

RON DESANTIS
Governor



JOHN F. DAVIS
Secretary

LONG-RANGE PROGRAM PLAN

Florida, Department of the Lottery
Tallahassee, Florida
September 30, 2022

Chris Spencer, Director
Office of Policy and Budget
Executive Office of the Governor
1702 Capitol
Tallahassee, Florida 32399-0001

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

John Shettle, Interim Staff Director
Senate Committee on Appropriations
201 Capitol
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long-Range Program Plan (LRPP) for the Department of the Lottery is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives, and measures for Fiscal Year 2023-24 through Fiscal Year 2027-28. 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 John F. Davis, Secretary of the Florida Lottery.

Sincerely,

A handwritten signature in black ink that reads "John F. Davis".

John F. Davis
Secretary

JFD/mak

Florida Lottery

Long Range Program Plan

Fiscal Years 2023-24 through 2027-28

John F. Davis
September 30, 2022



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 (F.S.), 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, innovation, and effectiveness in its daily operations.

GOAL #1: Maximize Contributions to Enhance Education

The Lottery's mandate is to maximize funding to enhance public education. The Lottery contributes to the state's Educational Enhancement Trust Fund (EETF) on a monthly basis, and those funds are appropriated annually to the Department of Education by the Florida Legislature.

GOAL #2: Uphold the Integrity of Business Operations

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.

GOAL #3: Increase the Retailer Network

The Lottery is continuing to focus on increasing the retailer network through strategic approaches.

GOAL #4: Optimize Business Operations

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 principle cannot be overstated and resonates at every level within the organization.

GOAL #5: Exceed Customer Expectations

The Lottery's two main business functions are selling tickets and paying prizes. The Lottery is continuously identifying opportunities to improve and enhance the way we deliver these services to our customers.

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.

Outcomes and Performance Projections

GOAL #1: Maximize Contributions to Enhance Education

Since the Lottery’s inception, more than \$42 billion has been generated for education. During Fiscal Year (FY) 2021-22, contributions to education were approximately \$2.3 billion. The Florida Bright Futures Scholarship Program, which is primarily funded by the Lottery’s contributions, has enabled more than 917,000 students to pursue their academic goals of a higher education.

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 based on the July 2022 Revenue Estimating Conference (REC)

Baseline FY 1997-98	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
\$801.68 Million	\$2.25 Billion	\$2.24 Billion	\$2.26 Billion	\$2.28 Billion	\$2.29 Billion

GOAL #2: Uphold the Integrity of Business Operations

From our Draw game processes, to customer service interactions, to prize payment procedures, to retailer contracts, to employee background checks, integrity is interwoven into every aspect of our business operations. The Lottery stakes its reputation on our ability to exceed the high standards we set for ourselves in order to exceed expectations of the citizens of Florida.

The Lottery continues to strengthen its Responsible Gaming initiatives by pursuing continued certifications from the North American Association of State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG). While we have always been committed to protecting the interests of those who play our games, these certifications further serve to emphasize that we are working to put responsible play at the heart of everything we do—from the way we design and advertise our games to the resources we offer our players.

Beyond these certifications, which provide third-party support of our efforts, the Lottery built and maintains a comprehensive, award-winning website that further educates and empowers

players on how 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 players for winning responsibly.

GOAL #3: Increase the Retailer Network

The Lottery remains focused on increasing its retailer count. Additionally, retailer retention is a top priority and the Lottery continues to introduce tools that will keep retailers on track for success. Implementation of training techniques for sales representatives to improve the success rate of recruitment efforts will continue to be an initiative in FY 2023-24 and beyond. Large strides are also being made to break through unaffiliated retailer corporations. All of these approaches are geared toward achieving the goal of increasing the retailer network.

GOAL #4: Optimize Business Operations

Continuous process review and improvement is integral to the sustained success of the Lottery. By routinely evaluating and refining internal processes the Lottery will ensure that Lottery operations are performing as efficient and effective as possible.

In FY 2022-23, the Legislature appropriated funding in the General Appropriations Act to replace the Lottery's existing prize payment system, which is more than ten years old. The new Claims and Payment (CAP) system will be implemented in a three phased approach. Phase 1 replaces the current prize payment system and creates the foundation to reduce waste and improve efficiencies in subsequent phases. Significant enhancements to the Lottery's mobile application (app) will be achieved in Phase 2, allowing players to claim prizes directly through the mobile app. Players will have the option to scan their winning ticket on the mobile app and select their payment method. The Phase 3 payment center kiosk deployment is designed to reduce prize payment wait times and waste associated with the current paper processes. Players who visit Lottery district offices will have the ability to scan their personal identification and winning ticket at the kiosk and complete their winner claim form electronically. Once completed the player record will be processed and their payment will be provided.

GOAL #5: Exceed Customer Expectations

To exceed customer expectations, the Lottery makes every effort to provide superior customer service to both our players and our retailers.

With the launch of a new Lottery mobile app, the Lottery offers a variety of content for players. The app offers players an option of creating a digital playslip (which must be presented by the player at a physical retail location for the retailer to generate the ticket for the player in the

store), the ability to check their numbers, check jackpot amounts, and game information. The app puts Lottery functions at the player's fingertips and offers room to grow to meet Lottery and player needs. Continued efforts to streamline activities will benefit players, retailers, the Lottery, and contributions to education.

To ensure we are meeting the expectations of our retailers, the Lottery routinely authorizes a Retailer Satisfaction Survey administered by its market research vendor, Ipsos, and results consistently indicate that the Lottery is highly regarded by its retailer base.

Examples of how the Lottery seeks to exceed retailer expectations is through frequent communication including on-site visits and phone calls to retailers. Sales representatives plan retailer contacts on a two-week cycle, with some higher volume retailers, such as top-selling accounts, often visited or contacted weekly. This presence in the field aids sales representatives in developing rapport with retailers, often enabling them to secure prime dispenser and point-of-sale (POS) placement and ensure product availability both on the counter and in vending machines. Bi-weekly visits also minimize inventory liability concerns and helps to maintain a positive sales representative/retailer relationship statewide.

Linkage to Governor's Priorities

Governor Ron DeSantis has identified several priorities of his administration, including:

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

The way in which the Lottery carries out these priorities to benefit students, businesses, and Lottery players is outlined below:

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.

Lottery contributions are instrumental to ensuring the future success of Florida's students. The Lottery has contributed more than \$1 billion annually for each of the past 20 fiscal years to benefit Florida students and schools statewide. FY 2021-22 marked the second time in the Lottery's 34-year history that education contributions for a single FY exceeded \$2 billion. Since 1988, Florida's public schools have received more than \$22.13 billion, state colleges and universities have received more than \$11.16 billion, and the Bright Futures Scholarship Program, for which the Lottery is the primary funding source, has received more than \$7.48 billion. These Lottery contributions help keep education affordable, and attainable, for Florida students and have allowed more than 917,000 students to attend college.

Beyond these contributions, the Lottery regularly partners with a wide range of diverse organizations across Florida, focusing on opportunities that share the Lottery's commitment to education. Developing these relationships provides a platform that allows the Lottery to share its mission of generating additional funds for Florida's students and schools while also amplifying awareness of the Lottery-funded Bright Futures Scholarship Program.

Economic Development and Job Creation

The Lottery is statutorily charged with operating as much as possible like a business enterprise. Year after year, the Lottery continues to reach and exceed sales projections and goals. In FY 2021-22, the Lottery exceeded a record \$9.3 billion in sales, surpassing FY 2020-21 by more than \$248 million—a 2.7% increase. These historic sales resulted in more than \$2.3 billion being generated for the EETF. Since 1988, the Lottery has generated approximately \$137 billion in sales and contributed more than \$42 billion to education.

As a more than \$9.3 billion annual enterprise, it is paramount that the Lottery embraces proven business principles designed to ensure sustainable growth. Our product distribution model is based on mutually beneficial relationships with Florida businesses and is primarily driven by customer service. In FY 2021-22, the Lottery surpassed an all-time high, contracting with more than 13,400 retail locations statewide—from large chain corporations to independent “mom and pop” shops that help to foster the entrepreneurial spirit within the state. These retailers help the Lottery grow its business and, in turn, offering Lottery products helps retailers grow their businesses, which stimulates Florida’s economy. Each Lottery retailer receives a set commission from every ticket sold; as the Lottery’s sales increase, commissions for retailers also increase. The Lottery is dedicated to expanding this retailer network in order to help bolster our capabilities and continue the trend of increased sales and transfers to the EETF.

Public Safety

Division of Security

Chapter 24, F.S., requires the Lottery have a Division of Security (Security) to promote and protect the integrity of, and the public's full faith and confidence in, its games, retailers, and Lottery operations. Security maintains the security and integrity of game drawings, employees, retailers, vendors, facilities, building access control and badging system, alarm monitoring, and video imaging. To ensure efficient delivery of security and law enforcement services special agents are currently assigned to the Lottery’s Headquarters building in Tallahassee and across the state at the Lottery’s Miami, West Palm Beach, Tampa, Orlando, and Jacksonville District Offices.

As a state law enforcement agency, Security is accredited by the Commission for Florida Law Enforcement Accreditation (CFA). Security received its initial accreditation in 2016 and reaccreditation in 2019. Security was recently reassessed in July 2022 and recommended without conditions for an additional 3-year reaccreditation cycle to begin in October 2022. Successfully maintaining accreditation helps to ensure that Security uses its resources wisely, is transparent, and operates at the highest level of ethical and professional standards in law enforcement. Through efficiency and consistency of operations, accreditation increases the law enforcement

agency's ability to prevent and control crime. Additionally, accreditation enhances cooperation with other law enforcement agencies and other branches of the criminal justice system.

Pursuant to section 24.108(7), F.S., an independent firm experienced in security procedures conducts a biennial comprehensive study and evaluation of all security operations within the Lottery. This includes:

- Establishment of Lottery goals and objectives with provisions for periodic updating;
- Evaluation of whether resources are being used in accordance 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; and
- Measures to justify decisions related to budget requests and personnel policies.

Protecting the Integrity of Lottery Games and Operations: Scratch-Off ticket security is ensured through a comprehensive examination of security features at the vendor location during the printing, packing, and delivery. Each new game is thoroughly tested, and the ticket security criteria scrutinized. Annual visits and inspections to vendor print locations are also conducted to ensure the security and integrity of all products.

To ensure the integrity of draw games, the Lottery employs an extensive system of internal controls and procedures, including secure storage of ball machines and ball sets, a monitored storage vault with strict access procedures, and multiple recordings of every drawing by Marketing and Security staff. An independent verification of the results of each drawing is performed by a Security employee and an accountant from an independent certified public accounting firm. To accommodate and support the sale of POWERBALL® and MEGA MILLIONS® tickets, additional security requirements have been implemented.

Internal controls are also in place for second chance promotion drawings, which allow players to enter ticket information for an additional chance to win prizes. Drawing security is also overseen by Security and witnessed by an accountant from an independent certified public accounting firm.

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

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.

Retailer Assistance and Compliance: 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 the appropriate age of Lottery players and retailer compliance. As part of the Retailer Integrity Program, special agents conduct undercover compliance and unannounced retailer inspection operations at Lottery retailers across the state. This program is designed to ensure retailers are properly validating claims and paying prizes to players 18 and over. Lottery crimes, fraudulent or questionable claims, and high-tier claims are also investigated to ensure security, honesty, accountability, and integrity are maintained. Ticket examinations and investigations are also reviewed in the Lottery's state-of-the-art forensic laboratory.

Collaboration with Law Enforcement Partners: Lottery special agents provide valuable lead information to local law enforcement investigators when the theft of any Lottery product is reported. Lottery assistance to other law enforcement agencies has led to arrests for offenses such as theft, burglary, armed robbery, fraud, and homicide. Special agents assist retailers by providing important transaction information to local law enforcement in cooperation with the State Attorney's Office to submit appropriate paperwork for the filing of related criminal charges.

With the assistance of Lottery special agents, security specialists, and retailers, the Lottery has joined other law enforcement agencies in partnering with the Florida Department of Law Enforcement's (FDLE) Missing Endangered Persons Information Clearinghouse (MEPIC) by participating in Amber, Silver, Purple, and Blue Alerts, 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. This allows the Lottery to provide key information regarding the missing child or missing adult, the suspect, the vehicle (if known), and all other relevant information in near real-time. Retailer employees and members of the public who are in the store are then able to view this information directly from one of the Lottery 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. The Lottery's participation in these programs has directly played a role in the successful recovery of several missing individuals.

Security also provides support at the State Emergency Operations Center in Emergency Support Function (ESF) 16 – Law Enforcement, by participating in the coordinated mitigation and recovery efforts of the Florida Mutual Aid Plan that is implemented during and following disasters. As an added emergency management resource, the Lottery shares information with the Division of Emergency Management (DEM) through the Florida Lottery Index of Power (FLIP). FLIP is an automated system that identifies Lottery retail locations that have power before, during, and after an emergency event. This data provides real-time information on where power is available throughout the state to aid first responders and other essential services with timely response and recovery efforts.

Information Security Management

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;
- Coordinating information security with physical security; and
- Ensuring compliance with 60GG-2, Florida Administrative Code, and Multi-State Lottery Association (MUSL) Rule 2 Information Technology Standards.

ISM is responsible for security on numerous application accounts and all network accounts. Additionally, section 282.318, F.S., states that ISM shall develop and periodically update a comprehensive risk analysis and written internal policies and procedures to ensure the security of the data and IT resources of the Lottery.

ISM also manages the Lottery's Computer Security Incident Response Team (CSIRT) and 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 IT 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. The Lottery invested in a full suite of Vulnerability Management Systems (VMS) in 2020 that incorporated cloud and on-site components. In September 2022, the Lottery transitioned the VMS to a system that incorporates more cloud components and increases the off-site management capabilities and overall footprint.

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.

Contracting with Retailers

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 integrity guidelines. Once these documents are received by a Lottery district office, the paperwork is submitted to the Lottery's Retailer Contracting unit 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 mailed/emailed to allow the owner the opportunity to address those issues. Financial issues may require the applicant to post a certificate of deposit or bond before their account may be approved to sell Lottery products.

Once all background checks are cleared, the application is approved and the Retailer Contract is executed for new locations. For change of ownership (CHOW) applications, the Retailer Contract is executed when the CHOW transfer occurs. After the application is approved, the retailer must then complete an in-depth training process with the Lottery's gaming system provider, IGT. The retailer is trained on the Lottery's portfolio of game offerings, how to sell tickets and redeem prizes, and how to manage and understand weekly settlement and accounting reports, as well as other functions of the Lottery equipment. Once the training is completed, the retailer is able to begin selling.

Payment of Prizes

Retailers are not authorized to pay prizes valued above \$599. Prizes \$600 and greater must be claimed at one of the Lottery's nine district offices or Lottery Headquarters, per Lottery rules. The process that players must follow to claim prizes of \$600 and greater includes the completion of a Winner Claim Form, completion of ownership information located on the ticket back, and submission of a valid 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 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; Lottery employees also verify that the name and date of birth on the player's ID matches what is on the Winner Claim Form. Once the TIN is confirmed, the ticket is validated in the prize payment system. At this step, the player's social security number is also run through a state database to check for any outstanding state owed debt (SOD) by the player. If a SOD is owed, a process with the corresponding agency (Department of Children and Families and Department of Economic Opportunity are the most common) begins in order to reconcile. If

no SOD is present, the Lottery employee verifies the accuracy of the claim by reviewing all relevant information that is required to complete the process. Once the claim has been validated and paid, the check is printed and is awarded to the player. The player must present their ID again to the employee awarding the check and must sign a winner's report, acknowledging receipt of the check and ensuring the name and amount are correct.

ISM

ISM is a key component to maintaining public confidence in the integrity of the Lottery. As such, the Lottery has implemented an ISM methodology known as the CIA triad that focuses on protecting the confidentiality, integrity, and availability of data and systems from potential threats.

The Lottery ensures the confidentiality of data by using the principle of *least privilege access*. This is the concept that a user should only have access to what they absolutely need in order to perform their job-related tasks and ensures access to data is on a need-to-know basis. Furthermore, the Lottery has implemented several strategies to secure access to confidential data, including multi-factor authentication and required routine updating of user access passwords.

In addition to restricting access to confidential data, the Lottery ensures the integrity of the data by implementing a number of complimentary strategies, including data encryption, routine system upgrades, updates and patches, daily data backups, and periodic data integrity audits. Coupled with intentional physical plant design/configuration, these strategies form a solid foundation of data integrity.

Trends and Conditions Statements

Accomplishments:

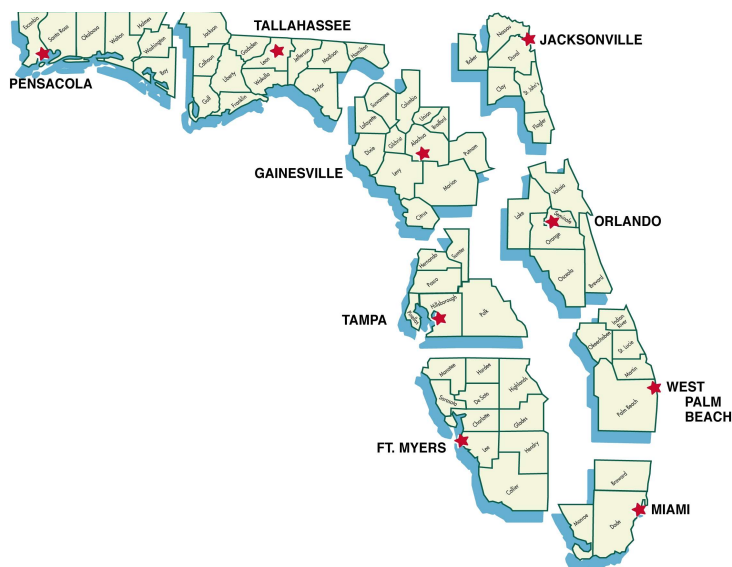
- Since 1988, the Lottery has continued its mission to maximize sales in support of generating additional revenue to enhance education. Total contributions to education have exceeded \$42 billion.
- In FY 2021-22:
 - The Lottery achieved its tenth consecutive year of record sales with annual sales surpassing \$9.3 billion.
 - The Lottery transferred more than \$2.3 billion to the EETF, exceeding the January 2022 REC projection by more than a \$199 million. This marked the second time in the Lottery's 34-year history that education contributions for a single FY exceeded \$2 billion.
- In calendar year 2021:
 - The Florida Lottery rose to first in the nation for total sales.
 - The Lottery maintained the top position for highest in-state lotto sales in the U.S and second highest in the nation for both POWERBALL[®] and "FOR LIFE" multi-state game sales.
 - Florida ranked first in the U.S. and third worldwide for Scratch-Off sales.
 - Florida ranked fourth in the U.S. and seventh worldwide for Numbers sales.
 - Florida ranked seventh among worldwide Lotteries for total sales.
 - The Lottery achieved an all-time high retailer count of 13,410.

Sources: LaFleur's 2022 World Lottery Almanac

Lottery Operations

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)

Figure 1. Lottery District Offices



The Lottery has continued to improve upon its existing portfolio of top selling games, while also adding new products to earn incremental discretionary entertainment dollars from those 18 years and older. In FY 2021-22, Scratch-Off sales exceeded \$7 billion, accounting for more than \$197 million in additional sales compared to FY 2020-21. The Lottery also achieved all-time Scratch-Off sales records for the 11th consecutive year and set an industry record for the highest single week sales for any Scratch-Off game in the U.S. during FY 2021-22, with 500X THE CASH, surpassing \$58.74 million in its first week. Additionally, for the second year in a row, Scratch-Off sales exceeded \$100 million every week of the FY, averaging \$134 million per week.

Sales were driven by industry best-in-class Scratch-Off games, consisting of 37 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

WINNINGS families of games, as well as HOLIDAY CASH BLOWOUT that outperformed its \$10 predecessor by 160%, or a \$110 million increase in 13 weeks of sales. Florida's first ever \$50 game, 500X THE CASH, launched February 28, 2022, marking the beginning of Xtra Bonus Play Promotion which included the lower price point X THE CASH family of games that launched in January (over 3.7 million tickets were entered). Sales for the first six weeks of 500X THE CASH averaged over \$55 million per week, and by the end of the FY exceeded \$800 million in total sales. In addition to having a higher volume of tickets entered overall than the Gold Rush Supreme Bonus Play in FY 2020-21, the \$30 GOLD RUSH SUPREME game accounted for 17% of tickets entered, while the \$50 500X THE CASH game accounted for 38% of tickets entered. In FY 2021-22, the Lottery had the best-selling, new \$50, \$20, \$5, and \$2 games in the country at each respective price point, with the \$50 game, 500X THE CASH, taking honors as the top-selling game in the industry.

The Lottery's Terminal game portfolio had a significant enhancement to POWERBALL®. Implementing Monday drawings contributed to increased sales over \$100 million compared to the previous FY. Also, introducing the new add-on feature, Double Play®, contributed to an additional \$30 million in sales.

Following the relaunch of Florida's Fast Play games in the first half of FY 2021-22, the Lottery suspended Fast Play sales in the second half of the year to make room for CASH POP™ on January 3, 2022. CASH POP is a one-number game that has five draws per day, seven days a week. Tickets start at \$1 per number (ranging from 1 to 15), or players can choose to play \$2 or \$5 per number for a chance to win higher prizes or play multiple numbers in a single drawing to improve their odds. Winnings range from 5X to 250X the play amount. In less than six months, the game exceeded \$55 million in sales.

The Lottery supported these product launches with strong advertising efforts, a variety of in-store and Bonus Play promotions, as well as by offering limited-time retailer incentives to increase sales, generate awareness, and add value.

Table 1 below represents a comparative statement of income and expenses for the past five FYs, showing a steady increase in revenue since FY 2017-18. During that time, total revenue increased from \$6.71 billion to \$9.33 billion, or 39.05%. The Lottery's contributions to education increased from \$1.76 billion to \$2.38 billion, or 35.23%. During this same period, the Lottery's operating costs, expressed as a percentage of revenue, have decreased. 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 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Total Revenue	\$6,713.01	\$7,166.34	\$7,511.63	\$9,083.04	\$9,331.87
Total EETF Contributions	\$1,758.33	\$1,927.05	\$1,913.80	\$2,237.44	\$2,382.00
Total Admin Costs**	\$81.20	\$82.20	\$82.45	\$79.12	\$80.20
Total FTE's	418.50	418.50	418.50	418.50	418.50
Operating Costs as a Percent of Total Revenue	1.21%	1.15%	1.10%	.88%	.86%
EETF Contribution per FTE	\$4.20	\$4.60	\$4.57	\$5.35	\$5.69

**Data for FY 2021-22 is unaudited.*

***Department Administration Costs only.*

Table 2 illustrates sales by product for the five most recent FYs.

Table 2

Net Ticket Sales (Millions)

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Scratch-Offs	\$ 4,652.30	\$ 4,937.78	\$ 5,665.32	\$ 6,827.86	\$7,025.29
PICK Family of Games™	\$ 698.23	\$ 709.26	\$ 736.86	\$ 862.89	\$877.71
FLORIDA LOTTO®	\$ 240.02	\$ 223.50	\$ 210.10	\$ 284.70	\$267.90
FANTASY 5®	\$ 264.42	\$ 258.41	\$ 245.84	\$ 257.85	\$243.47
LUCKY MONEY™	\$ 74.19	\$ 41.85	\$ 0.00	\$0.00	\$0.00
POWERBALL®	\$ 474.03	\$ 459.39	\$ 282.15	\$ 363.67	\$494.13
MEGA MILLIONS®	\$ 220.62	\$ 416.97	\$ 225.04	\$ 337.06	\$239.21
CASH4LIFE™	\$ 59.22	\$ 50.34	\$ 65.32	\$ 69.24	\$64.82
Fast Play™	\$ 17.78	\$ 20.96	\$ 20.03	\$ 20.82	\$10.83
JACKPOT TRIPLE PLAY™	\$0.00	\$ 32.78	\$ 54.45	\$ 52.12	\$46.39
CASH POP™	\$0.00	\$0.00	\$0.00	\$0.00	\$54.86
Total Draw Game Sales	\$ 2,048.51	\$ 2,213.46	\$ 1,839.79	\$ 2,248.35	\$2,299.32
Total Ticket Sales	\$ 6,700.81	\$ 7,151.24	\$ 7,505.11	\$ 9,076.21	\$9,324.6

** Data for FY 2021-22 is unaudited.*

The Lottery continues to grow Scratch-Off sales through innovative product implementation, strategic marketing strategies, and leading industry best practices, 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.
- Effective marketing of the product through proportionate advertising allocation.
- Innovative marketing tactics to help drive engagement throughout the life of a game.
- Six-week new game launch schedule that allows for three weeks of POS advertising in the market.
- Requirement for all retailers to achieve 100% new game activation within 72 hours of launch.

In FY 2021-22, the Lottery exceeded both its sales and EETF contribution forecasts adopted by the January 2022 REC by 4.13% and 9.14%, respectively. The January 2022 REC forecasted a decrease in growth for FY 2021-22, at a combined rate of 1.3%. The REC projected a decrease in Scratch-Off of 0.7% and a decrease in Draw game ticket sales of 3.3% for FY 2021-22.

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 our commitment to encouraging 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 challenges. 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.
- Highest retailer count in the history of the Florida Lottery.
- Florida ranks tenth in total per capita sales among U.S. Lotteries and 11th among worldwide Lotteries.
- Newly implemented Managed Detection and Response (MDR) system 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 and assists in the management of access privileges.
- Continued dedication to EETF contributions.
- 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 based on extensive market knowledge and research conducted by an experienced product development team.
- 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.

- Strategic initiative aimed at generating greater public awareness of the importance of responsible gaming. The Lottery currently holds accreditations from NASPL and NCPG. These certifications allow the Lottery to take a greater leadership position to promote Responsible Play.
- 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 2018-19 to enhance the disaster recovery systems and funding received in FY 2020-21 to replace the Lottery's uninterrupted power system.
- The second-highest state in contributions to its beneficiaries.
- Consistently strong rankings in positive perception of our brand.
- Increased player engagement through innovative marketing tactics, primarily social media.

Opportunities:

- The Sales Division continues to focus on recruiting new retailers to grow the Lottery's retailer population and improve its minority business representation. In FY 2021-22, 659 new retailer applications were received (199, or 30%, were from minority-owned businesses).
- Enhance the Lottery's footprint in retailer locations ready to increase sales through Lottery products.
- The Lottery is partnering with the Florida Digital Service [FLDS] to enhance cyber awareness and cyber training for all employees. FLDS is offering access to several industry leading platforms that enhance detection, mitigation, and response to cyber related incidents.
- The Lottery continues to explore and utilize the opportunities available to us through the new gaming system implemented in April 2019. The new gaming system modernized functionality of Lottery operations and included new gaming servers, retailer equipment, communications network, improved security, anti-fraud measures, sales accounting, and mobile device support. The new gaming system has resulted in efficiencies gained, but still offers new business-building opportunities for games, promotions, marketing, and more that the Lottery can continue to explore.

- The Lottery is in the process of redesigning and restructuring its website to better utilize and increase its impact as a communications tool and reinforce its commitment to integrity, increasing education contributions, and playing responsibly.
- 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 with underrepresented minority retailers.
- The Lottery has the opportunity to attract players to new play styles with its offerings of innovative, cutting-edge products.
- The Lottery's licensed-property games with promotional drawings provide an opportunity for more players to win merchandise, cash, and experiential prizes.
- The Lottery's ability to generate high volume foot traffic in retail environments enables the Lottery to attract major corporate partnerships and reach broad audiences.
- The Lottery's continued use of strategic partnerships provides an opportunity to expand the Lottery's distribution network.
- The Lottery's authority to apply for and hold patents on unique game ideas, processes, or playstyles allows the state to protect its intellectual property and revenue stream.

Challenges:

- The ever-changing marketplace in which the Lottery operates can impact its operations and revenue stream. For example, the Lottery is a cash-based business, and this may present additional challenges as commerce has moved towards a cashless transaction environment. Additionally, an evolution from brick and mortar to an e-commerce 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.
- The Lottery faces challenges with respect to workforce recruitment, turnover, and retention. **Over the last two years, the employee turnover rate nearly tripled**, with 36 employees leaving the Lottery in FY 2020-21, compared with 90 employees, who left in FY 2021-22. Employees have reported that they are leaving the Lottery for higher-paying jobs and the opportunity to work remotely. Additionally, the Lottery has an aging workforce, and will lose approximately 10% of its workforce to retirement over the next two years.

Florida Lottery Operations as it Relates to Goals

Introduction

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

The Lottery is persistent in searching for ideas and approaches to continuously provide entertaining products; the current product line is under constant review and evaluation to ensure this objective is achieved. Additionally, 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.

Continuing to evaluate processes and procedures that will result in cost savings is also important to achieving this goal. 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 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.

Along with 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

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 SaaS (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 our website, business accounting system, and business intelligence system for disaster recovery. 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 are maintained at the highest possible level. These additional servers give the Lottery sufficient resources to run all mission-critical applications should it become necessary to run its operations out of the ODC for an extended period of time. As the Lottery moves to the cloud, opportunities exist for this to be expanded to also meet disaster recovery needs.

The Lottery's aging application infrastructure and the amount of technical debt accumulated has begun to make integrating with modern technologies challenging along with the speed of delivering solution is a hinderance to profitability. The Lottery has begun analyzing processes and implementing new policies and procedures used to bring IT Services in line with current best practices. This effort has resulted in plans, roadmaps, and timelines to implement Service-Oriented Architecture (SOA), and a new Systems Development Lifecycle (SDLC) with accompanying policies and procedures. This leaves the Lottery with suggested IT initiatives that can be undertaken in the future to further enhance the output of the Lottery's IT shop. As the Lottery works on improved business processes to be implemented, these will enable better management of development projects and provisioning of IT services and provide a plan for further enhancing IT Service Management and Operations. Implementing known best practices 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. These 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 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 website. The Lottery's website is an important method for meeting the statutory requirement outlined in section 24.1215, F.S., to keep the public informed about the significance of Lottery funding to the state's overall system of public education. Of the 15.15 million average monthly visits to the Lottery's website, 75.51% 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) that 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 protect the integrity of the Lottery.

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

As authorized in Chapter 2020-111, Laws of Florida, the Lottery procured IT auditing services. With the increases in technological advances and increased complexity in IT structure, IT audits are becoming more important. This provides an IT certified auditor(s) to specifically audit the Lottery IT systems and their operations, which includes 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.

3. Marketing

Maximizing brand awareness is core to the Lottery's marketing and advertising efforts. All messaging focuses on the excitement that comes around the moment of playing Lottery games, and reminding players that every ticket purchased benefits education, so ultimately every Floridian wins. While the fun of playing is at the core of Lottery advertising, all marketing efforts are intended to also encourage responsible play and promote contributions to Bright Futures scholarships and education in Florida. The Lottery's marketing strategy consists of three core messaging pillars: play, responsibly 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, best afforded using discretionary income.
2. **Responsible Gaming** – While encouraging customers to "play responsibly" has always been a part of Lottery messaging, there is always room 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 and (2) the appropriate age of Lottery players (must be 18 years or older to play).
3. **Education Awareness** – The Lottery has continued to build awareness of its contributions to education by highlighting real student stories. In addition to promoting that the Lottery as a dedicated funding source for public education in Florida, marketing also focuses on putting education in the spotlight with the Bright Futures Scholarship, primarily funded by the Lottery, which has helped more than 917,000 students attend college in Florida.

According to LaFleur's 2018, 2019, 2020, and 2021 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 when measured as a percent of sales.

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 Marketing division continues to test, learn, and optimize. It is a good exercise to understand what works, what doesn't, and why. As such, the Lottery works with an independent third-party vendor to conduct a Marketing Mix Modeling (MMM) Study. The study analyzes media, messaging, and sales data, among other detailed data, each year to understand the overall impact that marketing has on the Lottery's mission. This goes beyond a simple return on investment analysis; the MMM study is able to account for factors like health of the economy, pandemics, natural disasters, jackpot levels, product mix, and retailer footprints. The study showed that the Lottery's paid marketing accounted for 14% of its FY 2020-21 annual sales. This is a tool the Lottery continues to use to ensure the most effective mix of media is purchased and placed in market and has been successful at maintaining at least a 7.5% contribution to sales, or better, since 2017.

Strategic 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 tools. 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 are placed in or around the brick-and-mortar stores to increase product awareness and keep players informed.

In an ever-changing marketplace that is becoming more electronic and digital every day, working with only the current "traditional" printed POS provides some constraints. Therefore, the Lottery is continuously exploring new types of POS materials and positioning. In addition, a more sustaining "Play Here" POS message continues to be 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.

Another important and highly visible touchpoint for marketing is the Florida Lottery website. 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. Currently, the Lottery is executing a project to redesign the website, user flow, and capabilities to leverage a new content management system (CMS) that is set to be implemented in the next FY. The site will be redesigned and restructured to better utilize and increase impact as a marketing tool. It will also allow the Lottery to expand efforts to better support existing and prospective retailers with increased access to tools and services they need, including promotional information, forms, business aids, and frequently asked questions. The redesign of the new website will be carried over onto the mobile app as well, to ensure a seamless experience for our players across all touchpoints.

4. Product, Promotions, and Sales

The Sales team continues to work on strategic merchandising and marketing initiatives with retailer partners. These initiatives help the Lottery improve product presence in an impactful manner to provide a better player experience and create retail partner efficiencies. Merchandising upgrades continue in the Liquor store segment of Publix and Southeastern Grocers (Winn Dixie) where Scratch-Off facings and product assortment will increase as the Liquor sub-category continues to be an area of growth for the chains. Upgraded merchandising and increased facings improve product variety in liquor stores, making Lottery products more available for players to purchase everywhere they shop. The merchandising enhancements also incorporate Lottery best practices for plan-o-gram adherence, ensuring that top selling games are merchandised. The Lottery will also enhance Scratch-Off merchandising presence in Walmart Neighborhood Market stores, aligning activities with the chain's aggressive remodel plans. The merchandising refresh will enhance overall Scratch-Off presence for players, improving product visibility that leads to an improved purchase process for the player, efficiencies for the retailer—and ultimately, sales gains that result in an increase in contributions to the EETF. Additionally, after a successful initial pilot that placed four top selling games at the checkout lane in select Winn Dixie Supermarket stores, the Lottery continues to work with Southeastern Grocers (Winn Dixie) on an expansion plan to include more of their stores throughout the state. With this effort, customers can now purchase Scratch-Off tickets seamlessly while purchasing their other grocery items, eliminating the need to stop at another purchase location or stand in another line within the store. The initial pilot has shown net positive growth that exceeds the chain and state's growth rates, indicating that additional purchase methods are important to the consumer. By strengthening Lottery merchandising across all trade channels, the Lottery will be well-positioned to capture the business wherever the consumer chooses to shop. The Lottery can also increase sales by improving accessibility and purchasing options of existing games for customers within our current trade-channels.

The Lottery has also worked with vendor partners and Southeastern Grocers to launch another product offering within the lane environment - QUICKTICKET. Merchandised on racks at the check-lane entrance, QUICKTICKET allows consumers to purchase POWERBALL and MEGA MILLIONS Quick Pick tickets in either \$4 (2 plays) or \$10 (5 plays) in a unique card format that can be scanned in the lane just like another grocery item. Upon card activation, the player's tickets are entered in the next available draw. QUICKTICKET is another way for players to purchase and play these currently offered and highly recognizable multi-state games. By adding products in a lane environment, retailers offer their customers added purchasing options, enhancing their shopping experience, and adding another element of customer service. The Lottery expects to gain incremental sales for additional purchases based on customer-friendly merchandising, leading to an increase in sales and earnings for our retail partner, and an increase in transfers to education.

The Lottery continues to maximize its resources to improve external operations. Flexibility is key, both for maintaining operations with the current retailer base and for recruitment efforts to add to the retailer network. As retailers across all trade channels continue to execute self-check-out strategies and minimize staffing, the Lottery must prepare to stay relevant in the changing environment. In-the-lane merchandising of Lottery product, both at manned check-lanes and in self-check-out lanes (while still age verified) is a key component for the future retail landscape. Current pilots for Scratch-Off sales and multi-state draw game sales (via QUICKTICKET) could pave the way and allow the Lottery to keep products accessible and relevant. 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. Redemption requirements and processes must also be evaluated and streamlined to create efficiencies and meet the needs of both players and retailers. Non-traditional trade styles (business types outside of the convenience, grocery, and liquor store outlets) become a more important source of potential retailer prospects as the Lottery seeks to expand its retailer footprint to make products more available to consumers.

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 promotions has steadily increased.

Partnerships have allowed for advancements in social media use and increased authorizations for advertising material placements at store level. The Corporate Account team continues to work with all chain partners on such opportunities, and efforts have led to more authorizations for placement of advertising materials than in prior years. Additionally, the team continues to seek out and capitalize on digital opportunities that align with the Lottery's product calendar, and had several success stories with rewards program content, push notifications, and social media postings. Recognizing the value of customer interactions, the team continues to seek next level partnerships that will allow us to increase Lottery presence across a multitude of digital platforms that would increase player impressions with an objective of increasing sales, and thus, transfers to education in Florida.

Other projects for the current FY include digital jackpot sign placement in key retailer locations. The Corporate Account team is working with multiple chain partners to secure placement of both full-size digital jackpot signs as well as a new mini digital jackpot sign. Opportunities include Publix, Walmart Supercenters, Walmart Neighborhood Markets, Speedway/7-Eleven, and Circle K Business Units, among others. Mini digital jackpot signs have been placed in Southeastern Grocers locations (Winn Dixie, Fresco Y Mas, and Harvey Supermarkets) to support POWERBALL and MEGA MILLIONS QUICKTICKET sales. Other digital signs placement opportunities will also include exposure to FLORIDA LOTTO, with an overall objective of creating customer awareness that will result in an increased player participation.

The Lottery continues to make strides in retailer satisfaction through use of technology as well; continuous improvements are made to software platforms that have a direct impact on customer

service. New and improved functionality via the Sales Wizard software platform offers significant advancements on the Mobile Sales Tool (MST/iPad), putting near real-time data in the hands of the Lottery's sales team. 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 retailer management. For 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 sales representatives to allocate more time to visiting prospective retailers to grow the retailer base. With Sales Wizard enhancements, they can 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.

5. Customer Support

The Lottery's most important business function, after selling tickets, is paying prizes. The Lottery has finished procurement steps to begin the process of replacing the existing prize payment system, to ensure that this function continues with integrity and efficiency for years to come. Due to the age and customization of the system, recruiting and retaining staff, and even consultants, with the programming skills necessary to maintain the system has become increasingly difficult. As the talent necessary to maintain the system becomes more challenging to obtain, the system's longevity decreases and the risk to the department's ability to pay prize winners increases.

The funding for a new prize payment system was included in the FY 2022-23 General Appropriations Act. Lottery teams are working with the prize payment vendor to create a three-phased approach to prize payment improvements. The first phase includes the replacement of the current prize payment system and is expected to go-live in Fall 2023. The second phase will include completely new prize payment options available through the Lottery's mobile app. Thirdly, the Lottery and prize payment vendor are working on a state-of-the-art kiosk system that will drastically reduce the time it takes players to get paid at Lottery district offices. Development on phases two and three will take place concurrently and are expected to be completed by Winter 2024.

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, F.S.

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 is 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.

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 explores more in-depth player satisfaction among many other subjects. This panel community creates a symbiotic relationship

by providing the Lottery with a readily available forum 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 2021-22, the Lottery worked with its Market Research Contractor to conduct a special study that served as an in-depth dive into new retail channels that extend beyond more common convenience and grocery stores and the perceived barriers among non-traditional retail businesses.

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 REC; 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 FY to contract with an independent firm to conduct a comprehensive security evaluation of the Lottery as required by Section 24.108(7)(a), F.S. Section 24.108(7)(c), F.S., requires the security evaluation be conducted at least once every two years. Funding for this evaluation was received for FY 2021-22.

As we look forward to FY 2022-23, the Florida Lottery will continue to place an emphasis on improving its market research initiatives to support Florida as one of the top Lotteries in the nation.

Florida Lottery

Long Range Program Plan

Fiscal Years 2023-24 through 2027-28

John F. Davis, Secretary
September 30, 2022



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: 36000000
Service/Budget Entity: Executive Direction/Support Services	Code: 36101000

Approved Performance Measures for FY 2022-23	Approved Prior Year Standard FY 2021-22	Prior Year Actual FY 2021-22	Approved Standards for FY 2022-23	Requested FY 2023-24 Standard
Executive Direction and Support Services for all Lottery Operations as Measured by Percent of Total Agency Budget	6.20%	2.75%	6.20%	6.20%

*All amounts included for Fiscal Year 2021-22 are unaudited.

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Lottery	Department No.: 36
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Program: Lottery Operations	Code: 36000000
Service/Budget Entity: Lottery Games and Operations	Code: 36102000

Approved Performance Measures for FY 2022-23	Approved Prior Year Standard FY 2021-22	Prior Year Actual FY 2021-22	Approved Standards for FY 2022-23	Requested FY 2023-24 Standard
Transfers to the State Educational Enhancement Trust Fund	\$2.033 B	\$2.382 B	\$2.208 B	\$2.253 B
Total Revenue in Dollars	\$8.422 B	\$9.324 B	\$9.248 B	\$9.267 B
Operating Expense** as a Percent of Total Revenue	9.52%	7.86%	9.52%	9.52%
Percent of Respondents Who are Aware of the Lottery's Contribution to Education	65%	60%	65%	65%

*All amounts included for Fiscal Year 2021-22 are unaudited.

**Includes payments to Gaming Vendors and Retailer Commissions

Florida Lottery

Long Range Program Plan

Fiscal Years 2023-24 through 2027-28

John F. Davis, Secretary
September 30, 2022



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 Games and 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%	60%	-5%	-5%

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, and increased priorities for advertising, including greater support for Responsible Gaming and new product launches, advertising spend had to be redistributed to these areas. The department relies heavily on public relations and partnerships to help drive awareness of the 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 2023-24 through 2027-28

John F. Davis, Secretary
September 30, 2022



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 2022 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 2022 Revenue Estimating Conference.

Validity:

Reliability:

Florida Lottery

Long Range Program Plan

Fiscal Years 2023-24 through 2027-28

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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 2022-23	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

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.

