



Presentation of Proposed Fiscal Year 2022-23 Budget

Presentation to
California State Lottery Commission
June 30, 2022



FISCAL YEAR 2022-23
ANNUAL PLAN
(Dollars in Thousands)

	FY 2021-22 Year-End Estimate	% of Sales	FY 2022-23 Proposed Budget	% of Sales	Difference
SALES:					
Scratchers	\$6,940,000	77.5 %	\$6,580,000	77.0 %	(\$360,000)
Powerball	565,000	6.3 %	470,000	5.5 %	(95,000)
Mega Millions	370,000	4.1 %	440,000	5.2 %	70,000
SuperLotto Plus	245,000	2.7 %	240,000	2.8 %	(5,000)
Hot Spot	402,000	4.5 %	392,000	4.6 %	(10,000)
Fantasy 5	177,100	2.0 %	170,500	2.0 %	(6,600)
Daily 3	183,900	2.1 %	175,000	2.0 %	(8,900)
Daily 4	37,200	0.4 %	35,500	0.4 %	(1,700)
Daily Derby	37,800	0.4 %	37,000	0.4 %	(800)
TOTAL, ESTIMATED SALES	\$8,958,000		\$8,540,000		(\$418,000)
PRIZE EXPENSE:					
Scratchers	\$4,934,340	71.1 %	\$4,737,600	72.0 %	(\$196,740)
Powerball	282,500	50.0 %	235,000	50.0 %	(47,500)
Mega Millions	185,000	50.0 %	220,000	50.0 %	35,000
SuperLotto Plus	132,300	54.0 %	120,000	50.0 %	(12,300)
Hot Spot	253,260	63.0 %	246,960	63.0 %	(6,300)
Daily Games	217,435	49.9 %	208,468	49.9 %	(8,968)
2nd Chance	9,100		9,100		0
Prize Expense Savings	(79,200)		(55,000)		24,200
TOTAL, PRIZE EXPENSE	\$5,934,735	66.3 %	\$5,722,128	67.0 %	(\$212,608)
NET SALES AFTER PRIZE EXPENSE	\$3,023,265		\$2,817,873		(\$205,392)
ADMINISTRATIVE EXPENSES:					
Retailer Compensation:					
Commission	\$523,102	5.8 %	\$498,736	5.8 %	(\$24,366)
Cashing Bonus	53,748	0.6 %	49,703	0.6 %	(4,045)
Special Handling	37,731	0.4 %	36,055	0.4 %	(1,676)
Incentives	5,814	0.1 %	4,000	0.0 %	(1,814)
Gaming Costs:					
Gaming Contract (IGT)	126,025	1.4 %	121,845	1.4 %	(4,180)
Retailer Administrative and Gaming Fees	(21,296)		(22,919)		(1,623)
Scratchers Ticket Costs	43,890	0.5 %	48,057	0.6 %	4,167
Scratchers Delivery and Support Costs	6,339	0.1 %	7,243	0.1 %	904
TOTAL, RETAILER & GAMING COSTS	\$775,353	8.7 %	\$742,720	8.7 %	(\$32,633)
Operating Costs:					
Personal Services	\$118,881	1.3 %	\$122,157	1.4 %	\$3,276
Marketing Budget Plan	95,000	1.1 %	107,924	1.3 %	12,924
Contractual Services	15,539	0.2 %	26,644	0.3 %	11,105
Depreciation	15,980	0.2 %	17,647	0.2 %	1,667
Operating Expense	16,855	0.2 %	23,765	0.3 %	6,911
Reserve for Insurable Risk	0	0.0 %	5,000	0.1 %	5,000
Administrative Spending Reserve	0	0.0 %	64,342	0.8 %	64,342
Subtotal, Operating Costs	\$262,255	2.9 %	\$367,480	4.3 %	\$105,225
TOTAL, ADMINISTRATIVE EXPENSES	\$1,037,608	11.6 %	\$1,110,200	13.0 %	\$72,592
CONTRIBUTION TO EDUCATION	\$1,985,657		\$1,707,673		(\$277,984)
Unclaimed Prizes	31,000		25,000		(6,000)
Interest Income	2,754		5,000		2,246
TOTAL AVAILABLE FOR EDUCATION	\$2,019,410		\$1,737,673		(\$281,738)
TOTAL CONTRIBUTION TO EDUCATION WITH RESERVES	\$2,019,410		\$1,807,014		(\$212,396)

Proposed Fiscal Year 2022-23 Budget

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



Sales

	FY 2021-22 Year-End Estimate	% of Sales	FY 2022-23 Proposed Budget	% of Sales	Difference
SALES:					
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TOTAL, ESTIMATED SALES	\$8,958,000		\$8,540,000		(\$418,000)

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Prize Expense

	FY 2021-22 Year-End Estimate	Prize Payout %	FY 2022-23 Proposed Budget	Prize Payout %	Difference
PRIZE EXPENSE:					
Scratchers	\$4,934,340	71.1 %	\$4,737,600	72.0 %	(\$196,740)
Powerball	282,500	50.0 %	235,000	50.0 %	(47,500)
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TOTAL, PRIZE EXPENSE	\$5,934,735	66.3 %	\$5,722,128	67.0 %	(\$212,608)
NET SALES AFTER PRIZE EXPENSE	\$3,023,265		\$2,817,873		(\$205,392)

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Administrative Expense - Retailer and Gaming Costs

ADMINISTRATIVE EXPENSES:	FY 2021-22 Year-End Estimate	% of Sales	FY 2022-23 Proposed Budget	% of Sales	Difference
Retailer Compensation:					
Commission	\$523,102	5.8 %	\$498,736	5.8 %	(\$24,366)
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Special Handling	37,731	0.4 %	36,055	0.4 %	(1,676)
Incentives	5,814	0.1 %	4,000	0.0 %	(1,814)
Subtotal, Retailer Compensation	\$620,395		\$588,494		(\$31,901)
Gaming Costs:					
Gaming Contract (IGT)	126,025	1.4 %	121,845	1.4 %	(4,180)
Retailer Administrative and Gaming Fees	(21,296)		(22,919)		(1,623)
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Scratchers Delivery and Support Costs	6,339	0.1 %	7,243	0.1 %	904
Subtotal, Gaming Costs	\$154,958		\$154,226		(\$732)
TOTAL, RETAILER & GAMING COSTS	\$775,353	8.7 %	\$742,720	8.7 %	(\$32,633)

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Administrative Expense - Operating Costs

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Operating Costs:					
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Summary of Funding Needs by Objective

*FISCAL YEAR 2022-23
(Dollars in Thousands)*

Objective	Positions	Cost
Maintain Scratchers Interest and Play in View of Increased Competition for the Entertainment Dollar	0.0	\$ 35,020
Focus Efforts to Reinvigorate Retail	0.0	\$ 1,160
Create Opportunities to Grow Sales of Draw Games, Particularly Jackpot Games and Hot Spot	0.0	\$ 15,800
Defuse Barriers to Play by Continuing to Improve Knowledge and Perceptions about the Lottery	0.0	\$ 3,920
Transform and Modernize the Lottery	45.0	\$ 7,214
Administrative Support	0.0	\$ 680
Total FY 2022-23 Initiatives and Other Revisions	45.0	\$ 63,794

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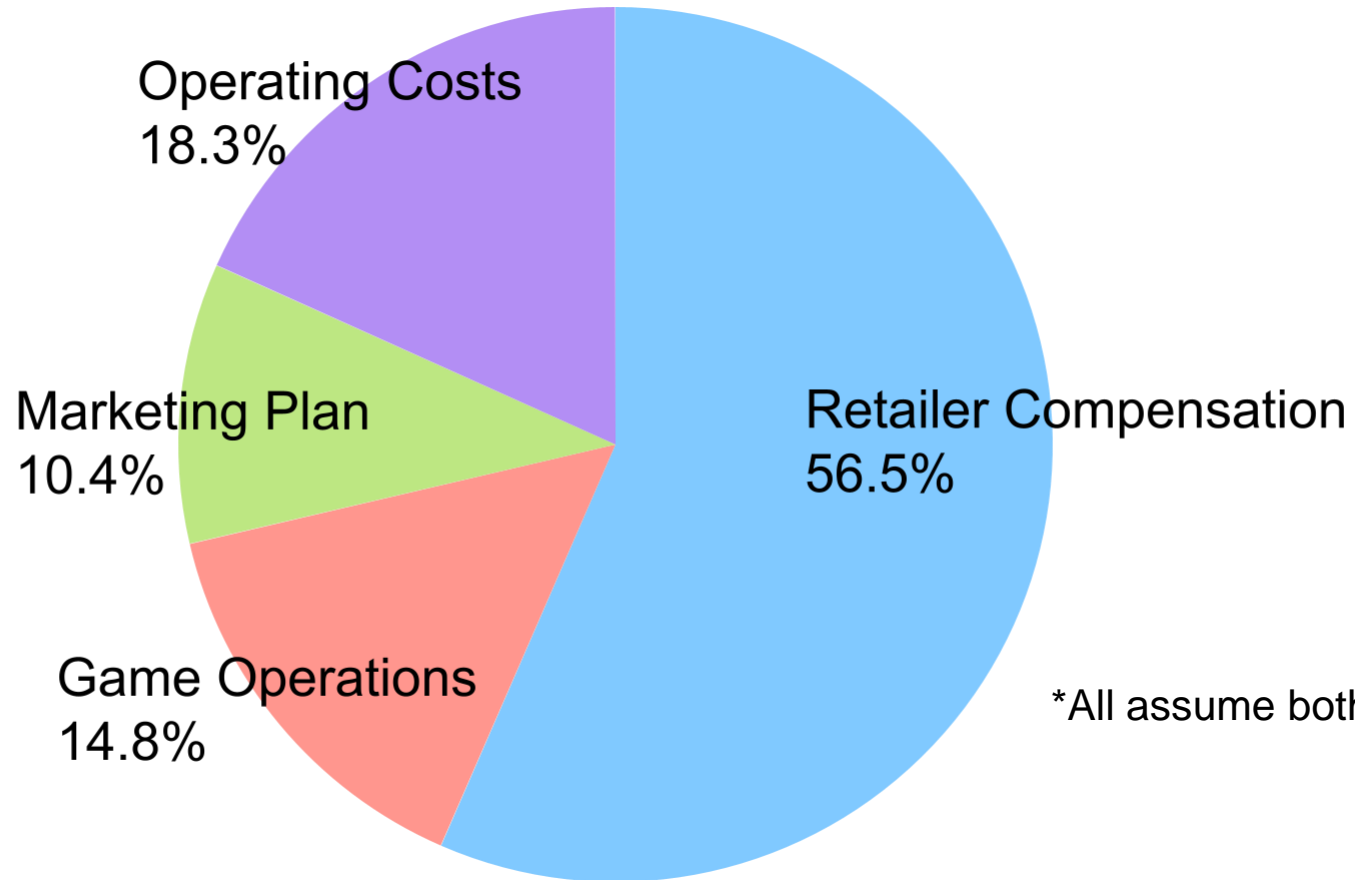


Breakout of New Positions

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



Distribution of Administrative Expenses Fiscal Year 2022-23



*All assume both reserves remain unspent



Contribution to Education

	FY 2021-22 Year-End Estimate	FY 2022-23 Proposed Budget	Difference
CONTRIBUTION TO EDUCATION	\$1,985,657	\$1,707,673	(\$277,984)
Unclaimed Prizes	31,000	25,000	(6,000)
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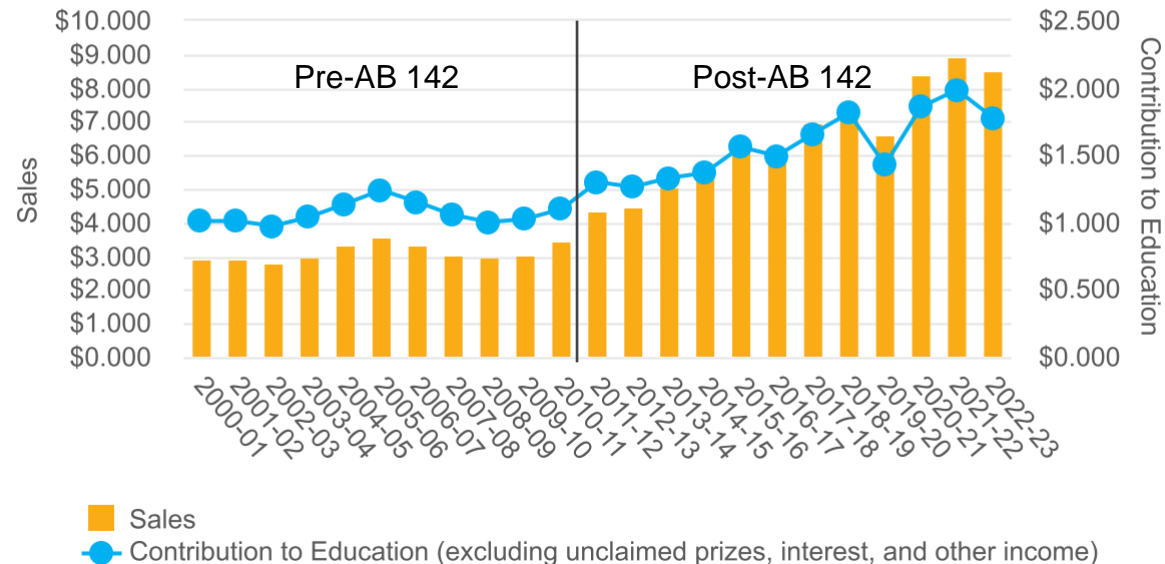


Sales and Contributions to Education

Pre-AB 142:

- Percentage of annual sales revenue returned to the public in the form of prizes capped at 50%
- At least 34% of annual sales revenue allocated to the benefit of public education
- Lottery expenses capped at 16%

Sales and Contributions to Education
Pre- and Post-AB 142 Implementation
(dollars in billions)



Post-AB 142:

- At least 87% of annual sales revenue returned to the public in the form of prizes and revenues to benefit public education
- Lottery expenses capped at 13%

