



Presentation of Proposed Fiscal Year 2020-21 Budget

Presentation to
California State Lottery Commission
June 25, 2020



Proposed Fiscal Year 2020-21 Budget

	FY 2019-20 Year-End Estimate	% of Sales	FY 2020-21 Proposed Budget	% of Sales	Difference
SALES:					
Scratchers	5,018,465	76.0 %	\$5,400,000	75.8%	\$381,535
Powerball	298,996	4.5 %	388,000	5.4%	89,004
Mega Millions	360,700	5.5 %	388,000	5.4%	27,300
SuperLotto Plus	231,336	3.5 %	234,000	3.3%	2,664
Hot Spot	309,000	4.7 %	323,000	4.5%	14,000
Fantasy 5	161,500	2.4 %	165,000	2.3%	3,500
Daily 3	156,500	2.4 %	163,000	2.3%	6,500
Daily 4	31,700	0.5 %	33,000	0.5%	1,300
Daily Derby	39,000	0.6 %	26,000	0.4%	(13,000)
TOTAL, ESTIMATED SALES	\$6,607,197		\$7,120,000		\$512,803
		Prize Payout %		Prize Payout %	
PRIZE EXPENSE:					
Scratchers	3,511,268	70.0 %	\$3,817,800	70.7%	\$306,532
Powerball	157,552	52.7 %	194,000	50.0%	36,448
Mega Millions	177,302	49.2 %	194,000	50.0%	16,698
SuperLotto Plus	156,450	67.6 %	140,400	60.0%	(16,050)
Hot Spot	194,583	63.0 %	206,720	64.0%	12,137
Daily Games	191,607	49.3 %	192,726	49.8%	1,119
2nd Chance - Scratchers	5,200		5,200		0
2nd Chance - Draw Games	3,900		3,900		0
Prize Expense Savings	(41,749)		(50,000)		(8,251)
TOTAL, PRIZE EXPENSE	\$4,356,112	65.9 %	\$4,704,746	66.1%	\$348,634
NET SALES AFTER PRIZE EXPENSE	\$2,251,085		\$2,415,254		\$164,169
		% of Sales		% of Sales	
ADMINISTRATIVE EXPENSES:					
Retailer Compensation:					
Commission	\$385,860	5.8 %	\$415,808	5.8%	\$29,948
Cashing Bonus	38,322	0.6 %	41,296	0.6%	2,974
Special Handling	28,411	0.4 %	30,616	0.4%	2,205
Incentives	3,782	0.1 %	3,800	0.1%	18
Gaming Costs:					
Gaming Contract (IGT)	102,228	1.5 %	107,733	1.5%	5,505
Administrative Retailer Fees	(20,843)		(21,553)		(710)
Gaming Monitor Fees	(562)		(596)		(34)
Scratchers Ticket Costs	33,098	0.5 %	36,877	0.5%	3,779
Scratchers Delivery and Support Costs	7,650	0.1 %	8,949	0.1%	1,299
TOTAL, RETAILER & GAMING COSTS	\$577,947	8.7 %	\$622,930	8.7%	\$44,983
Operating Costs:					
Personal Services	\$104,505	1.6 %	\$107,537	1.5%	\$3,033
Marketing Budget Plan	63,984	1.0 %	75,000	1.1%	11,016
Contractual Services	17,822	0.3 %	21,958	0.3%	4,136
Depreciation	18,660	0.3 %	20,210	0.3%	1,549
Operating Expense	17,637	0.3 %	18,418	0.3%	781
Reserve for Insurable Risk	0	0.0 %	5,000	0.1%	5,000
Administrative Spending Reserve	0	0.0 %	54,547	0.8%	54,547
Subtotal, Operating Costs	\$222,608	3.4 %	\$302,670	4.3%	\$80,062
TOTAL, ADMINISTRATIVE EXPENSES	\$800,555	12.1 %	\$925,600	13.0%	\$125,045
CONTRIBUTION TO EDUCATION					
Unclaimed Prizes	\$1,450,530		\$1,489,654		\$39,124
Interest Income	74,038		35,000		(39,038)
	11,830		13,000		1,170
TOTAL AVAILABLE FOR EDUCATION	\$1,536,397		\$1,537,654		\$1,257
TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES	\$1,536,397		\$1,597,201		\$60,803



Sales

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TOTAL, ESTIMATED SALES	\$6,607,197	-	\$7,120,000	-	\$512,803



Prize Expense

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TOTAL, PRIZE EXPENSE	\$4,356,112	65.9 %	\$4,704,746	66.1%	\$348,634
NET SALES AFTER PRIZE EXPENSE	\$2,251,085	-	\$2,415,254	-	\$164,169



Administrative Expenses – Retailer and Gaming Costs

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ADMINISTRATIVE EXPENSES:					
Retailer Compensation:					
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Special Handling	28,411	0.4 %	30,616	0.4%	2,205
Incentives	3,782	0.1 %	3,800	0.1%	18
Subtotal, Retailer Compensation	456,375	6.9 %	491,520	6.9%	35,145
Gaming Costs:					
Gaming Contract (IGT)	102,228	1.5 %	107,733	1.5%	5,505
Administrative Retailer Fees	(20,843)	-	(21,553)	-	(710)
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Scratchers Ticket Costs	33,098	0.5 %	36,877	0.5%	3,779
Scratchers Delivery and Support Costs	7,650	0.1 %	8,949	0.1%	1,299
Subtotal, Gaming Costs	121,572	1.8 %	131,410	1.8%	9,838
TOTAL, RETAILER & GAMING COSTS	\$577,947	8.7 %	\$622,930	8.7%	\$44,983



Administrative Expenses – Operating Costs

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Subtotal, Operating Costs	\$222,608	3.4 %	\$302,670	4.3%	\$80,062
TOTAL, ADMINISTRATIVE EXPENSES	\$800,555	12.1 %	\$925,600	13.0%	\$125,045



Fiscal Year 2020-21

SUMMARY OF FUNDING NEEDS BY OBJECTIVE

Objective	Positions	Cost
Modify operations to ensure health and safety and recover from depressed sales	10.0	\$ 993,397
Revisit retail strategies adapting to new consumer preferences	1.0	\$ 759,349
Grow draw game sales particularly jackpot games and Hot Spot	-	\$ 160,000
Defuse the barriers to play by changing perceptions	-	\$ 328,801
Inform the public and stakeholders about the Lottery	-	\$ 178,400
Shift the corporate culture in the Lottery organization	1.0	\$ 64,266
Administrative support	13.0	\$ 4,860,475
Total FY 2020-21 Initiatives and Other Revisions	25.0	\$ 7,344,688

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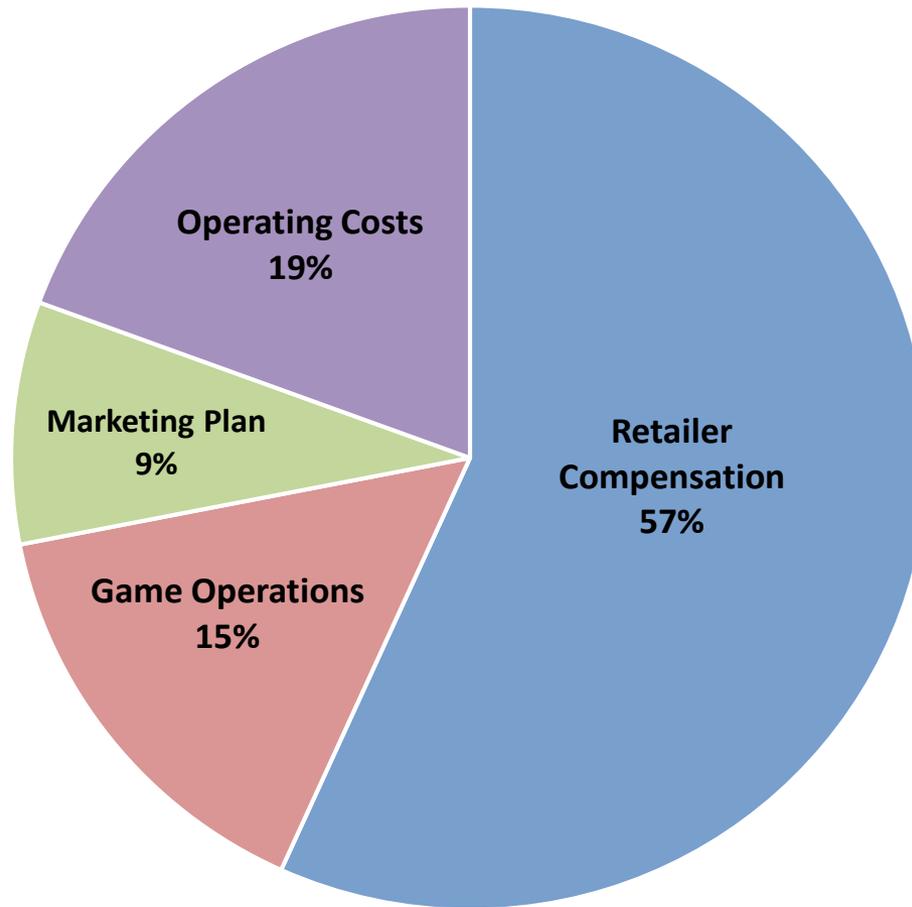


Breakout of New Positions

- 10 positions for Scratchers distribution
- 4 positions for process improvements
- 3 District Sales Supervisor positions
- 3 positions to transfer physical security system activities in-house
- 3 positions to address unique operational needs
- 2 positions converted from limited term



Distribution of Administrative Expenses Fiscal Year 2020-21

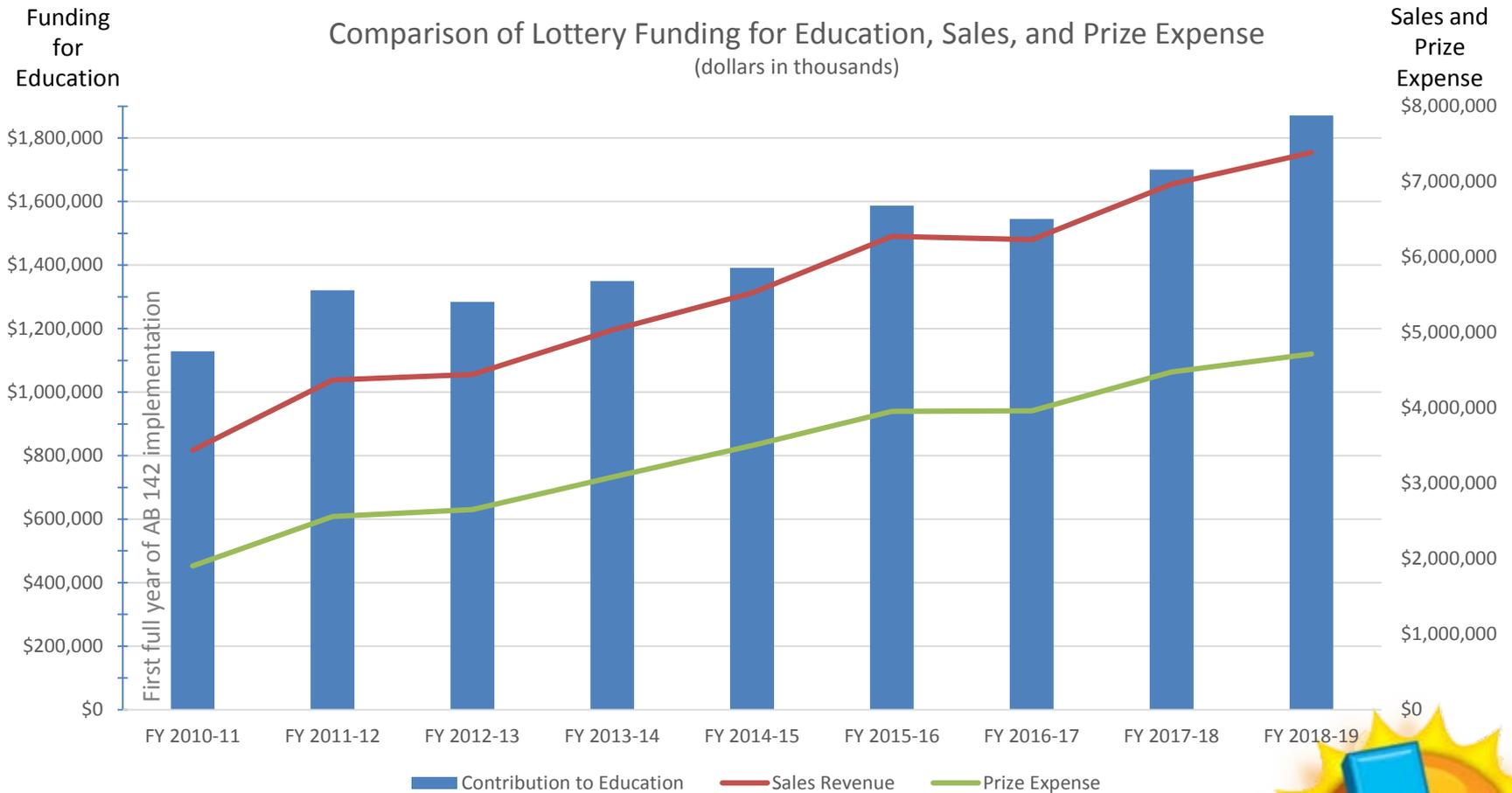


Contribution to Education

	FY 2019-20 Year-End Estimate	FY 2020-21 Proposed Budget	Difference
CONTRIBUTION TO EDUCATION			
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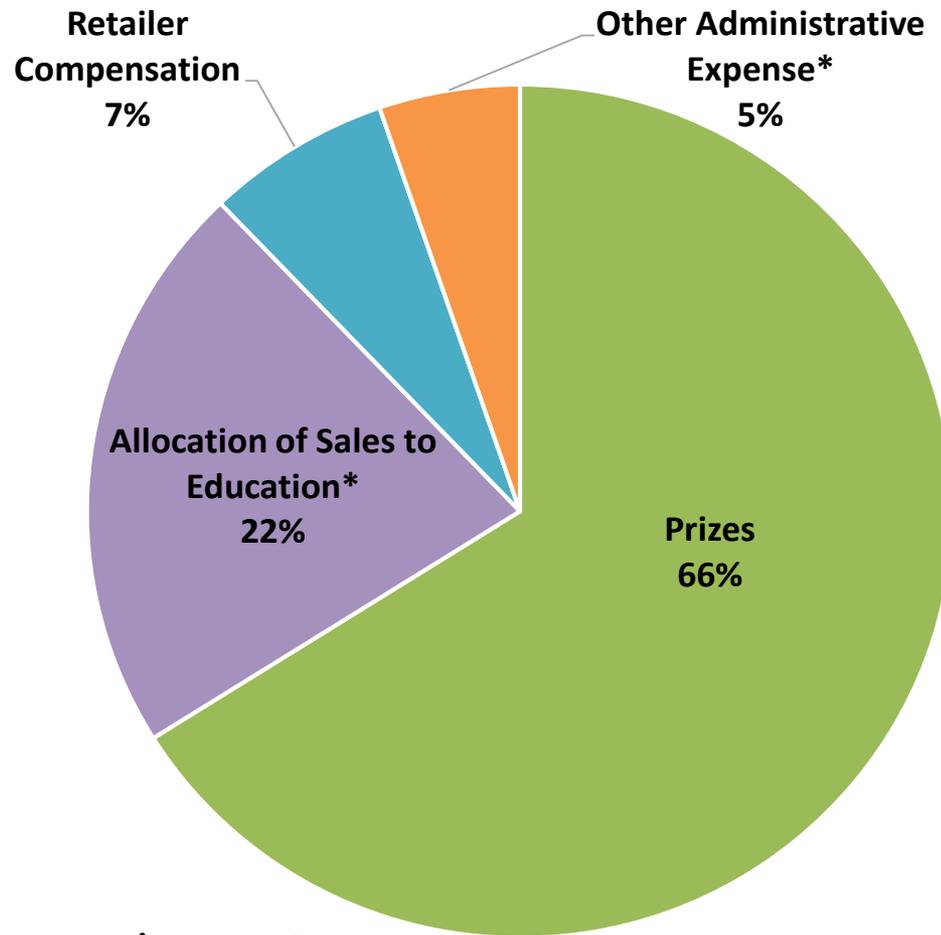
Properly Explain the Lottery's Growth



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Breakout of Lottery Sales Revenue: 95 cents of every dollar returned to public



*Assumes both reserves remain unspent

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