



Financial Analysis & Risk Management Unit

What are we Trying to Do?

- Reach \$10 billion in revenues and \$2.5 billion in contributions to education
- Develop research standards and journal-quality papers
- Create actionable, data-driven reporting
- Foster collaborative relationships between all Divisions
- Establish a strong, creative, analytical, and high-character culture



Background

- AB 142 in 2009-10 allowed for more flexibility in the Lottery's prize payout structure
- This has led to internal and external opportunity to further maximize contributions to education
- There is also a focus on minimizing risk to accomplish this
- We now have broader access to tools, data, and information, which leads to additional opportunities



Profit-Based Cost Accounting

- Multi-year project that began in 2016
- Goal is to provide the Lottery with detailed reporting and analysis
- Information is made available for everyone
- Focus is on maximizing profits and minimizing risk
- Helping the Lottery make better informed and more timely decisions



Research

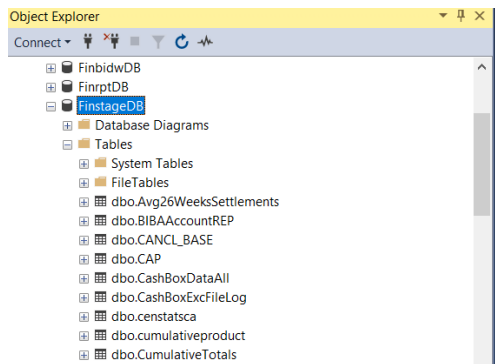
- Centered on answering questions asked throughout the organization
- Involves developing analysis and reporting standards
- Deliverables include academic journal-quality reports
- Backup documentation is provided for organizational review
- Research workflow - Research, Review, Recommend, Follow Up



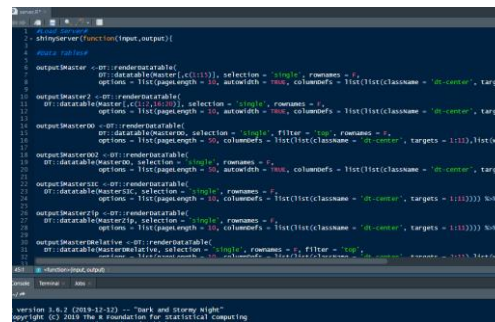
Data and Information

- Combines data and modeling to answer questions and uncover truths
- Academic and research-standard software is being utilized
- Requires statistical knowledge and creativity along with a mixture of art and science to maximize potential

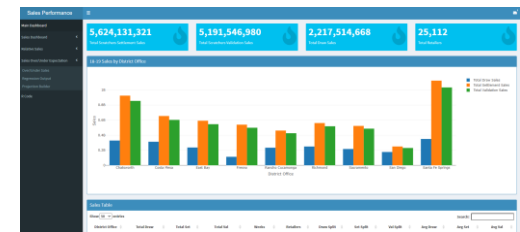
1. Getting data



2. Performing Analysis



3. Reporting



Ethos & Culture

- FARM believes in open communication
- Analysts are encouraged to think creativity
- The unit has a flat management structure
- High-character traits are valued – positivity, morals, emotion, honor, responsibility



What Are We Exploring?

- Relative Sales
- Playership Correlation
- Sales Over/Under Expectation
- Rate Stats – Machine Efficiency
- **Neutral Weeks**
- Year Over Year Stickiness
- Age Curves - Bayesian Updating
- Market Elasticity
- Stolen Tickets Predictive Model



Closing Thoughts

- Assisting in moving the organization towards our stated goals
- Utilizing research-standards and statistical tools to help the Lottery make better informed and more timely decisions
- Thinking analytically as well as creatively
- Establishing a culture, ethos, and foundation to maximize the service we are providing to the Lottery

