LONG-RANGE PROGRAM PLAN

Florida, Department of the Lottery
Tallahassee, Florida
September 29, 2023

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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 2024-25 through Fiscal Year 2028-29. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is http://floridafiscalportal.state.fl.us/Publications.aspx?AgyID=3600. This submission has been approved by John F. Davis, Secretary of the Florida Lottery.

Sincerely,

John F. Davis
Secretary

JFD/mak

Florida Lottery
Long Range Program Plan
Fiscal Years 2024-25 through 2028-29

John F. Davis
September 30, 2023

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 Florida 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 it delivers these services to 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 $44 billion has been generated for education. During Fiscal Year (FY) 2022-23, contributions to education were approximately $2.4 billion. The Florida Bright Futures Scholarship Program, which is primarily funded by the Lottery's contributions, has enabled more than 983,000 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 August 2023 Revenue Estimating Conference (REC)

Baseline FY 1997-98	FY 2024-25	FY 2025-26	FY 26-27	FY 2027-28	FY 2028-29
$801.68 Million	$2.26 Billion	$2.29 Billion	$2.31Billion	$2.33 Billion	$2.36 Billion

GOAL #2: Uphold the Integrity of Business Operations

From 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 business operations. The Lottery stakes its reputation on the ability to exceed the expectations of the citizens of Florida.

The Lottery continues to strengthen its Responsible Gaming initiatives by leveraging industry best practices as set forth by the North American Association of State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG). While the Lottery has always been committed to protecting the interests of those who play lottery games, its Responsible Gaming initiatives further serve to emphasize that the Lottery is working to put responsible play at the heart of everything —from the way games are designed and advertised to the resources offered to players.

Beyond these initiatives, which provide third-party support of Lottery 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 the individual's means, making thoughtful decisions for responsible play, as well as preparing players for winning responsibly.

GOAL #3: Increase the Retailer Network

Retailer count growth and retention continues to be a priority to the Lottery. The Lottery assists retail locations by offering updated selling tools and innovative ideas all with the focus on the businesses continued success. Training techniques will continue to be rolled out in FY 2023-24 for the Sales Representative team to increase retailer recruitment efforts throughout the state. Breaking through and partnering with new retailer corporations remains a significant priority as well. Increasing the agency's retailer network remains a large focus in FY 2023-24.

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. Project planning for all phases is underway along with current process discovery and system requirements gathering. Lottery personnel responsible for prize payments have been working with the CAP system vendor to create a new and improved system that will greatly benefit players and employees.

GOAL #5: Exceed Customer Expectations

To exceed customer expectations, the Lottery makes every effort to provide superior customer service to players and 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, electronic communication, and phone calls to retailers. Sales representatives plan retailer contacts on a two to three-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 21 fiscal years to benefit Florida students and schools statewide. FY 2022-23 marked the third time in the Lottery's 35-year history that education contributions for a single FY exceeded $2 billion. Since 1988, Florida's public schools have received more than $23 billion, state colleges and universities have received more than $11 billion, and the Bright Futures Scholarship Program, of which the Lottery is the primary funding source, has received more than $8 billion. These Lottery contributions help keep education affordable, and attainable, for Florida students and have allowed more than 983,000 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 2022-23 the Lottery exceeded a record $9.8 billion in sales, surpassing FY 2021-22 by more than $477 million—a 5.12% 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 $44 billion to education.

As a more than $9.8 billion annual enterprise, it is paramount that the Lottery embraces proven business principles designed to ensure sustainable growth. The Lottery's distribution model is based on mutually beneficial relationships with Florida businesses and is primarily driven by customer service. In FY 2022-23, the Lottery surpassed an all-time high, contracting with more than 13,500 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, Lottery products help retailers grow their businesses, stimulating 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 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 ensures 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, Fort Myers, 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 was reaccredited in 2019 and 2022. Successfully maintaining accreditation ensures 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 reduce 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.
- 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 is thoroughly examined. 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 member of Security and an accountant from an independent certified public accounting firm. To accommodate and support the sale of POWERBALL® and MEGA MILLIONS® Draw game tickets, additional security requirements have been implemented. POWERBALL drawings are conducted by Multi-State Lottery Association (MUSL) staff at Lottery Headquarters in Tallahassee with security oversight provided for these drawings by Security special agents.

Internal controls are also in place for Bonus Play promotion drawings, which allow players to enter ticket information for an additional chance to win prizes. Promotional drawings are also monitored 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) Lottery employees, interns, vendor employees, retailers, and major procurement vendors. This ensures personnel employed by the Lottery or related to Lottery business operations are properly vetted to protect the integrity of Lottery.

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 Responsible Gaming initiatives, which focus 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 only 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: When the theft of any Lottery product is reported, Lottery special agents provide valuable information to local law enforcement investigators. 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 State Attorney Offices for the filing of appropriate 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 adult, suspect, 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.

Emergency Management
Security is also responsible for the coordination of the agency's Continuity of Operation Plan (COOP) to ensure a constant readiness level for any potential threat to Lottery operations. 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 residing on the Lottery network.
- Safeguarding Lottery technology assets and ensuring the confidentiality, integrity, and availability of information, data, and IT services.
- Coordinating information security with physical security.
- Ensuring compliance with 60GG-2, Florida Administrative Code, and MUSL Rule 2 Information Technology Standards.

ISM is responsible for cybersecurity and access control on various on-premises and cloud applications. 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 vulnerability scans are performed on all Lottery-owned devices connected to the Lottery network. Vulnerability scans detect and classify 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. In 2020, the Lottery secured funding for a full suite of Extended Detection and Response (XDR) software. In FY 2022-23, the Lottery added features to the XDR footprint and incorporated a new Vulnerability Management System (VMS) and utilized several new anti-malware platforms. The ISM department has incorporated cloud components and increases to the off-site management capabilities.

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 Lottery 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 of $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, Department of Revenue, and the Department of Commerce, and the University of Florida) begins

in order to reconcile. If no SOD is present, the Lottery 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.

Information Security Management

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 Confidentially, Integrity, and Availability (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 $44 billion.

- In FY 2022-23:
  - The Lottery achieved its tenth consecutive year of record sales with annual sales surpassing $9.8 billion.

  - The Lottery transferred more than $2.4 billion to the EETF, exceeding the FY 2021-22 transfers by more than a $72 million. This marked the third time in the Lottery's 35-year history that education contributions for a single FY exceeded $2 billion.

- In calendar year 2022:

  - The Lottery remained 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 of sales.

  - Florida ranked eighth among worldwide Lotteries for total sales.

  - The Lottery achieved an all-time high retailer count of 13,573.

Sources: LaFleur's 2023 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 13,500 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 2022-23, Scratch-Off sales exceeded $7 billion, accounting for more than $18.6 million in additional sales compared to FY 2021-22. The Lottery also achieved all-time Scratch-Off sales records for the 12th consecutive year. Additionally, for the third 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 two of the three top-performing Scratch-Off games in the country, $1,000,000 A YEAR FOR LIFE SPECTACULAR and FLORIDA 300X THE CASH. Additionally, the Lottery had the best-selling $30, $20, $5, and $2 games in the country based upon average weekly sales for the first 12 weeks in market. Other top-performing products in the Scratch-Off lineup included

the FLORIDA X THE CASH, MONOPOLY DOUBLER, and GOLD RUSH DOUBLER families of games, which collectively accumulated more than $1.97 billion in sales during the year.

The Lottery's Draw game portfolio also had a record sales year, exceeding $2.75 billion and generating more than $1.3 billion in revenue for education. This success was primarily due to the multi-state jackpot games—POWERBALL and MEGA MILLIONS®—having three jackpots that exceeded $1 billion, along with a $747 million jackpot and two FLORIDA LOTTO® jackpots topping $40 million, culminating in more than $595 million in revenue for Florida students and schools. Additionally, the in-state, daily FANTASY 5® Draw game was expanded by adding a midday drawing, which produced an 11% increase in sales over the same time the previous year.

The Lottery supported these products with strong advertising efforts and more than ten promotions, including Bonus Play opportunities, in-store offers, and other limited-time player and retailer incentives to increase sales, generate awareness, and add value. The most popular promotions of the year were the Holiday Cash Bonus Play and Daily Doubler Bonus Play that offered players the chance to enter their tickets for extra chances to win cash and Lottery coupons. From October 31 to December 31, over 76,000 players entered more than 4.4 million FLORIDA X THE CASH Scratch-Off and CASH POP Draw game tickets into the Holiday Cash Bonus Play. In addition to having a higher volume of tickets entered over the previous holiday promotion, this year's holiday promotion had a 25.9% increase in average spend per player. In early 2023, the Lottery conducted the Daily Doubler Bonus Play promotion, in which an average of 292,000 daily Draw game and GOLD RUSH DOUBLER tickets were entered per day, totaling more than $27 million in sales.

Table 1 below represents a comparative statement of income and expenses for the past five FYs, showing a steady increase in revenue since FY 2018-19. During that time, total revenue increased from $7.17 billion to $9.80 billion, or 36.78%. The Lottery's contributions to education increased from $1.93 billion to $2.45 billion, or 27.35%. During this same period, the Lottery's operating costs, expressed as a percentage of revenue, have stayed the same. 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 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Total Revenue	$7,166.34	$7,511.63	$9,083.04	$9,331.87	$9,807.95
Total EETF Contributions	$1,927.05	$1,913.80	$2,237.44	$2,382.00	$2,454.06
Total Admin Costs**	$82.20	$82.45	$79.12	$80.20	$84.23
Total FTE's	$418.50	$418.50	$418.50	$418.50	$418.50
Operating Costs as a Percent of Total Revenue	1.15%	1.10%	0.88%	0.86%	0.86%
EETF Contribution by FTE	$4.60	$4.57	$5.35	$5.69	$5.86

Data for FY 2022-23 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 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Scratch-Offs	$4,937.78	$5,665.32	$6,827.86	$7,025.29	$7,043.88
PICK Family of Games™	$709.26	$736.86	$862.89	$877.71	$866.46
FLORIDA LOTTO®	$223.50	$210.10	$284.70	$267.90	$300.13
FANTASY 5®	$258.41	$245.84	$257.85	$243.47	$240.69
LUCKY MONEY™	$41.85	$0.00	$0.00	$0.00	$0.00
POWERBALL®	$459.39	$282.15	$363.67	$494.13	$632.59
MEGA MILLIONS®	$416.97	$225.04	$337.06	$239.21	$511.59
CASH4LIFE™	$50.34	$65.32	$69.24	$64.82	$64.58
FAST PLAY™	$20.96	$20.03	$20.82	$10.83	$0.00
JACKPOT TRIPLE PLAY™	$32.78	$54.45	$52.12	$46.39	$50.53
CASH POP™	$0.00	$0.00	$0.00	$54.86	$91.34
TOTAL DRAW GAME SALES	$2,213.46	$1,839.79	$2,248.35	$2,299.32	$2,757.90
TOTAL TICKET SALES	$7,151.24	$7,505.11	$9,076.21	$9,324.60	$9,801.78

* Data for FY 2022-23 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 callouts 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 2022-23, the Lottery did not meet its sales and EETF contribution forecasts adopted by the February 2023 REC by 1.84% and 1.75%, respectively. The February 2023 REC forecasted an increase in total sales growth for FY 2022-23, at a combined rate of 7.1%. The REC projected an increase in Scratch-Off of 2.98% and an increase in Draw game ticket sales of 20.20% for FY 2022-23.

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 the Lottery's 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 Lottery.

- Florida ranks fifth in total per capita sales among U.S. Lotteries and eighth 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 team using mobile devices loaded with unique sales software to analyze and share comprehensive data on site during each visit.

- 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.

- Enhanced communication between Headquarters, district offices, and field personnel via the implementation of Microsoft Teams.

- 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 the Lottery brand.

- Increased player engagement through innovative marketing tactics, primarily social media.

- Highly efficient and effective marketing support for the brand and its products, maintaining awareness and purchase intent.

Opportunities:

- Upgrade and broaden the Lottery's footprint in each retail location in hopes of increasing sales by improving product visibility and information.

- 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, and still offers new business-building opportunities for games, promotions, marketing, and more that the Lottery can continue to explore. Related vendor "Wizard" platforms also continue to evolve and offer significant areas for improved functionality, supporting both internal and external customers.

- 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 vacation 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, workforce challenges, and other global events, are all variables that will impact business to some extent.

- The Lottery, similar to the private sector, has faced challenges with respect to the evolution of the workforce over the past couple of years. More employees are retiring earlier and employers are struggling to fill the knowledge and experience gaps left by these retirements. The Lottery has focused its efforts on two fronts, implementing a succession plan that prepares the next group of employees for leadership within the Lottery, and selectively recruiting experienced workers and paying them as close to market value (as budget permits); these experienced workers will help bridge the knowledge and experience gap while assisting with the development of the current group of employees that are being mentored and groomed for advancement within the Lottery. Together, these initiatives will result in an experienced workforce familiar with the Lottery's operations that has a solid foundation to support the future growth of the Lottery.

Florida Lottery Operations as it Relates to Goals

Introduction

Although the strategies required to maximize contributions are aggressive and impact the entire organization, the 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 Software as a Service (SaaS), Platform as a Service (PaaS), 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 use the Orlando Data Center (ODC) as its primary disaster recovery location where hardware and software were installed to expand redundancy and availability of the Lottery's 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. 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, the amount of technical debt accumulated, and the speed of delivering solutions makes integrating with modern technologies challenging and is a hinderance to profitability. The Lottery is analyzing processes and implementing new policies and procedures used to bring IT services in line with current industry 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, and 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 communications tool to meet the statutory requirements outlined in section 24.1215, F.S., of keeping the public informed about the significance of Lottery funding to the state's EETF. Of the 15.15 million average monthly visits to the Lottery's website, 75.51% are made through a mobile or 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 constant security monitoring of critical systems and data. The replaced tools will enhance end-point protection for Lottery users, expand vulnerability scanning, and 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 the Bright Futures Scholarship Program and overall education in Florida. The Lottery's marketing strategy consists of three core messaging 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 for fun, using only 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 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 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 983,000 students attend college in Florida.

According to LaFleur's World Lottery Almanac, since 2018 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, sales data, and 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 14.5% of its FY 2021-22 annual sales (FY 2022-23 data will be available in March 2024). 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 Lottery's website, which is designed to provide the public with easily accessible information about new game and promotion launches, 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 CMS that is set to be implemented in the coming year. The site will be redesigned and restructured to better utilize and increase impact.

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 drive revenue for retailers. 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. Facings increases in Winn Dixie Liquor stores have resulted in business gains and the Lottery will continue to work with the chain to identify and capitalize on remaining opportunities. Chain partner Publix continues to support plan-o-gram adherence across all liquor stores, and facings increase with expanded product assortment in new construction liquor stores. The Lottery continues to work with Publix on further facings increases in existing liquor stores. 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.

The Lottery has also been successful in enhancing jackpot awareness among players through a variety of highly visible placements. The Sales team continues to execute placements of window digital jackpot signs, providing external presence that can prompt awareness and purchase. These signs have also been placed inside the store at Walmart Neighborhood Markets, where an impactful placement directly above the Lottery Vending Machine provides visibility and awareness for customers. Additional varieties of mini digital jackpot signs have created new opportunities for placement, and the Lottery has been successful in placing these new versions in Publix and Southeastern Grocers to date, with plans to expand placements to the convenience trade channel. The Lottery's continued efforts to work with chain partners on specific needs has also resulted in a custom digital jackpot sign for new placement in all Walmart Supercenters statewide for upcoming execution. By strengthening Lottery presence across all trade channels, the Lottery will be well-positioned to capture the business wherever the consumer chooses to shop and by seizing opportunities for both Draw and Scratch-Off games, the Lottery engages players interested in both product types, further supporting cross-over initiatives within Product and Marketing strategies.

After the successful launch of QUICKTICKET™ with chain partner Southeastern Grocers (SEG), the Lottery will be expanding product availability to include all SEG/Winn Dixie Liquor stores statewide. 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 into the next available drawing. QUICKTICKET is another way for players to purchase and play these currently offered and highly recognizable multi-state games. The expansion to liquor stores places this product directly on the counter in a highly visible manner in a growing retail segment. A new spinner rack designed to showcase the product provides visibility and ease of purchase. The Lottery expects to gain incremental sales based on customer-friendly merchandising that leads to impulse purchases by new players or casual players, leading to an increase in sales and earnings for retail partners, and an increase in transfers to education.

The Lottery continues to work with vendor partners on a variety of merchandising, presence designs, and solutions to capitalize on opportunities. Examples include new spinner rack designs that extend beyond simple playslip and pencil holders. New designs meet this basic need, but also allow for inclusion of marketing materials and other Lottery messaging in a similar footprint—allowing the Lottery to better capitalize on player communication opportunities at this prime counter location within the retail store. By including marketing materials on this spinner rack, the Lottery has increased consumer impressions that can lead to sales. The Lottery has also worked with vendor partners on new digital menu boards, achieving more presence on Scratch-Off games. The new digital approach is eye-catching for consumers, and the Lottery gains additional opportunities to download business driving content to the boards. Capabilities such as new game highlights improve callouts to the consumer that can lead to purchase.

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-lane merchandising of Lottery products, both at manned check-out lanes and 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. Creative solutions for equipment and product placement can create opportunities, as exemplified with the Lottery's current pilot with Ascend Grocery, LLC where Lottery equipment was placed in a designated "Lottery Lane" within the store, circumventing the need for a traditional "service desk" to support Lottery functions.

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.

Sales team efforts to increase awareness through impactful POS presence play a role in driving player to the interactive experience. The Lottery continues to seek ways to align efforts in communicating with players.

The Corporate Account team continues to work with all chain partners to seek out and capitalize on digital opportunities that align with the Lottery's product calendar, and have 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 the EETF. Lottery participation and inclusion in Rewards Platforms are a continuous interest as more and more retailers shift their focus to digital mediums and compete for the consumer. By partnering with key retailers, the Lottery can gain presence with a loyal audience.

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, Retailer Wizard, and Performance Wizard software platforms. The Lottery expects to make even more information readily available to its retail partners via Retailer Wizard in order 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 is working with its vendor on system requirement gathering and software design 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 Lottery'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 Summer 2024. The second phase will include completely new prize payment options available through the Lottery's mobile application. Lastly, the third phase involves the Lottery and prize payment vendor 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 within six to nine months from the completion of phase one.

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 approximately 12 internet-based studies per year with respondents that are recruited to the player panel called 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 2022-23, the Lottery worked with its Market Research Contractor to conduct four special studies.

A retailer satisfaction study was performed to assess retailers' satisfaction with Lottery employees and the general level of service they receive from the Lottery. This type of research provides the critical feedback essential for mutually beneficial business relationships between the Lottery and its retailer network.

Another special study was focused on player feedback from the prize redemption experience at a number of district offices. This type of research helps identify issues with the prize redemption process and mitigate possible negative impact on sales and the Lottery's public image. The Lottery also conducted research to determine what factors are contributing to the declining participation rates in Scratch-off games and what can be done to make the player experience more impactful while delivering even better return on investments and contributions to EETF. In addition, the Lottery invested resources to assess the optimal positioning of games in the dispenser for ease of navigation, leading to higher conversions at POS.

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 twice-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 - The Lottery conducted consumer research to confirm that brand positioning is relevant, impactful, driving action, and improving overall brand sentiment. During this study, the Lottery and third-party advertising agency, PPK, tested new strategic positioning to ensure it moved forward with the strongest alternatives among varies audiences. This research also identified opportunities for concept optimization.

Security Evaluation - The Lottery requests funding every other fiscal year 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.

Looking forward to FY 2023-24, 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 2024-25 through 2028-29

John F. Davis, Secretary
September 30, 2023

Performance Measure and Standards – LRPP
Exhibit II

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Lottery	Department No.: 36

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

Approved Performance Measures for FY 2023-24	Approved Prior Year Standard FY 2022-23	Prior Year Actual FY 2022-23	Approved Standards for FY 2023-24	Requested FY 2024-25 Standard
Executive Direction and Support Services for all Lottery Operations as Measured by Percent of Total Agency Budget	6.20%	3.04%	6.20%	6.20%

*All amounts included for Fiscal Year 2022-23 are unaudited.

LRPP Exhibit II - Performance Measures and Standards

Department: Florida Lottery	Department No.: 36

Program: Lottery Operations	Code: 36000000
Service/Budget Entity: Lottery Games and Operations	Code: 36102000

Approved Performance Measures for FY 2023-24	Approved Prior Year Standard FY 2022-23	Prior Year Actual FY 2022-23	Approved Standards for FY 2023-24	Requested FY 2024-25 Standard
Transfers to the State Educational Enhancement Trust Fund	$2.208 B	$2.454 B	$2.299 B	$2.264 B
Total Revenue in Dollars	$9.248 B	$9.817 B	$9.293 B	$9.231 B
Operating Expense** as a Percent of Total Revenue	9.52%	7.96%	9.52%	9.52%
Percent of Respondents Who are Aware of the Lottery's Contribution to Education	65%	58%	65%	65%

*All amounts included for Fiscal Year 2022-23 are unaudited.
**Includes payments to Gaming Vendors and Retailer Commissions

Florida Lottery
Long Range Program Plan
Fiscal Years 2024-25 through 2028-29

John F. Davis, Secretary
September 30, 2023

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:
☒ Performance Assessment of <u>Outcome</u> Measure   ☐ Revision of Measure
☐ Performance Assessment of <u>Output</u> Measure   ☐ Deletion of Measure
☐ Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference Over/Under	Percentage Difference
65%	58%	-7%	-7%

Factors Accounting for the Difference:
Internal Factors (check all that apply):
☐ Personnel Factors   ☐ Staff Capacity
☐ Competing Priorities   ☐ Level of Training
☐ Previous Estimate Incorrect   ☐ Other (Identify)
Explanation:

External Factors (check all that apply):
☐ Resources Unavailable   ☐ Technological Problems
☐ Legal/Legislative Change   ☐ Natural Disaster
☐ Target Population Change   ☒ Other (Identify)
☐ This Program/Service Cannot Fix the Problem
☐ 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. 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):
☐ Training   ☐ Technology
☐ Personnel   ☒ 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 2024-25 through 2028-29

John F. Davis, Secretary
September 30, 2023

Performance Measure Validity and Reliability - LRPP Exhibit IV

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Lottery
Program: Lottery Operations
Service/Budget Entity: Lottery Operations
Measure: #1 – Transfers to the State Educational Enhancement Trust Fund

Action (check one):

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

Data Sources and Methodology:
The requested change to the performance measure standard is to align the standard with the forecast amount adopted by the August 2023 Revenue Estimating Conference. The FY 2022-23 EETF transfer amount is based on the Lottery's unaudited Financial Statement as of June 30, 2023.

Validity:

Reliability:

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Florida Lottery
Program: Lottery Operations
Service/Budget Entity: Lottery Operations
Measure: #2 – Total Revenue in Dollars

Action (check one):

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

Data Sources and Methodology:
The requested change to the performance measure standard is to align the standard with the forecast amount adopted by the August 2023 Revenue Estimating Conference. Total Revenue in Dollars is equal to the projected ticket sales plus the other income reflected in the August 2023 REC published document.

Validity:

Reliability:

Florida Lottery
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John F. Davis, Secretary
September 30, 2023

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 2023-24**	**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

LOTTERY, DEPARTMENT OF THE	FISCAL YEAR 2022-23		
SECTION I: BUDGET	**OPERATING**		**FIXED CAPITAL OUTLAY**
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT		210,008,633	0
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)		12,896,539	0
FINAL BUDGET FOR AGENCY		222,905,172	0

SECTION II: ACTIVITIES * MEASURES	Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)				0
Supervise And Administer The Operation Of Lottery Games * **Number of Games Administered**	170	83,656.55	14,221,614	
Conduct Market Research And Special Studies * **Number of Studies Conducted**	105	3,493.60	366,828	
Provide Adequate And Convenient Availability Of Tickets To The Public * **Number of Tickets Sold**	2,883,687,214	0.05	152,829,745	
Advertise And Promote Lottery Games * **Total Gross Annual Sales**	9,801,782,887	0.00	40,122,143	
Conduct Investigations Of Retailers, Vendors And Employees * **Number of Investigations Conducted**	7,158	658.51	4,713,584	
Pay Prizes For Winning Tickets Submitted To Lottery Headquarters * **Number of Prizewinners Paid**	375,797	3.63	1,362,547	
Keep The Public Informed Of Lottery Activities * **Number of Media Releases and Public Education Materials Distributed**	51,596,700	0.01	650,528	
Compensate Retailers In The Form Of Incentives * **Number of Retailers Compensated**	13,827	168.15	2,325,001	
TOTAL			216,591,990	

SECTION III: RECONCILIATION TO BUDGET			
PASS THROUGHS			
TRANSFER - STATE AGENCIES			
AID TO LOCAL GOVERNMENTS			
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS			
OTHER			
REVERSIONS		6,313,199	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)		222,905,189	

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

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

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

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

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

Glossary of Terms and Acronyms

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.