



Government Operations Appropriations Subcommittee

**Wednesday, November 2, 2011
11:30 AM- 2:30 PM
Florida Lottery Site Visit**

Action Packet

**Dean Cannon
Speaker**

**Ed Hooper
Chair**

COMMITTEE MEETING REPORT
Government Operations Appropriations Subcommittee

11/2/2011 11:30:00AM

Location: Florida Department of the Lottery

Summary: No Bills Considered

Committee meeting was reported out: Wednesday, November 02, 2011 3:11:49PM

COMMITTEE MEETING REPORT
Government Operations Appropriations Subcommittee

11/2/2011 11:30:00AM

Location: Florida Department of the Lottery

Attendance:

| | <i>Present</i> | <i>Absent</i> | <i>Excused</i> |
|-----------------------|----------------|---------------|----------------|
| Ed Hooper (Chair) | X | | |
| Lori Berman | X | | |
| Daphne Campbell | X | | |
| Gwyndolen Clarke-Reed | X | | |
| Fredrick Costello | X | | |
| Reggie Fullwood | X | | |
| Joseph Gibbons | | | X |
| Eduardo Gonzalez | X | | |
| Gayle Harrell | X | | |
| Debbie Mayfield | X | | |
| Bryan Nelson | X | | |
| H. Marlene O'Toole | X | | |
| Jimmy Patronis | X | | |
| Charles Van Zant | X | | |
| Michael Weinstein | | | X |
| Totals: | 13 | 0 | 2 |

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Welcome to the Florida Lottery



Joint House Government Operations & Government Operations Appropriations Committees Tour

November 2, 2011

Cynthia F. O'Connell

Secretary

The Games of the Florida Lottery



Welcome!

- Michael Manley, Legislative Affairs Director
- Cynthia O'Connell, Secretary
- Introduction of Executive Staff



Florida Lottery Mission and Mandate

Purpose

“... to operate the state lottery ...so as to maximize revenues [for the Educational Enhancement Trust Fund] in a manner consonant with the dignity of the state and the welfare of its citizens.”

Legislative Intent

“That the lottery games be operated by a department of state government that functions as much as possible in the manner of an entrepreneurial business enterprise.”



Lottery Performance for FY 2010 - 2011

| <i>(In Millions)</i> | REC Forecast | Gov. Goal | Actual |
|----------------------|-------------------|------------|-------------------|
| Scratch Off Tickets | \$ 2,171.7 | | \$ 2,225.7 |
| On-Line Tickets | <u>\$ 1,736.2</u> | | <u>\$ 1,783.0</u> |
| Total Ticket Sales | \$ 3,907.9 | \$ 3,970.0 | \$ 4,008.7 |

| <i>(In Millions)</i> | REC Forecast | Gov. Goal | Actual |
|----------------------|--------------|------------|-------------------|
| EETF Transfers | \$ 1,141.0 | \$ 1,160.0 | \$ 1,191.8 |

| | Gov. Goal | Actual |
|---------------|-----------|---------------|
| Retailer Base | 13,200 | 13,270 |



Department Goals for FY 11-12 and 12-13

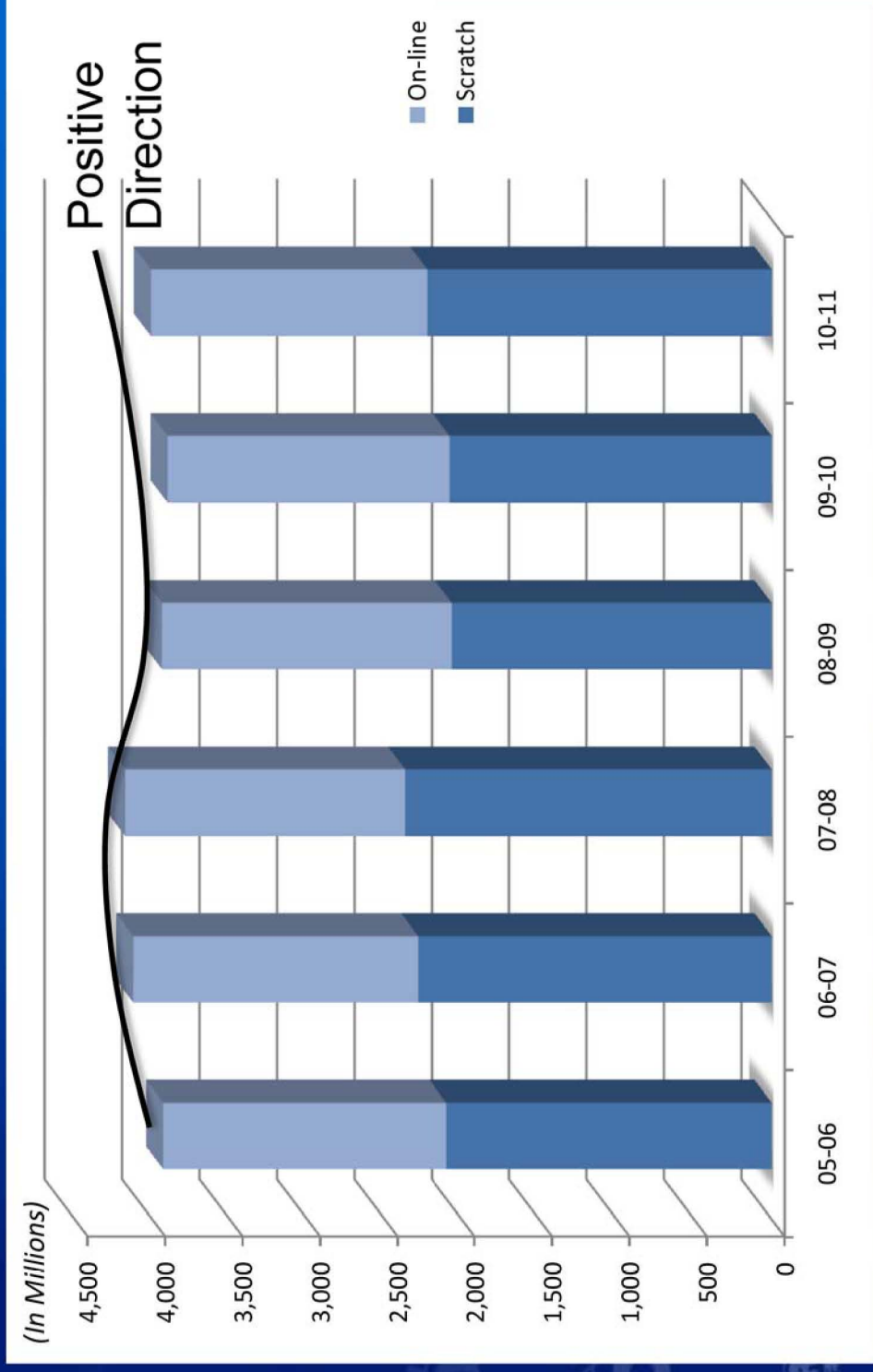
| <i>(In Millions)</i> | FY 11-12 | FY 12-13 |
|----------------------|-------------------|-------------------|
| Scratch Off Tickets | \$ 2,385.0 | \$ 2,432.7 |
| On-Line Tickets | <u>\$ 1,835.0</u> | <u>\$ 1,841.3</u> |
| Total Ticket Sales | \$ 4,220.0 | \$ 4,274.0 |

| <i>(In Millions)</i> | FY 11-12 | FY 12-13 |
|----------------------|------------|----------|
| EETF Transfers | \$ 1,250.0 | 1,270.8 |

| | FY 11-12 | FY 12-13 |
|---------------|----------|----------|
| Retailer Base | 13,700 | 13,835 |



Sales Trend Line



FY 11-12 YTD ticket sales are running 10.33% ahead of last year at this time.



3 Steps to Increase EETF Contribution

- Game Distribution for enhanced opportunity for “play”
- Expansion of retailer base
- Efficient allocations of resources



Florida Lottery Accomplishments YTD

- New pilot project with WALMART Neighborhood Markets (27)
- New tenant agreement with the Florida Office of Early Learning
- National POWERBALL Drawings to take place in Tallahassee Lottery Studio



2012 Legislative Agenda

Michael Manley, Legislative Affairs
Director



Instant Ticket Vending Machines



“ITVMs” – what are they?

- Self-service vending machines
- Customers can use them to purchase Florida Lottery Scratch-Off tickets, choosing from 24 bins
- Like a soda or candy machine, money is inserted and a button is pushed to select desired product - an Instant Lottery Ticket
- Do not give change
- Precautions to prevent underage play



ITVM Performance

Facts:

- 1,500 ITVM's placed across the state in 61 counties with the majority of units placed in Supermarket trade-styles.
- Each ITVM has 24 games offered at \$1, \$2, \$3, \$5, \$10 & \$20 price points. Each ITVM is stocked to offer the highest selling games.
- LTD sales (as of 9/30/11) are **\$460,970,015** (first installed in August of '09).
- 1st Qtr 11-12 ITVM ticket sales are averaging over \$3,591 per week. Each ITVM location is evaluated regularly to maximize ROI.
- \$20 games account for 40% of ITVM sales volume, followed by \$5 games at 22%.
- The \$2 price-point games are the most sold tickets with 3,554,206 tickets sold.
- \$5 games are second with 3,276,804 tickets sold.



Full Service Vending Machines

“FSVMs” – what are they?

- Self-service vending machines that allow for the sale of both Scratch-off and online/draw games.
- Customers can use them to purchase the full range of tickets provided by the Florida Lottery.
 - Like a soda or candy machine, money is inserted and a button is pushed or inputted to select the desired product and either an instant Scratch-off or online/draw game is tendered.
 - The machine would still not provide change.
 - The same precautions to prevent underage play would be in effect.
 - The technology is approved and provided for in the Florida tribal gaming compact and does not conflict in any way.
- Provides the Florida Lottery with a tool to market to new and larger retailers with the full line of Florida Lottery products.



2012 Budget Requests

Marcy Jackson, Chief Financial Officer



2012 Budget Requests

| | |
|--|-----------------------|
| Integrated Security System Headquarters & 9 District Offices | \$579,670 (NR) |
| Additional Retailer Terminals – 350 Units Request to Support Growth of Retailer Base | \$848,820 |
| ITVM's – 500 Units Request to Support Growth of Distribution Network | \$2,028,000 |
| Acquisition Motor Vehicles – 112 Vehicles Daily Use Vehicles over 120,000 and/or 10 yrs = 90 | \$2,164,064 |
| Full Service Vending Machines – 350 Units New Technology Desired for Growth in Retailer Base | \$2,940,000 |



2012 Budget Requests

| | |
|---|---|
| OCO – Increase to Base Agency's Current Base is \$1,000 | \$250,000 |
| Virtual Private Network Critical Element of Continuity of Operations Plan | \$24,389 (NR) If increase to OCO base is not approved |
| Warehouse Lift Truck Need to Efficiently and Safely Manage Contents | \$38,000 (NR) If increase to OCO base is not approved |
| TOTAL REQUEST REQUIRING FUNDING | \$8,872,943 |



Lottery Public Perceptions

Dennis Harmon, Deputy Secretary



FLORIDA LOTTO FANTASY

POWERBALL

POWERBALL

SCRATCH OFFS

FLORIDA LOTTO

FLORIDA LOTTO

FLORIDA LOTTO

Overall Opinion of the Florida Lottery

% Positive Opinion
5, 6, 7 on a 7-point scale

100%

75%

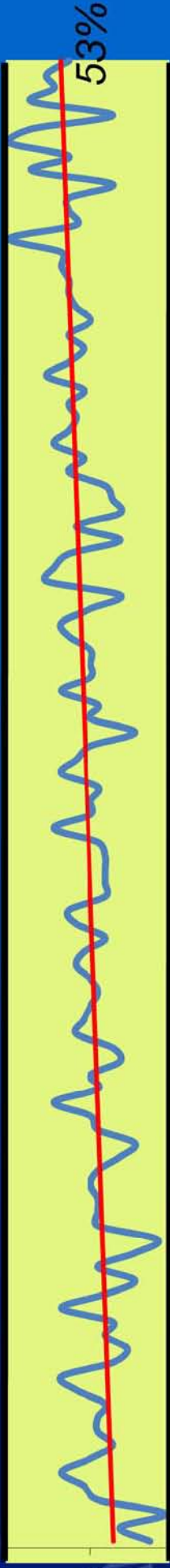
50%

25%

0%

61%

40%



Positive Opinion Score (monthly data)



Trend (linear)

Dec
2001

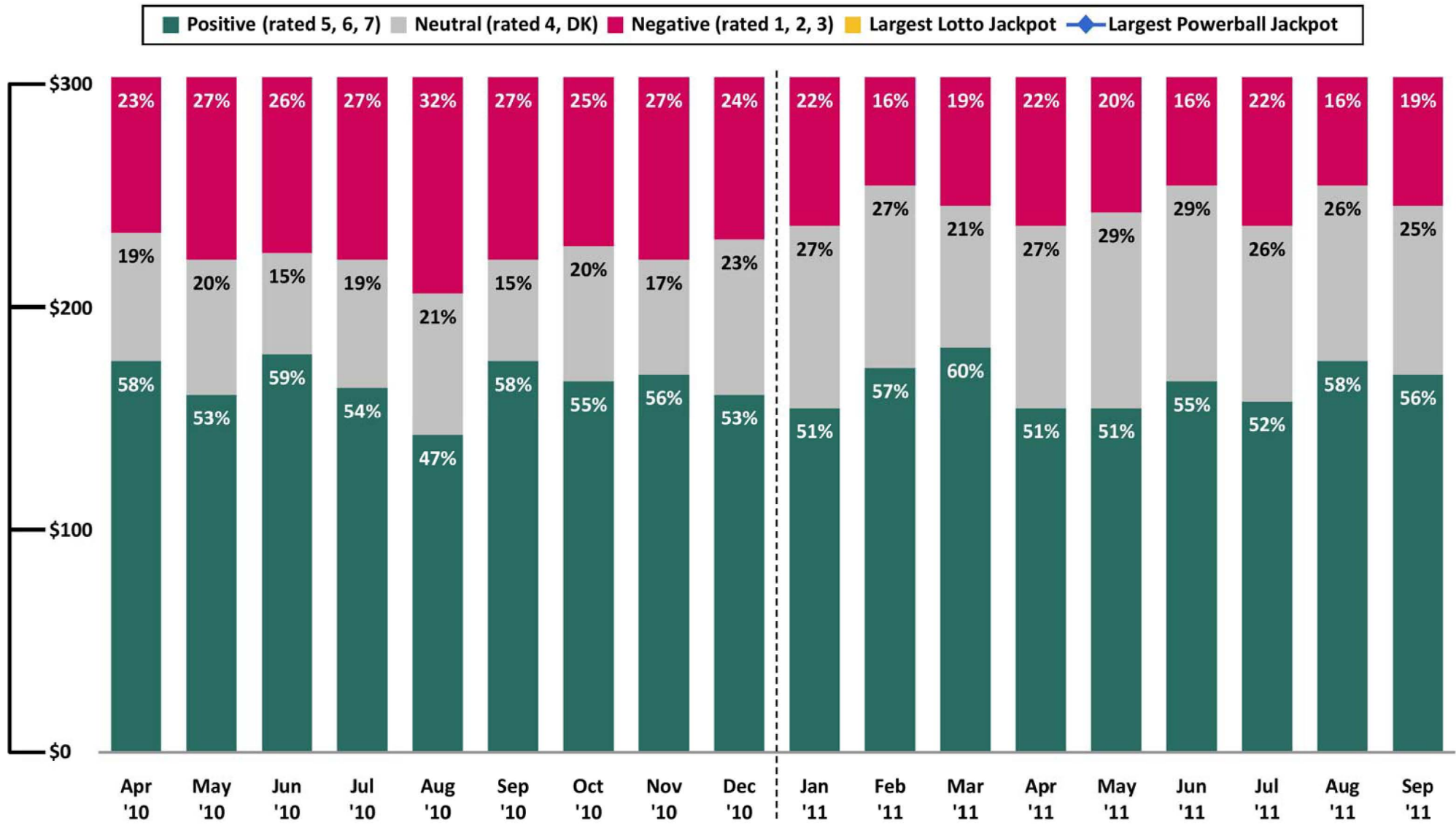
Dec
2010



c2. "How would you describe your overall opinion of the Florida Lottery on a scale from 1 to 7, where '1' means your opinion is 'Very Negative' and '7' means your opinion is 'Very Positive?'"



Overall Opinion of the Florida Lottery



**Change in methodology from telephone to online in January 2011*

Base: All respondents

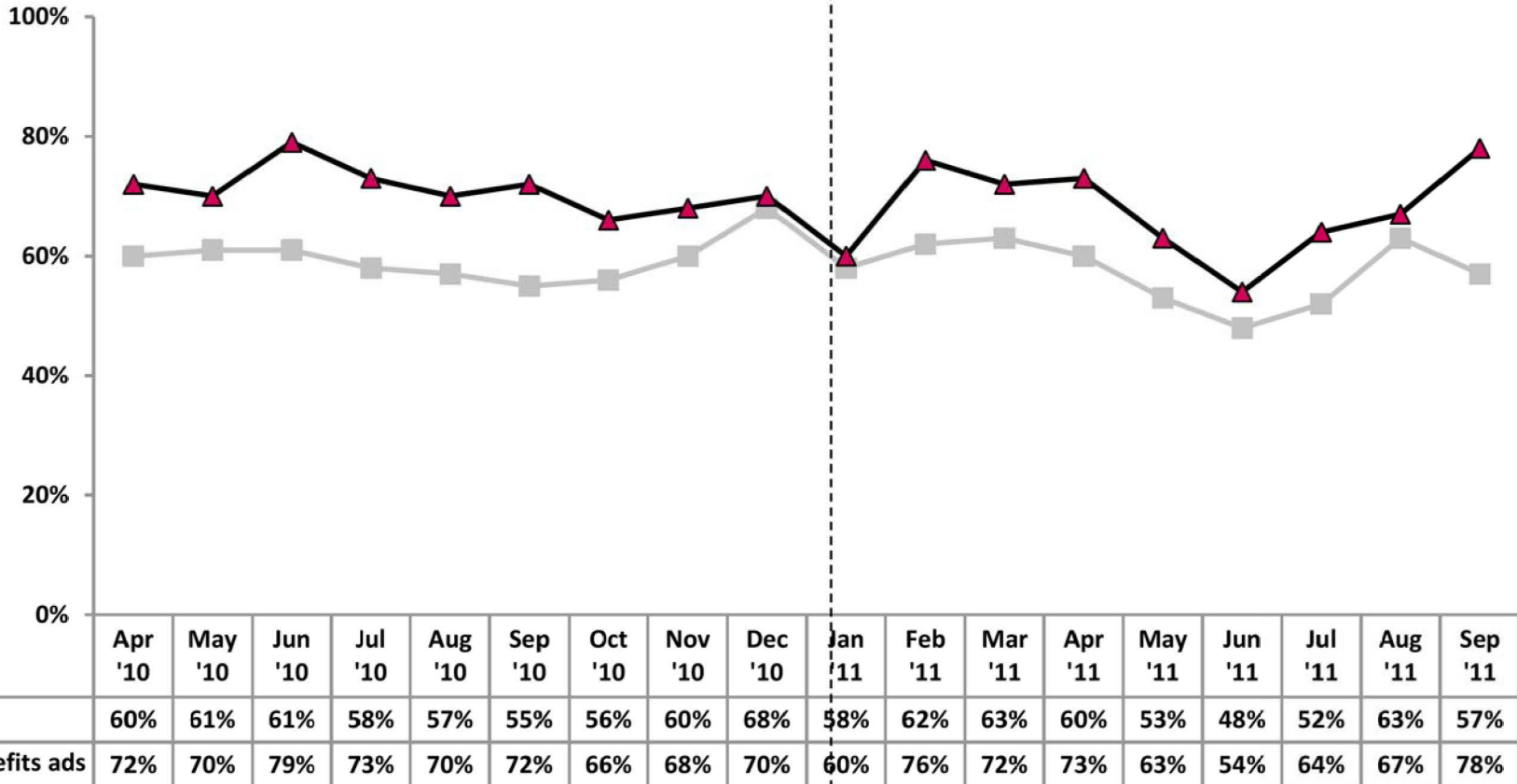
C2. How would you describe your overall opinion of the Florida Lottery on a scale from 1 to 7, where '1' means your opinion is 'very negative' and '7' means your opinion is 'very positive'?



Florida Lottery Education Funding Role

Among Those Aware/Not Aware of Florida Lottery Advertising

% Saying "Education"



**Change in methodology from telephone to online in January 2011*

Base: All respondents; aware of advertising; not aware of advertising

K1. As far as you know, how does the state currently use revenue from the Florida Lottery?

Powerball Changes

Beginning January 15, 2012--

- Higher Starting Jackpot: \$40 Million--up from \$20 million
- Higher Second Prize (\$1 Million)--up from \$200,000
- Improved Odds

Players will now choose one bonus ball from 35 rather than 39



1:175 Million jackpot odds--down from 1:195 million
1:31 overall odds (down from 1:35)

- Higher Ticket Price: \$2--up from \$1



Marketing & Advertising

David Bishop, Deputy Secretary



FLORIDA LOTTO FANTASY

POWERBALL

SCRATCH OFFS

THE

Strategic Partnership

- Sponsorships have long been a corporate tool to connect a brand with a fan. The Florida Lottery utilizes strategic sponsorships to align the Lottery with our players' affinity brands and is one of many approaches the Lottery takes to extend our presence beyond traditional media.
- They provide unique opportunities to deliver our message to receptive audiences, often through personal engagement via on-site sales, Lottery staff interviews and press events.



College Football Promotion

- This fall, we have expanded our annual Florida LOTTO College football promotion, partnering with eight Florida universities and the state's bowl games.
- These sponsorships offer the opportunity to support the schools' programs while building awareness of the value the Florida Lottery contributes to education.



Advertising

- Advertising is just one, albeit a very important, factor that drives sales. The appeal and quality of our products, jackpots, sales and merchandising efforts, economic conditions and others all contribute to the success of the Florida Lottery. Advertising is a crucial component to maximizing sales and contributions to the EETF.
- In FY11, the Florida Lottery's advertising efficiency was strong. Our advertising to sales ratio matched a previous low of 0.83%. Stated as an average of sales, \$120.89 in sales were generated last fiscal year per \$1 of ad spending.



Creative Commercials



- With the new changes in Powerball, the Florida Lottery will run an advertising campaign to build player awareness.
- Florida is creating the commercial that will be used across the country to promote these changes.



Holiday Promotion



WITCHES

FLORIDA POWERBALL

FLORIDA LOTTERY

Lottery Headquarters Tour



Watch a live Lottery Drawing

Forensics Lab

Games Administration



Florida Lottery®

The Lottery Dollar

Prizes: 63%

Vendors: 1.5%

EETF: 28%

Retailers: 5.5%



Operations: Less than 2%*

** Operations includes advertising, staff and all office operations.*

