



# Presentation of Proposed Fiscal Year 2021-22 Budget

Presentation to  
California State Lottery Commission  
June 24, 2021

FISCAL YEAR 2021-22  
ANNUAL PLAN

(Dollars in Thousands)



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	FY 2020-21 Year-End Estimate	% of Sales	FY 2021-22 Proposed Budget	% of Sales	Difference
<b>SALES:</b>					
Scratchers	\$6,394,000	76.1 %	\$6,530,000	77.3 %	\$136,000
Powerball	408,200	4.9 %	409,000	4.8 %	800
Mega Millions	529,300	6.3 %	428,000	5.1 %	(101,300)
SuperLotto Plus	260,300	3.1 %	241,000	2.9 %	(19,300)
Hot Spot	374,300	4.5 %	395,000	4.7 %	20,700
Fantasy 5	176,800	2.1 %	180,000	2.1 %	3,200
Daily 3	186,900	2.2 %	190,000	2.2 %	3,100
Daily 4	38,000	0.5 %	38,000	0.4 %	0
Daily Derby	37,900	0.5 %	39,000	0.5 %	1,100
<b>TOTAL, ESTIMATED SALES</b>	<b>\$8,405,700</b>		<b>\$8,450,000</b>		<b>\$44,300</b>
		<b>Prize Payout %</b>		<b>Prize Payout %</b>	
<b>PRIZE EXPENSE:</b>					
Scratchers	\$4,550,993	71.2 %	\$4,644,136	71.1 %	\$93,143
Powerball	192,666	47.2 %	204,500	50.0 %	11,834
Mega Millions	263,094	49.7 %	214,000	50.0 %	(49,094)
SuperLotto Plus	130,150	50.0 %	120,500	50.0 %	(9,650)
Hot Spot	235,809	63.0 %	252,800	64.0 %	16,991
Daily Games	216,111	49.2 %	222,606	49.8 %	6,495
2nd Chance - Scratchers	5,200		5,200		0
2nd Chance - Draw Games	3,900		3,900		0
Prize Expense Savings	(21,159)		(30,000)		(8,841)
<b>TOTAL, PRIZE EXPENSE</b>	<b>\$5,576,764</b>	<b>66.3 %</b>	<b>\$5,637,642</b>	<b>66.7 %</b>	<b>\$60,878</b>
<b>NET SALES AFTER PRIZE EXPENSE</b>	<b>\$2,828,936</b>		<b>\$2,812,358</b>		<b>(\$16,578)</b>
		<b>% of Sales</b>		<b>% of Sales</b>	
<b>ADMINISTRATIVE EXPENSES:</b>					
<b>Retailer Compensation:</b>					
Commission	\$490,893	5.8 %	\$493,480	5.8 %	\$2,587
Cashing Bonus	\$48,921	0.6 %	49,179	0.6 %	258
Special Handling	\$36,145	0.4 %	36,335	0.4 %	190
Incentives	\$4,035	0.0 %	4,000	0.0 %	(35)
<b>Gaming Costs:</b>					
Gaming Contract (IGT)	120,502	1.4 %	120,945	1.4 %	443
Administrative Retailer Fees	(20,055)		(20,743)		(688)
Gaming Monitor Fees	(513)		(558)		(45)
Scratchers Ticket Costs	39,277	0.5 %	53,809	0.6 %	14,532
Scratchers Delivery and Support Costs	6,964	0.1 %	8,611	0.1 %	1,647
<b>TOTAL, RETAILER &amp; GAMING COSTS</b>	<b>\$726,169</b>	<b>8.6 %</b>	<b>\$745,058</b>	<b>8.8 %</b>	<b>\$18,890</b>
<b>Operating Costs:</b>					
Personal Services	\$108,704	1.3 %	\$121,227	1.4 %	\$12,523
Marketing Budget Plan	70,487	0.8 %	84,975	1.0 %	14,488
Contractual Services	17,690	0.2 %	24,577	0.3 %	6,888
Depreciation	16,974	0.2 %	17,727	0.2 %	753
Operating Expense	15,220	0.2 %	21,497	0.3 %	6,277
Reserve for Insurable Risk	0	0.0 %	5,000	0.1 %	5,000
Administrative Spending Reserve	0	0.0 %	78,439	0.9 %	78,439
<b>Subtotal, Operating Costs</b>	<b>\$229,075</b>	<b>2.7 %</b>	<b>\$353,442</b>	<b>4.2 %</b>	<b>\$124,367</b>
<b>TOTAL, ADMINISTRATIVE EXPENSES</b>	<b>\$955,243</b>	<b>11.4 %</b>	<b>\$1,098,500</b>	<b>13.0 %</b>	<b>\$143,257</b>
<b>CONTRIBUTION TO EDUCATION</b>					
Unclaimed Prizes	\$1,873,692		\$1,713,858		(\$159,834)
Interest Income	19,405		49,700		30,295
	3,516		10,000		6,484
<b>TOTAL AVAILABLE FOR EDUCATION</b>	<b>\$1,896,613</b>		<b>\$1,773,558</b>		<b>(\$123,055)</b>
<b>TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES</b>	<b>\$1,896,613</b>		<b>\$1,856,997</b>		<b>(\$39,617)</b>

# Proposed Fiscal Year 2021-22 Budget

\*Numbers may not add due to rounding.



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# Sales

<b>SALES:</b>	<b>FY 2020-21 Year-End Estimate</b>	<b>% of Year-End Sales</b>	<b>FY 2021-22 Proposed Budget</b>	<b>% of Proposed Sales</b>	<b>Difference</b>
Scratchers	\$6,394,000	76.1 %	\$6,530,000	77.3 %	\$136,000
Powerball	408,200	4.9 %	409,000	4.8 %	800
Mega Millions	529,300	6.3 %	428,000	5.1 %	-101,300
SuperLotto Plus	260,300	3.1 %	241,000	2.9 %	-19,300
Hot Spot	374,300	4.5 %	395,000	4.7 %	20,700
Fantasy 5	176,800	2.1 %	180,000	2.1 %	3,200
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Daily 4	38,000	0.5 %	38,000	0.4 %	0
Daily Derby	37,900	0.5 %	39,000	0.5 %	1,100
<b>TOTAL, ESTIMATED SALES</b>	<b>\$8,405,700</b>	-	<b>\$8,450,000</b>	-	<b>\$44,300</b>

\*Dollars in thousands; numbers may not add due to rounding.



# Prize Expense

<b>PRIZE EXPENSE:</b>	<b>FY 2020-21 Year-End Estimate</b>	<b>Year-End Prize Payout %</b>	<b>FY 2021-22 Proposed Budget</b>	<b>Proposed Prize Payout %</b>	<b>Difference</b>
Scratchers	\$4,550,993	71.2 %	\$4,644,136	71.1 %	\$93,143
Powerball	192,666	47.2 %	204,500	50.0 %	11,834
Mega Millions	263,094	49.7 %	214,000	50.0 %	-49,094
SuperLotto Plus	130,150	50.0 %	120,500	50.0 %	-9,650
Hot Spot	235,809	63.0 %	252,800	64.0 %	16,991
Daily Games	216,111	49.2 %	222,606	49.8 %	6,495
2nd Chance - Scratchers	5,200	-	5,200	-	0
2nd Chance - Draw Games	3,900	-	3,900	-	0
Prize Expense Savings	-21,159	-	-30,000	-	-8,841
<b>TOTAL, PRIZE EXPENSE</b>	<b><u>\$5,576,764</u></b>	<b>66.3 %</b>	<b><u>\$5,637,642</u></b>	<b>66.7 %</b>	<b><u>\$60,878</u></b>
<b>NET SALES AFTER PRIZE EXPENSE</b>	<b><u>\$2,828,936</u></b>	<b>-</b>	<b><u>\$2,812,358</u></b>	<b>-</b>	<b><u>-\$16,578</u></b>

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# Administrative Expense - Retailer and Gaming Costs

	FY 2020-21 Year-End Estimate	% of Year-End Sales	FY 2021-22 Proposed Budget	% of Proposed Sales	Difference
<b>ADMINISTRATIVE EXPENSES:</b>					
<b>Retailer Compensation:</b>	-	-	-	-	-
Commission	\$490,893	5.8 %	\$493,480	5.8 %	\$2,587
Cashing Bonus	48,921	0.6 %	49,179	0.6 %	258
Special Handling	36,145	0.4 %	36,335	0.4 %	190
Incentives	4,035	0.0 %	4,000	0.0 %	-35
<b>Subtotal, Retailer Compensation</b>	<b>\$579,993</b>	-	<b>\$582,994</b>	-	<b>\$3,001</b>
<b>Gaming Costs:</b>	-	-	-	-	-
Gaming Contract (IGT)	\$120,502	1.4 %	\$120,945	1.4 %	\$443
Administrative Retailer Fees	-20,055	-	-20,743	-	-688
Gaming Monitor Fees	-513	-	-558	-	-45
Scratchers Ticket Costs	39,277	0.5 %	53,809	0.6 %	14,532
Scratchers Delivery and Support Costs	6,964	0.1 %	8,611	0.1 %	1,647
<b>Subtotal, Gaming Costs</b>	<b>\$146,175</b>	-	<b>\$162,064</b>	-	<b>\$15,889</b>
<b>TOTAL, RETAILER &amp; GAMING COSTS</b>	<b>\$726,169</b>	<b>8.6 %</b>	<b>\$745,058</b>	<b>8.8 %</b>	<b>\$18,890</b>

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# Administrative Expense - Operating Costs

	FY 2020-21 Year-End Estimate	% of Year-End Sales	FY 2021-22 Proposed Budget	% of Proposed Sales	Difference
<b>Operating Costs:</b>					
Personal Services	\$108,704	1.3 %	\$121,227	1.4 %	\$12,523
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<i>Reserve for Insurable Risk</i>	0	0.0 %	5,000	0.1 %	5,000
<i>Administrative Spending Reserve</i>	0	0.0 %	78,439	0.9 %	78,439
<b>Subtotal, Operating Costs</b>	<b><u>\$229,075</u></b>	<b>2.7 %</b>	<b><u>\$353,442</u></b>	<b>4.2 %</b>	<b><u>\$124,367</u></b>
<b>TOTAL, ADMINISTRATIVE EXPENSES</b>	<b><u>\$955,243</u></b>	<b>11.4 %</b>	<b><u>\$1,098,500</u></b>	<b>13.0 %</b>	<b><u>\$143,257</u></b>

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# Fiscal Year 2021-22

## *FISCAL YEAR 2021-22 SUMMARY OF FUNDING NEEDS BY OBJECTIVE (Dollars in Thousands)*

<b>Objective</b>	<b>Positions</b>	<b>Cost</b>
Respond to Emerging Needs from Recent Events and Trends	2.0	\$427
Focus Efforts to Reinvigorate Retail	5.0	\$420
Strengthen Sales in Jackpot Games	1.0	\$281
Defuse the Barriers to Play by Changing Perceptions	0.0	\$262
Transform the Lottery Organization	17.0	\$5,178
Administrative Support	3.0	\$697
<b>Total FY 2021-22 Initiatives and Other Revisions</b>	<b>28.0</b>	<b>\$7,265</b>

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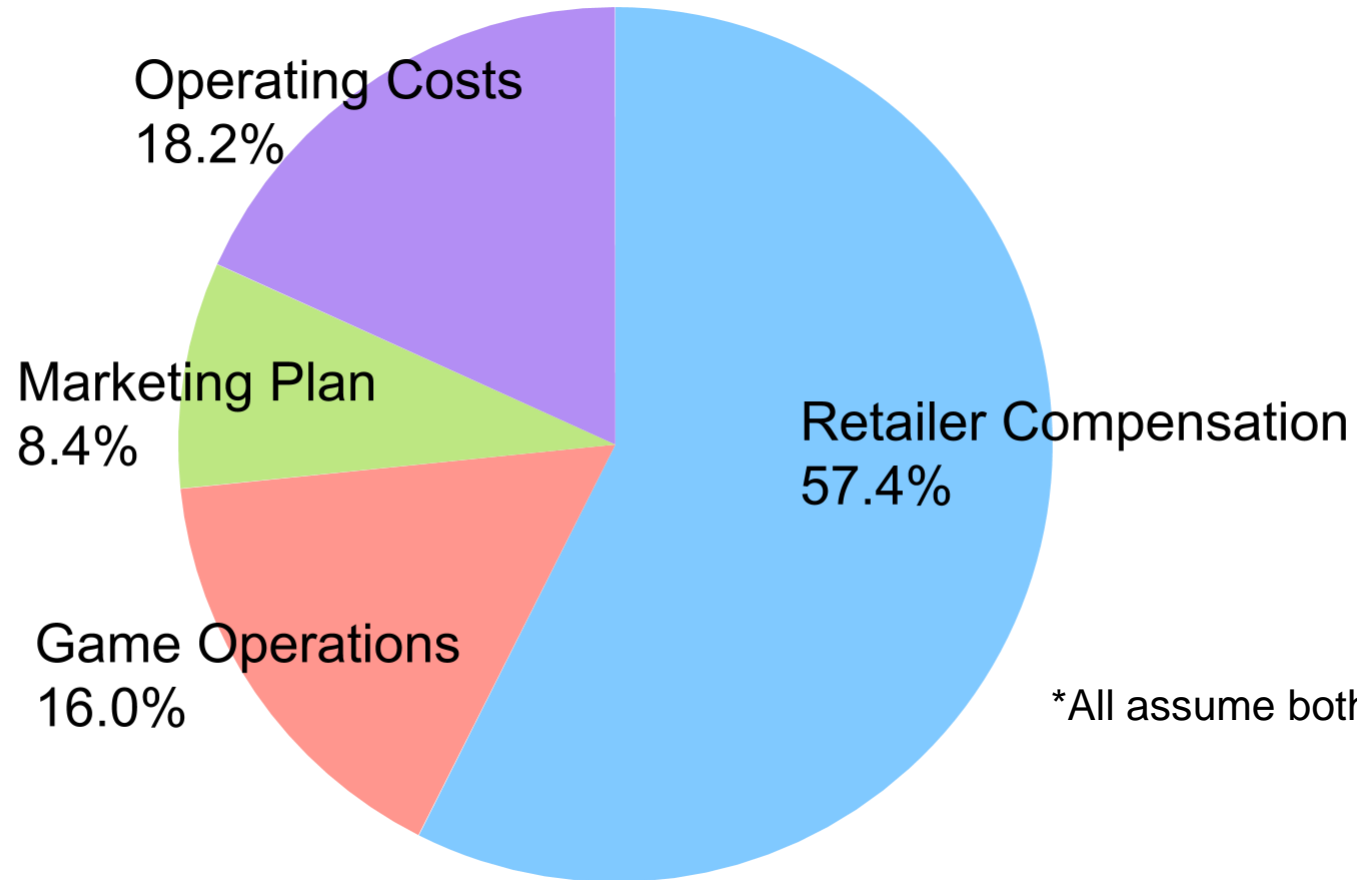
# Breakout of New Positions

- 14 positions to improve internal processes
- 7 positions to provide greater customer service
- 4 positions to address unique operational needs
- 3 positions converted from Temporary Help





# Distribution of Administrative Expenses Fiscal Year 2021-22



\*All assume both reserves remain unspent



# Contribution to Education

	FY 2020-21 Year-End Estimate	FY 2021-22 Proposed Budget	Difference
<b>CONTRIBUTION TO EDUCATION</b>			
<b>CONTRIBUTION TO EDUCATION FROM SALES</b>	<b>\$1,873,692</b>	<b>\$1,713,858</b>	<b>-\$159,834</b>
Unclaimed Prizes	19,405	49,700	30,295
Interest Income	3,516	10,000	6,484
<b>TOTAL AVAILABLE FOR EDUCATION</b>	<b>\$1,896,613</b>	<b>\$1,773,558</b>	<b>-\$123,055</b>
<b>TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES</b>	<b>\$1,896,613</b>	<b>\$1,856,997</b>	<b>-\$39,617</b>

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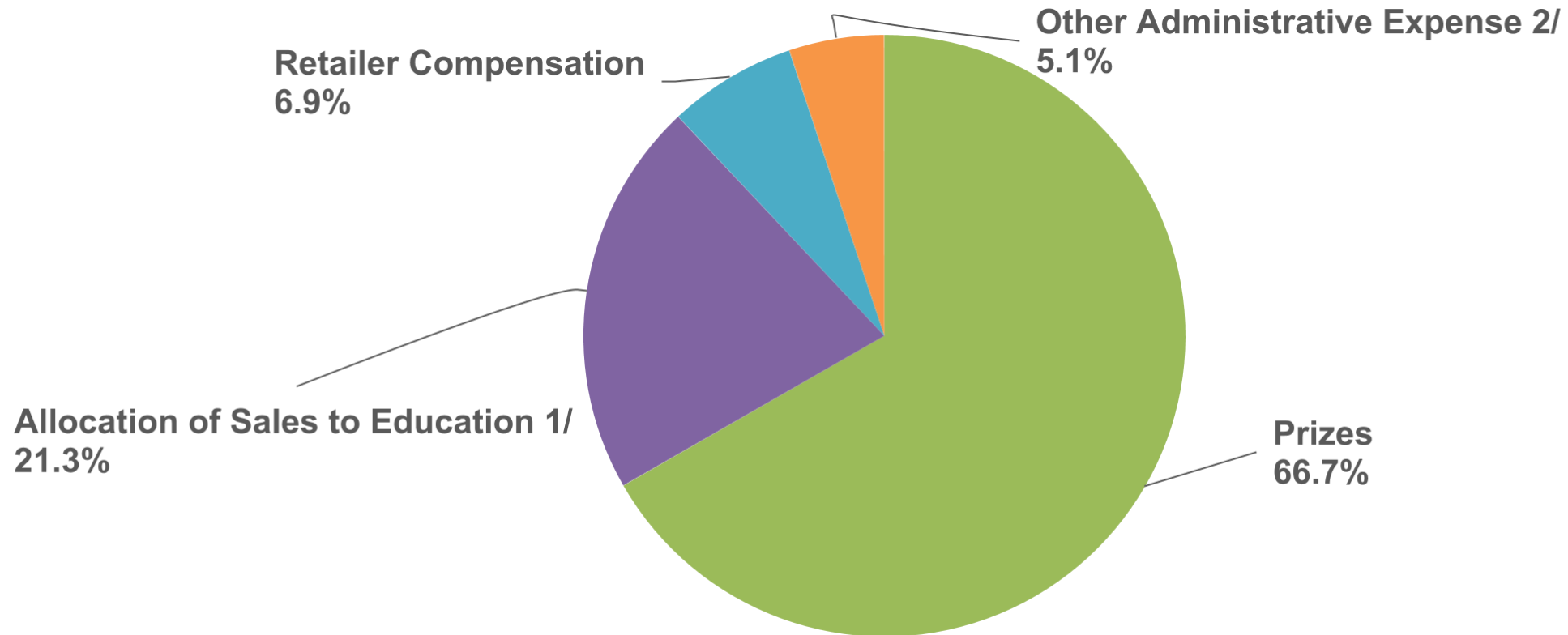
# Contribution to Education (cont.)

CONTRIBUTION TO EDUCATION	FY 2020-21 Approved Budget	FY 2021-22 Proposed Budget	Difference
<b>CONTRIBUTION TO EDUCATION FROM SALES</b>	<b>\$1,489,654</b>	<b>\$1,713,858</b>	<b>\$224,204</b>
Unclaimed Prizes	35,000	49,700	14,700
Interest Income	13,000	10,000	-3,000
<b>TOTAL AVAILABLE FOR EDUCATION</b>	<b>\$1,537,654</b>	<b>\$1,773,558</b>	<b>\$235,904</b>
<b>TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES</b>	<b>\$1,597,201</b>	<b>\$1,856,997</b>	<b>\$259,796</b>

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



1/ Prior to unclaimed prizes and interest earnings; assumes both reserves remain unspent

2/ Assumes both reserves remain unspent

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