions by scanning a bar code. The mobile app puts Lottery functions at the player's fingertips, available when and where the player chooses, and offers room to grow to meet Lottery and player needs. Continued efforts to streamline activities and add convenience will benefit players, retailers, the Lottery and contributions to education.

The Florida Lottery continues to make strides in retailer satisfaction through use of technology as well. Retailer satisfaction results have remained high based on satisfaction surveys conducted, and the Lottery continues to make improvements in software platforms that have a direct impact on customer service. Initially, the Mobile Sales Tool (MST) created efficiencies for Lottery Sales Representatives including paperless sales presentations, access to sales-related data while in a retail establishment, and the ability to monitor inventory levels and place orders if needed. New and improved functionality via the Sales Wizard software platform (available as of April 2019) offers significant advancements on the MST/iPad, putting near real time data in the hands of the Lottery's sales force. The Sales Wizard offers data analysis and comparison, data and image capture capability, access to resource documents and presentations, and varied report functions - all designed to assist Sales Representatives with route management. For Lottery retailers, the tools lead to improved communication, including product and promotion awareness which leads to increased sales and earnings. For Lottery field staff, the information leads to informed business decisions that maximize sales and earnings for Lottery retailers and results in maximum transfers to the EETF. Efficiencies gained have also allowed the Sales Representatives to allocate more time to visiting prospective retailers in an effort to grow our retailer base. With Sales Wizard enhancements, they are able to access resources and share professional presentations on their iPad. Both the Lottery and its retail partners will continue to see business-building benefits from Sales Wizard and Performance Wizard software platforms. With continued enhancements and upcoming plans for the Retailer Wizard platform, the Lottery expects to make even more information readily available to retail partners to meet their needs and maintain high levels of retailer satisfaction.



Conclusion

It is clear from the summary provided above that the 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, Florida Statutes.

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

The 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 Lottery 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 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.

In 2018, the Tracking Study began gauging awareness of the Lottery’s latest Play Responsibly advertising and marketing initiatives. This information has allowed the Lottery to better understand player awareness of Play Responsibly advertising, and that awareness has increased since 2018.



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 - In FY 2019-20, the Lottery worked with its Market Research Contractor to conduct a special study that served as an in-depth dive into new game concepts.

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

As we look forward to FY 2020-21, 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 Lotteries in the nation.



Florida Lottery

Long Range Program Plan

Fiscal Years 2021-22 through 2025-26

Samantha Ferrin, Chief of Staff
September 30, 2020



Performance Measure 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 FY 2020-21 (Words)	Approved Prior Year Standard FY 2019-20	Prior Year Actual FY 2019-20*	Approved Standards for FY 2020-21	Requested FY 2021-22 Standard
Transfers to the State Educational Enhancement Trust Fund	\$1.817B	\$1.915B	\$1.817B	\$1.866B
Total Revenue in Dollars	\$7.226B	\$7.524B	\$7.226B	\$7.527B
Operating Expense** as a Percent of Total Revenue	9.52%	8.05%	9.52%	9.52%
Percent of Respondents Who are Aware of the Lottery's Contribution to Education	65%	61%	65%	65%
Executive Direction and Support Services for all Lottery Operations as Measured by Percent of Total Agency Budget	6.20%	3.13%	6.20%	6.20%

*All amounts included for Fiscal Year 2019-20 are unaudited.

**Includes payments to Gaming Vendors and Retailer Commissions

Florida Lottery

Long Range Program Plan

Fiscal Years 2021-22 through 2025-26

Samantha Ferrin, Chief of Staff
September 30, 2020



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%	61%	-4%	-4%

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 public relations coverage, web and social media, education-specific collateral materials and participation in various education-related events/partnerships during the fiscal year, support was at lower spend levels than previous years. With marketing budgets remaining flat year over year, and increased priorities for advertising, including greater support for Responsible Gaming and new product launches, advertising spend had to be redistributed to these areas. Since we relied heavily on public relations and partnerships to help drive awareness of our education message. 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 important to note that the performance results do indicate 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, and outdoor advertising, education-specific collateral materials, public relations initiatives, and increased social media presence throughout the State to heighten awareness of the Lottery's contributions to education.

Florida Lottery

Long Range Program Plan

Fiscal Years 2021-22 through 2025-26

Samantha Ferrin, Chief of Staff
September 30, 2020



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 July 2020 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 July 2020 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 2020-21	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

Florida Lottery

Long Range Program Plan

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Agency-Level Unit Cost Summary – LRPP
Exhibit VI

Glossary of Terms and Acronyms

ADA – Americans with Disabilities Act

CSIRT – Computer Security Incident Response Team

EETF – Educational Enhancement Trust Fund

ESF – Emergency Support Function

FDLE – Florida Department of Law Enforcement

FTE – Full Time Equivalent

FY – state Fiscal Year

ISM – Information Security Management unit

IT – Information Technology

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.

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.

