



Review of FY 2019-20 Sales

Presentation to
California State Lottery Commission
January 28, 2021

Background

- The last 3 ½ months of FY 2019-20 saw the emergence of the COVID-19 pandemic and the government response in CA to combat the spread of the virus.
- Although many retail establishments that sell lottery tickets were deemed essential such as supermarkets, grocery stores, gas stations and drug stores, consumer shopping patterns and Lottery operations were impacted.
- An analysis to determine the pandemic's impact on lottery sales and contributions to public education was conducted.



Pandemic-related impacts reduced Lottery Sales by about 8%

FY 2019-20 Lottery Sales Estimates without COVID-19 Pandemic

	FY 2019-20 Budget	FY 2019-20 Preliminary Actuals	% of Budget Goal	FY 2019-20 Estimated w/o COVID-19	% of Budget Goal	% Decline due to COVID-19
Total Lottery Sales (Dollars in Thousands)	\$7,295,000	\$6,622,003	91%	\$7,224,218	99%	-8%



Jackpot Games saw about 6% - 10% declines

FY 2019-20 Sales by Product

Budget vs. Actual vs. Assumed without COVID-19
(Dollars in Thousands)

	FY 2019-20 Budget	FY 2019-20 Preliminary Actuals	% of Budget Goal	FY 2019-20 Estimated w/o COVID-19	% of Budget Goal	% Decline due to COVID-19
Powerball	\$460,000	\$297,307	65%	\$316,898	69%	-6%
Mega Millions	\$465,000	\$359,410	77%	\$399,801	86%	-10%
SuperLotto Plus	\$275,000	\$231,656	84%	\$245,554	89%	-6%

- Estimate based on sales at comparable jackpots occurring prior to the pandemic. Multiple draws were used with averages calculated for the estimate. Starting jackpots in Mega Millions and Powerball were lowered to \$20 million during the pandemic, staff assumed starting jackpots of \$40 million would have remained without the pandemic and sales from those prior draws were used in the estimates.



Few big Jackpots had large impact on low sales of Mega Millions and Powerball

- Even adjusting for pandemic effects, sales were still below goal. That's because the year's low jackpots across both games resulted in abnormally low annual sales.
- Mega Millions had just 1 draw with a jackpot over \$400 million with Powerball having none – a very atypical year.

Number of Draws with Jackpots Over \$400 Million

	Mega Millions	Powerball
FY 2016/17	3	5
FY 2017/18	4	7
FY 2018/19	13	9
FY 2019/20	1	0



Scratchers sales declined by 9% due to COVID-19 impacts

- Scratchers sales were negatively impacted in multiple ways:
 - Consumer demand lowered during initial weeks of stay-at-home orders
 - After consumer demand began to rise, the supply chain could not always replenish retailer inventory needs; the Lottery implemented Social Distancing Protocols in the Distribution Centers to protect staff
 - Monthly new game launches were suspended including the March launch of Pac-Man with its marketing campaign; between March and June just 1 new set of games was introduced instead of the usual 4 sets
 - With Scratchers accounting for the largest share of sales, it had the highest dollar impact from the pandemic



FY 2019-20 Sales by Product

Budget vs. Actual vs. Assumed without COVID-19

(Dollars in Thousands)

	FY 2019-20 Budget	FY 2019-20 Preliminary Actuals	% of Budget Goal	FY 2019-20 Estimated w/o COVID-19	% of Budget Goal	% Decline due to COVID-19
Scratchers	\$5,375,000	\$5,029,766	94%	\$5,521,287	103%	-9%
Powerball	\$460,000	\$297,307	65%	\$316,898	69%	-6%
Mega Millions	\$465,000	\$359,410	77%	\$399,801	86%	-10%
SuperLotto Plus	\$275,000	\$231,656	84%	\$245,554	89%	-6%
Hot Spot	\$335,000	\$311,849	93%	\$345,700	103%	-10%
Daily Games	\$385,000	\$392,016	102%	\$394,978	103%	-1%
Total Sales	\$7,295,000	\$6,622,003	91%	\$7,224,218	99%	-8%



Expenditures and Contributions to Education

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Assumptions Used in Expenditures

- Prize expense and retailer compensation used actual percentages applied against revised sales estimate
- Operating expenses were adjusted for:
 - Increased marketing expenses with a return to the original marketing plan
 - Expenditures related to pandemic such as PPE

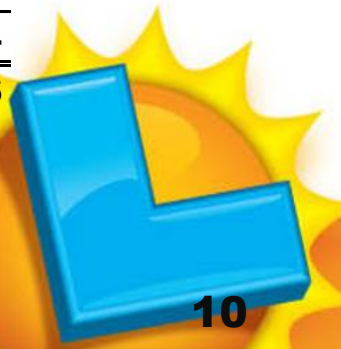




FISCAL YEAR 2019-20 ACTUAL VS. ASSUMED ABSENT COVID-19

(Dollars in Thousands)

	<u>FY 2019-20 Budget ^{1/}</u>	<u>FY 2019-20 Preliminary Actuals</u>	<u>FY 2019-20 Estimated w/o COVID</u>	<u>Estimated to Actuals Difference</u>
SALES:				
TOTAL, ESTIMATED SALES	\$7,295,000	\$6,622,003	\$7,224,218	\$602,215
PRIZE EXPENSE:				
TOTAL, PRIZE EXPENSE	\$4,771,461	\$4,403,715	\$4,809,861	\$406,146
NET SALES AFTER PRIZE EXPENSE	\$2,523,539	\$2,218,288	\$2,414,357	\$196,069
ADMINISTRATIVE EXPENSES:				
Retailer Compensation:				
Subtotal, Retailer Compensation	\$500,874	\$460,707	\$502,604	\$41,897
Gaming Costs:				
Subtotal, Gaming Costs	\$130,388	\$119,260	\$125,184	\$5,924
Subtotal, Retailer & Gaming Costs	\$631,263	\$579,967	\$627,788	\$47,822
Operating Costs:				
Subtotal, Operating Costs	\$279,276	\$220,332	\$262,346	\$42,014
TOTAL, ADMINISTRATIVE EXPENSES	\$910,539	\$800,299	\$890,135	\$89,836



The pandemic triggered a 7% decline in Lottery contributions to Education

Fiscal Year 2019-20 Actual Vs. Assumed Sales Absent COVID-19
(Dollars in Thousands)

	FY 2019-20 Budget	FY 2019-20 Preliminary Actuals	FY 2019-20 Estimated w/o COVID-19	% Decline due to COVID-19
Total Estimated Sales	\$7,295,000	\$6,622,003	\$7,224,218	-8%
Contribution to Education	\$1,613,000	\$1,417,989	\$1,524,223	
Unclaimed Prizes	\$35,000	\$75,397	\$75,397	
Interest Income	\$12,000	\$12,046	\$12,046	
TOTAL AVAILABLE FOR EDUCATION	\$1,660,000	\$1,505,433	\$1,611,666	-7%

