



Presentation of Proposed Fiscal Year 2023-24 Budget

Presentation to
California State Lottery Commission
June 29, 2023



FISCAL YEAR 2023-24
ANNUAL PLAN
(Dollars in Thousands)

	FY 2022-23 Year-End Estimate	% of Sales	FY 2023-24 Proposed Budget	% of Sales	Difference
SALES:					
Scratchers	\$6,570,000	71.3 %	\$6,680,000	76.8 %	\$110,000
Powerball	740,000	8.0 %	475,000	5.5 %	(265,000)
Mega Millions	790,000	8.6 %	440,000	5.1 %	(350,000)
SuperLotto Plus	274,000	3.0 %	240,000	2.8 %	(34,000)
Hot Spot	411,000	4.5 %	445,000	5.1 %	34,000
Fantasy 5	177,500	1.9 %	171,000	2.0 %	(6,500)
Daily 3	180,000	2.0 %	176,000	2.0 %	(4,000)
Daily 4	35,500	0.4 %	35,500	0.4 %	0
Daily Derby	42,000	0.5 %	37,500	0.4 %	(4,500)
TOTAL, ESTIMATED SALES	\$9,220,000		\$8,700,000		(\$520,000)
PRIZE EXPENSE:					
		Prize Payout %		Prize Payout %	
Scratchers	\$4,733,850	72.1 %	\$4,797,576	71.8 %	\$63,726
Powerball	370,000	50.0 %	237,500	50.0 %	(132,500)
Mega Millions	395,000	50.0 %	220,000	50.0 %	(175,000)
SuperLotto Plus	132,850	48.5 %	120,000	50.0 %	(12,850)
Hot Spot	259,308	63.1 %	282,798	63.6 %	23,490
Daily Games	216,251	49.7 %	209,468	49.9 %	(6,783)
2nd Chance	9,100		9,100		0
Prize Expense Savings	(64,973)		(57,000)		7,973
TOTAL, PRIZE EXPENSE	\$6,051,386	65.6 %	\$5,819,441	66.9 %	(\$231,945)
NET SALES AFTER PRIZE EXPENSE	\$3,168,614		\$2,880,559		(\$288,055)
ADMINISTRATIVE EXPENSES:					
		% of Sales		% of Sales	
Retailer Compensation:					
Commission	\$528,827	5.7 %	\$501,007	5.8 %	(\$27,820)
Cashing Bonus	52,326	0.6 %	49,470	0.6 %	(2,856)
Special Handling	37,831	0.4 %	35,766	0.4 %	(2,065)
Incentives	4,068	0.0 %	3,500	0.0 %	(568)
Gaming Costs:					
Gaming Contract (IGT)	128,645	1.4 %	123,445	1.4 %	(5,200)
Retailer Administrative and Gaming Fees	(21,879)		(21,887)		(8)
Scratchers Ticket, Delivery, and Support Costs	57,689	0.6 %	59,147	0.7 %	1,458
TOTAL, RETAILER & GAMING COSTS	\$787,507	8.5 %	\$750,448	8.6 %	(\$37,058)
Operating Costs:					
Personal Services	\$122,378	1.3 %	\$137,109	1.6 %	\$14,731
Marketing Budget Plan	97,011	1.1 %	111,982	1.3 %	14,971
Contractual Services	21,442	0.2 %	24,479	0.3 %	3,037
Depreciation	15,775	0.2 %	14,306	0.2 %	(1,470)
Operating Expense	20,701	0.2 %	24,667	0.3 %	3,966
Reserve for Insurable Risk	0	0.0 %	5,000	0.1 %	5,000
Administrative Spending Reserve	0	0.0 %	63,010	0.7 %	63,010
Subtotal, Operating Costs	\$277,308	3.0 %	\$380,552	4.4 %	\$103,244
TOTAL, ADMINISTRATIVE EXPENSES	\$1,064,814	11.5 %	\$1,131,000	13.0 %	\$66,186
CONTRIBUTION TO EDUCATION					
Unclaimed Prizes	\$2,103,800		\$1,749,559		(\$354,241)
Interest Income	57,691		35,000		(22,691)
	20,000		10,000		(10,000)
TOTAL AVAILABLE FOR EDUCATION	\$2,181,491		\$1,794,559		(\$386,932)
TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES	\$2,181,491		\$1,862,569		(\$318,923)

Proposed Fiscal Year 2023-24 Budget

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



Sales

	FY 2022-23		FY 2023-24		
	Year-End	% of	Proposed	% of	
	Estimate	Sales	Budget	Sales	Difference
SALES:					
Scratchers	\$6,570,000	71.3 %	\$6,680,000	76.8 %	\$110,000
Powerball	740,000	8.0 %	475,000	5.5 %	(265,000)
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TOTAL, ESTIMATED SALES	\$9,220,000		\$8,700,000		(\$520,000)

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Prize Expense

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PRIZE EXPENSE:					
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TOTAL, PRIZE EXPENSE	\$6,051,386	65.6 %	\$5,819,441	66.9 %	(\$231,945)
NET SALES AFTER PRIZE EXPENSE	\$3,168,614		\$2,880,559		(\$288,055)

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Administrative Expense - Retailer and Gaming Costs

ADMINISTRATIVE EXPENSES:	FY 2022-23 Year-End Estimate	% of Sales	FY 2023-24 Proposed Budget	% of Sales	Difference
Retailer Compensation:					
Commission	\$528,827	5.7 %	\$501,007	5.8 %	(\$27,820)
Cashing Bonus	52,326	0.6 %	49,470	0.6 %	(2,856)
Special Handling	37,831	0.4 %	35,766	0.4 %	(2,065)
Incentives	4,068	0.0 %	3,500	0.0 %	(568)
Subtotal, Retailer Compensation	\$623,052		\$589,743		(\$33,309)
Gaming Costs:					
Gaming Contract (IGT)	128,645	1.4 %	123,445	1.4 %	(5,200)
Retailer Administrative and Gaming Fees	(21,879)		(21,887)		(8)
Scratchers Ticket, Delivery, and Support Costs	57,689	0.6 %	59,147	0.7 %	1,458
Subtotal, Gaming Costs	\$164,455		\$160,705		(\$3,749)
TOTAL, RETAILER & GAMING COSTS	\$787,507	8.5 %	\$750,448	8.6 %	(\$37,058)

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Administrative Expense - Operating Costs

	<u>FY 2022-23 Year-End Estimate</u>	<u>% of Sales</u>	<u>FY 2023-24 Proposed Budget</u>	<u>% of Sales</u>	<u>Difference</u>
Operating Costs:					
Personal Services	\$122,378	1.3 %	\$137,109	1.6 %	\$14,731
Marketing Budget Plan	97,011	1.1 %	111,982	1.3 %	14,971
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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 %	63,010	0.7 %	63,010
Subtotal, Operating Costs	<u>\$277,308</u>	3.0 %	<u>\$380,552</u>	4.4 %	<u>\$103,244</u>
TOTAL, ADMINISTRATIVE EXPENSES	<u>\$1,064,814</u>	11.5 %	<u>\$1,131,000</u>	13.0 %	<u>\$66,186</u>

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Breakout of Proposed 37.0 Positions

- 17 positions to provide greater customer service
- 20 positions to improve internal processes



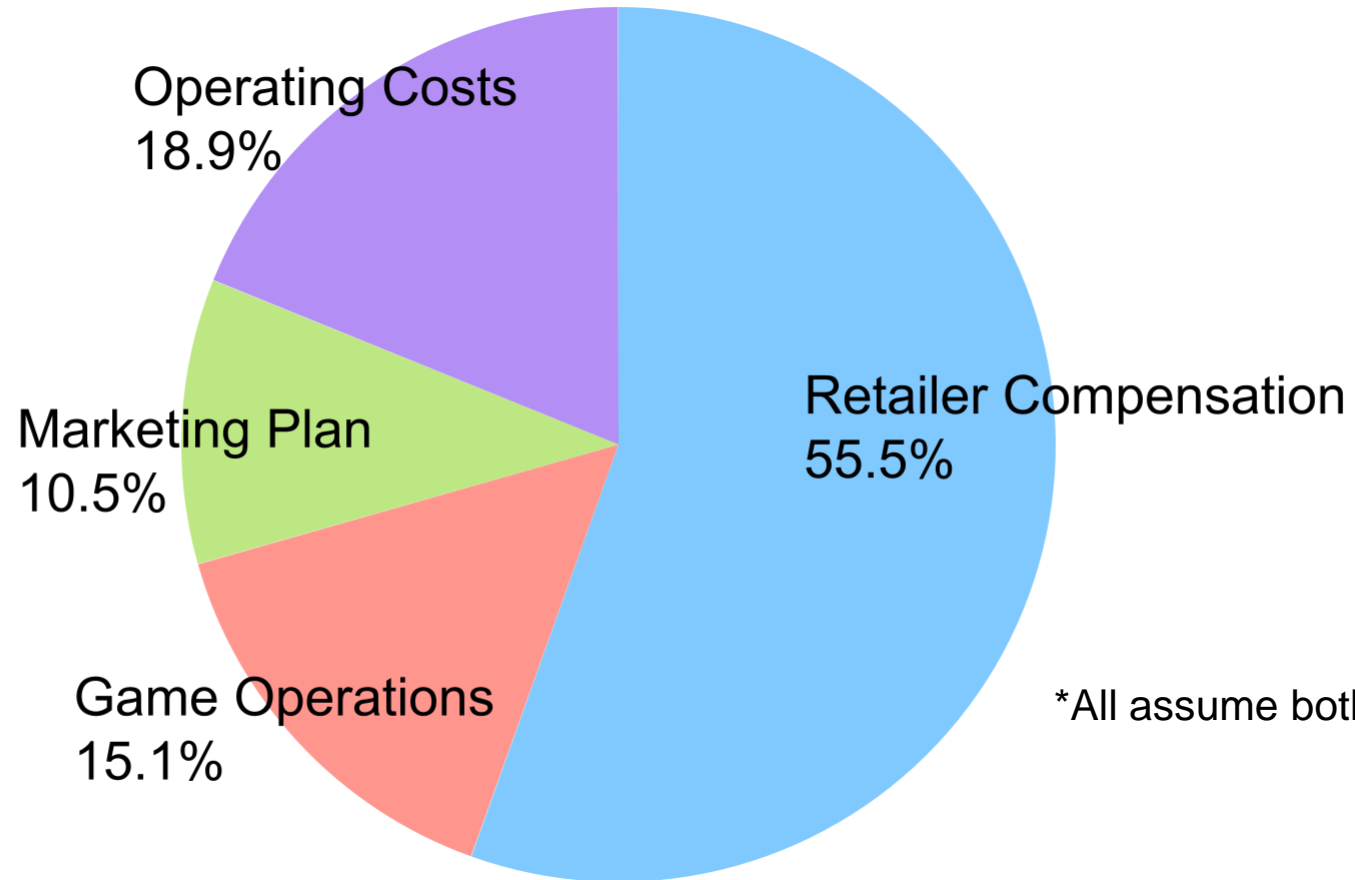
Administrative Expense - Operating Costs (Continued)

	FY 2022-23 Year-End Estimate	% of Sales	FY 2023-24 Proposed Budget	% of Sales	Difference
Operating Costs:					
Personal Services	\$122,378	1.3 %	\$137,109	1.6 %	\$14,731
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Subtotal, Operating Costs	\$277,308	3.0 %	\$380,552	4.4 %	\$103,244
TOTAL, ADMINISTRATIVE EXPENSES	\$1,064,814	11.5 %	\$1,131,000	13.0 %	\$66,186

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Distribution of Administrative Expenses Fiscal Year 2023-24



*All assume both reserves remain unspent



Contribution to Education

	FY 2022-23 Year-End Estimate	FY 2023-24 Proposed Budget	Difference
CONTRIBUTION TO EDUCATION	\$2,103,800	\$1,749,559	(\$354,241)
Unclaimed Prizes	57,691	35,000	(22,691)
Interest Income	20,000	10,000	(10,000)
TOTAL AVAILABLE FOR EDUCATION	\$2,181,491	\$1,794,559	(\$386,932)
TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES	\$2,181,491	\$1,862,569	(\$318,923)

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Budget to Budget Comparison

	FY 2022-23 Approved Budget	FY 2023-24 Proposed Budget	Difference
TOTAL, ESTIMATED SALES	\$8,540,000	\$8,700,000	\$160,000
<i>TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES</i>	<i>\$1,807,014</i>	<i>\$1,862,569</i>	<i>\$55,555</i>

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AB 142 5-Year Average Provision

Fiscal Year		Net Revenues Allocated to Public Education 1/	Previous 5-Yr Average Net Revenues	Amount Over (Under) Requirement
2010-11	2/	\$1,100,817		
2011-12		\$1,298,249		
2012-13		\$1,260,789		
2013-14		\$1,326,652		
2014-15		\$1,363,242		
2015-16	3/	\$1,559,669	\$1,269,950	\$289,719
2016-17		\$1,494,178	\$1,361,720	\$132,458
2017-18		\$1,656,055	\$1,400,906	\$255,149
2018-19		\$1,809,721	\$1,479,959	\$329,762
2019-20		\$1,425,155	\$1,576,573	(\$151,418)
2020-21		\$1,857,731	\$1,588,956	\$268,775
2021-22		\$2,015,049	\$1,648,568	\$366,481
2022-23	4/	\$2,103,800	\$1,752,742	\$351,058
2023-24	4/	\$1,817,569	\$1,842,291	(\$24,722)

*Dollars shown in thousands

Gov't Code Sec. 8880.4.5(d): ...in subsequent fiscal years, to ensure continued growth in lottery net revenues allocated to public education, the commission, when setting the percentage [of the total annual revenues to be allocated to the benefit of public education], shall ensure that net revenues allocated to public schools are at least as much as were allocated on average in the prior five fiscal years...

1/ Prior to interest, other income, and unclaimed prizes.

2/ 2010-11 was the first full fiscal year after AB 142 enactment.

3/ 2015-16 was the first full fiscal year following the five-year test period.

4/ Estimated contribution.



Sales and Contributions to Education

