



Government Operations Subcommittee

Wednesday, November 2, 2011

11:30 PM

Site Visit to Florida Department of the Lottery

Action Packet

**Dean Cannon
Speaker**

**Jimmy Patronis
Chair**

COMMITTEE MEETING REPORT
Government Operations 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 2:39:56PM

COMMITTEE MEETING REPORT
Government Operations Subcommittee

11/2/2011 11:30:00AM

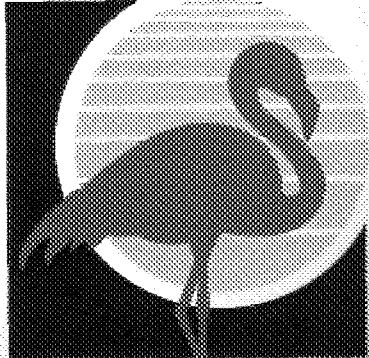
Location: Florida Department of the Lottery

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Jimmy Patronis (Chair)	X		
Larry Ahern	X		
Douglas Broxson	X		
Jeff Clemens	X		
Janet Cruz			X
Ana Logan	X		
Debbie Mayfield	X		
George Moraltis, Jr.	X		
Bryan Nelson	X		
H. Marlene O'Toole	X		
Kenneth Roberson	X		
Irving Slosberg	X		
Cynthia Stafford	X		
Barbara Watson	X		
Dana Young	X		
Totals:	14	0	1

Committee meeting was reported out: Wednesday, November 02, 2011 2:39:56PM

Welcome to the Florida Lottery



Florida Lottery

Joint House Government Operations & Government Operations Appropriations Committees Tour

November 2, 2011

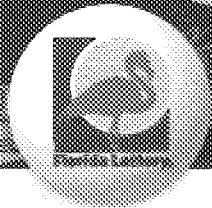
Cynthia F. O'Connell
Secretary

The Games of the Florida Lottery

SCRATCH
OFFS™

LUCKY
LINES™

MEGA
MONEY®



FLORIDA
LOTTO™
with XTRA®

Play4™

MILLIONAIRE
RAFFLE™

CASH 3®

FLORIDA
POWERBALL®
POWERPLAY®

FANTASY 5®

Welcome!

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



FLORIDATM
LOTTO FANTASYSM

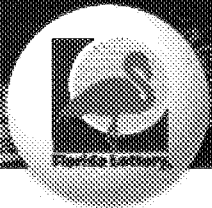
Florida Lottery Mission and Mandate

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.”

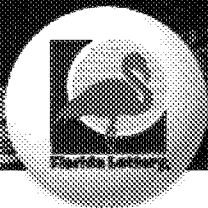


Lottery Performance for FY 2010 - 2011

<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

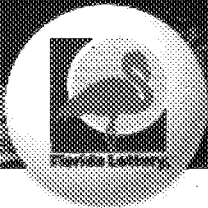


Department Goals for FY 11-12 and 12-13

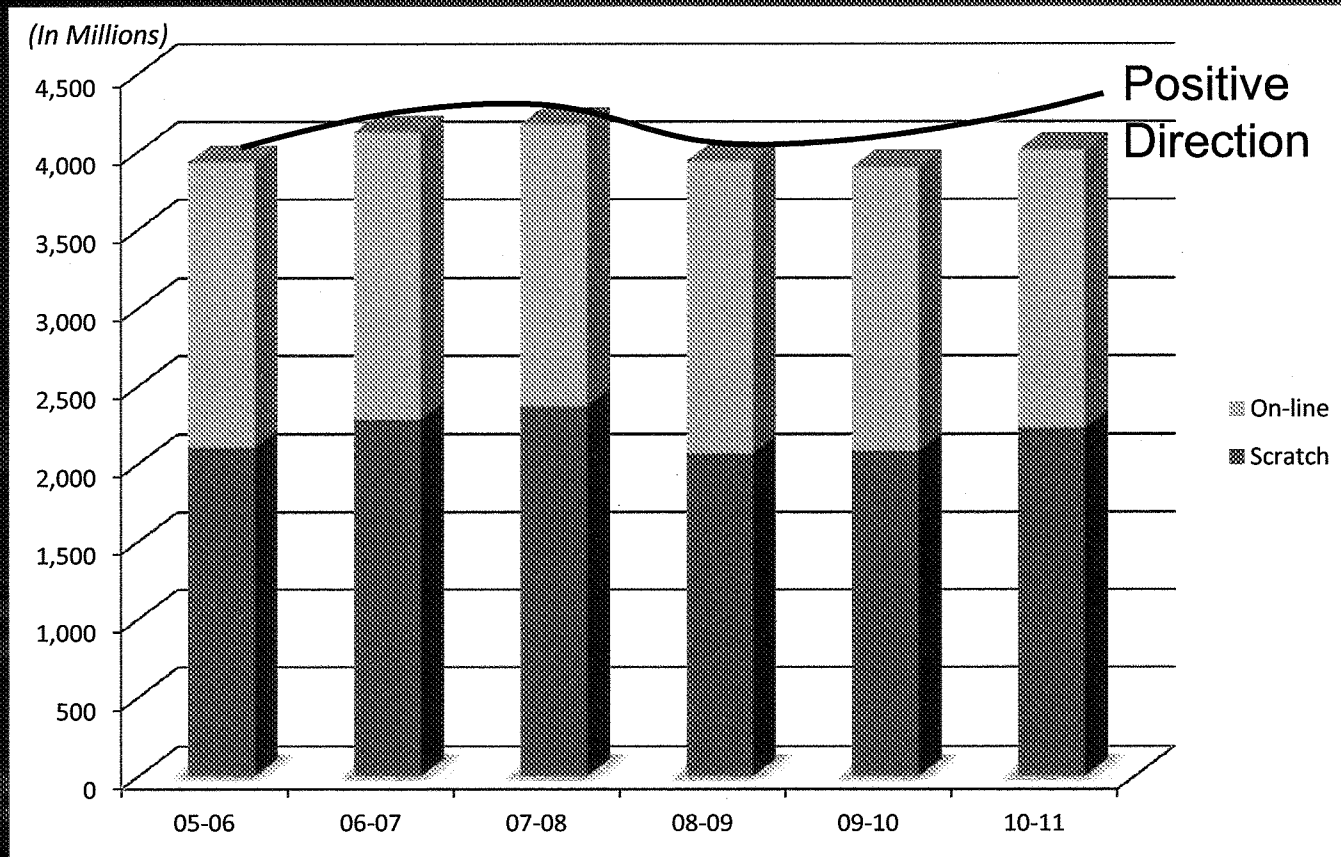
<i>(In Millions)</i>	FY 11-12	FY 12-13
Scratch Off Tickets	\$ 2,385.0	\$ 2,432.7
On-Line Tickets	<u>\$ 1,835.0</u>	<u>\$ 1,841.3</u>
Total Ticket Sales	\$ 4,220.0	\$ 4,274.0

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

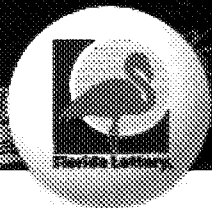
	FY 11-12	FY 12-13
Retailer Base	13,700	13,835



Sales Trend Line

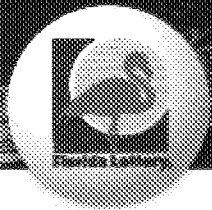


FY 11-12 YTD ticket sales are running 10.33% ahead of last year at this time.



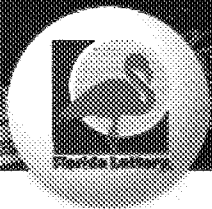
3 Steps to Increase EETF Contribution

- 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

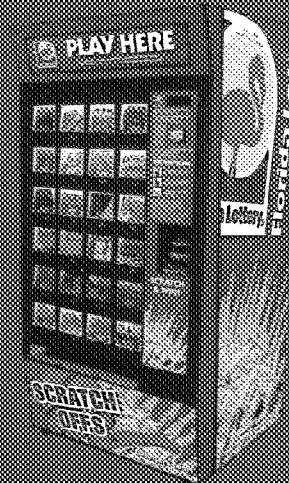
Michael Manley, Legislative Affairs
Director



FLORIDA
LOTTO FANTASY

Instant Ticket Vending Machines

“ITVMs” – what are they?



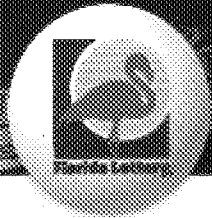
- Self-service vending machines
- Customers can use them to purchase Florida Lottery Scratch-Off tickets, choosing from 24 bins
- Like a soda or candy machine, money is inserted and a button is pushed to select desired product - an Instant Lottery Ticket
- Do not give change
- Precautions to prevent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



ITVM Performance

Facts:

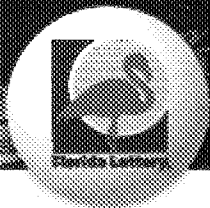
- 1,500 ITVM's placed across the state in 61 counties with the majority of units placed in Supermarket trade-styles.
- Each ITVM has 24 games offered at \$1, \$2, \$3, \$5, \$10 & \$20 price points. Each ITVM is stocked to offer the highest selling games.
- LTD sales (as of 9/30/11) are **\$460,970,015** (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

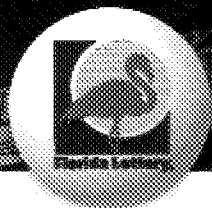
Marcy Jackson, Chief Financial Officer



FLORIDA LOTTO FANTASY

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

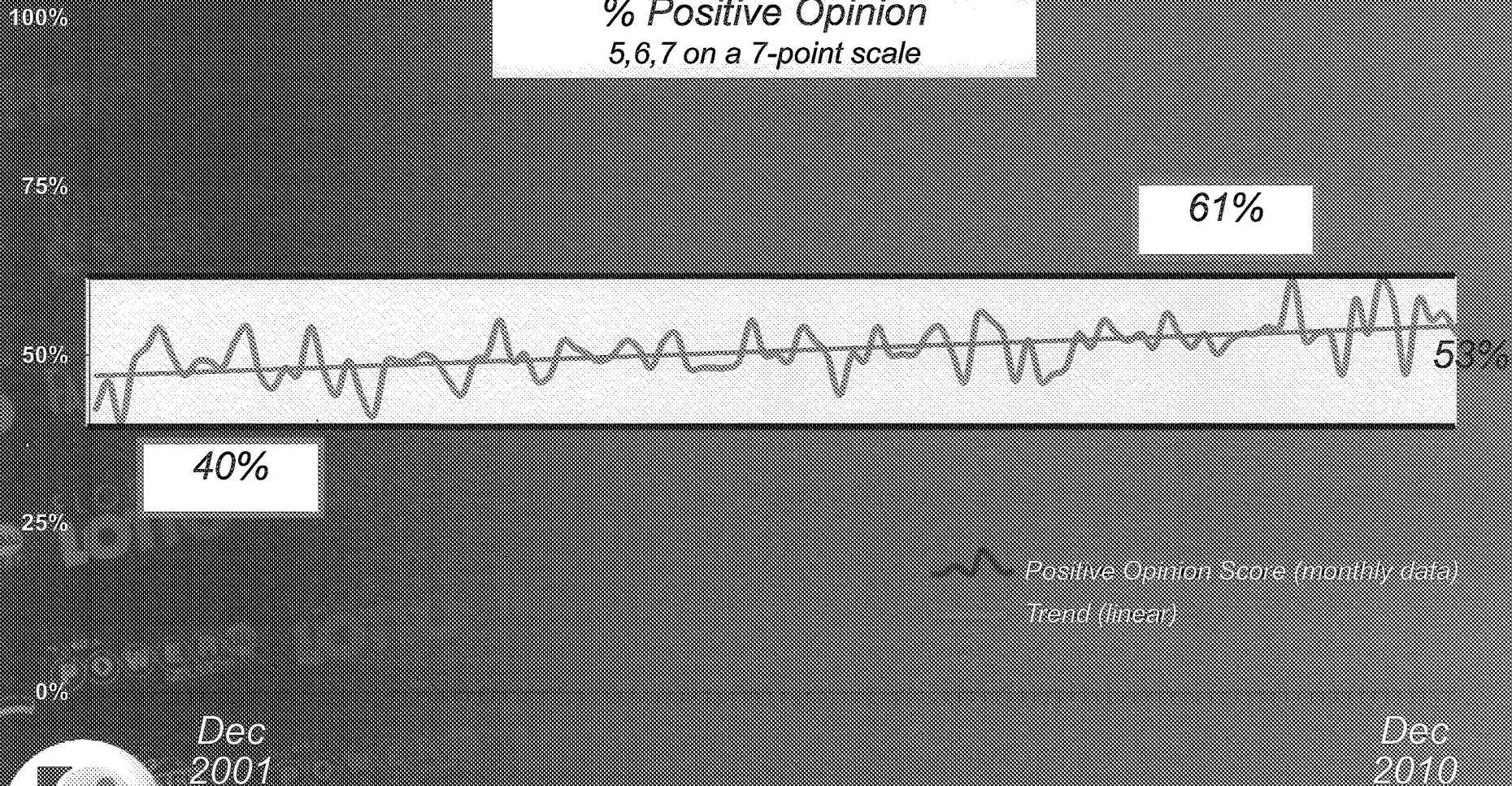
Dennis Harmon, Deputy Secretary



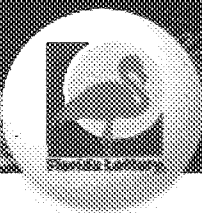
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Overall Opinion of the Florida Lottery

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



Positive Opinion Score (monthly data)
Trend (linear)



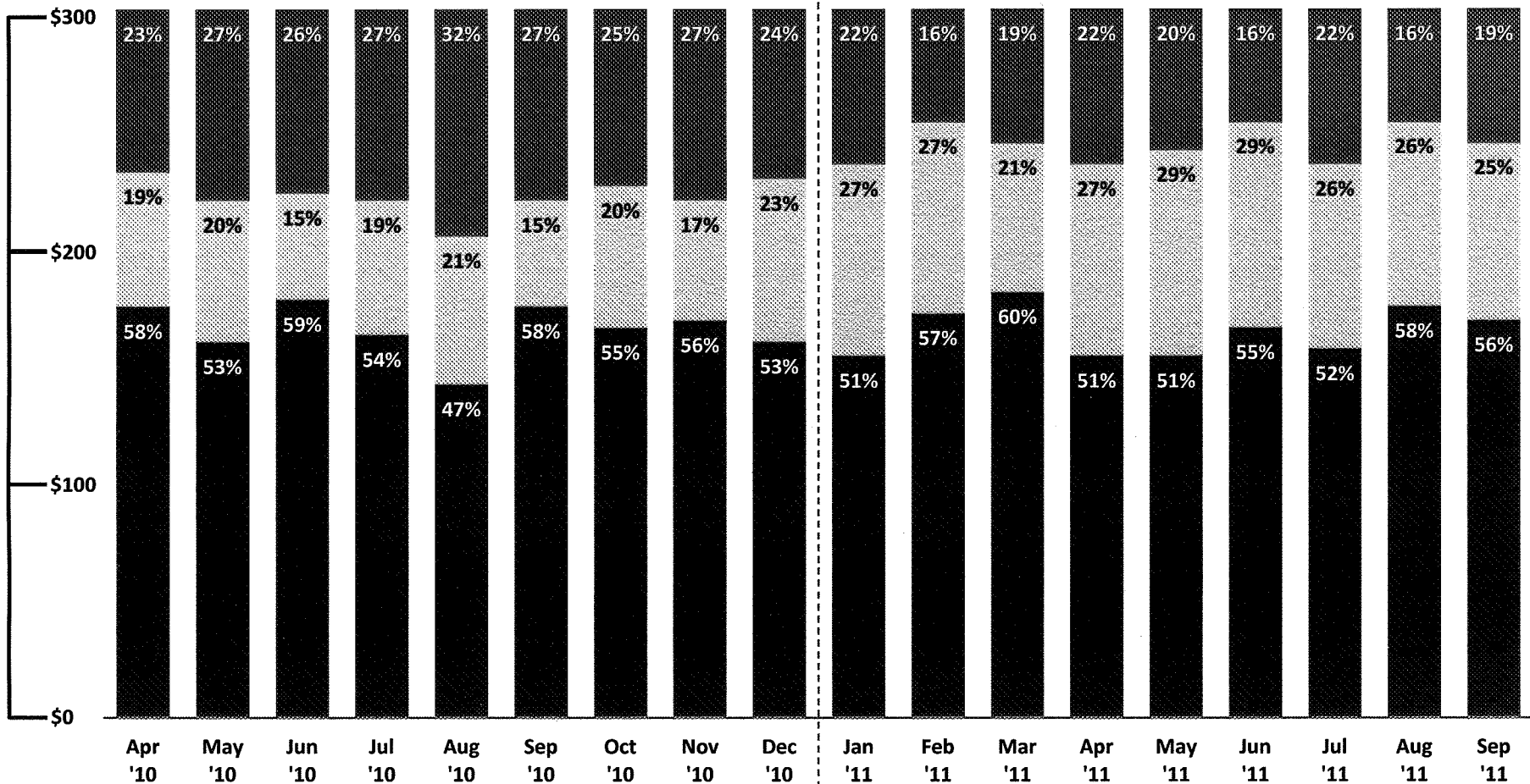
Dec
2001

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

■ Positive (rated 5, 6, 7) ■ Neutral (rated 4, DK) ■ Negative (rated 1, 2, 3) ■ Largest Lotto Jackpot ◆ Largest Powerball Jackpot



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

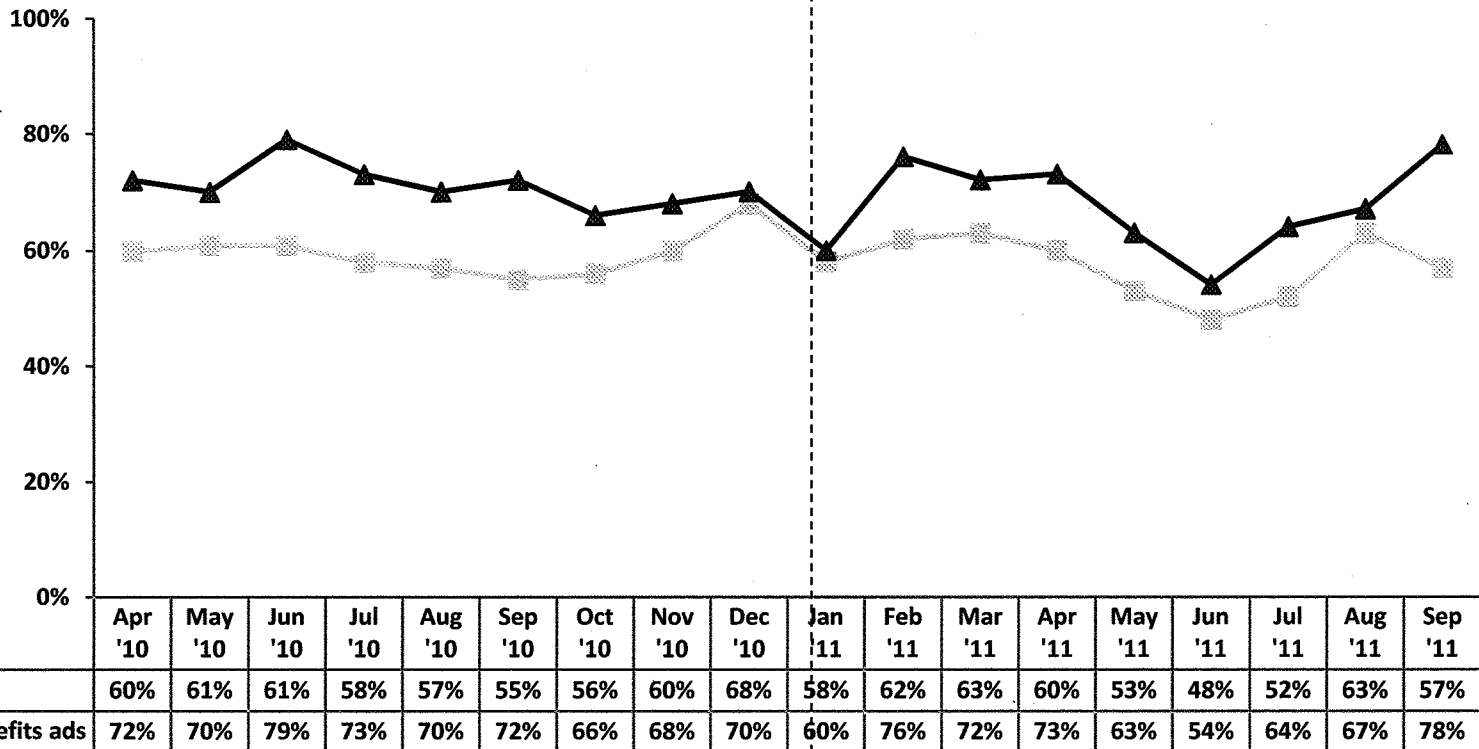
Base: All respondents

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

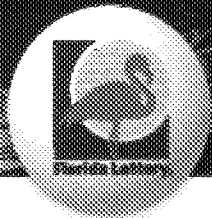
Beginning January 15, 2012--

- 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

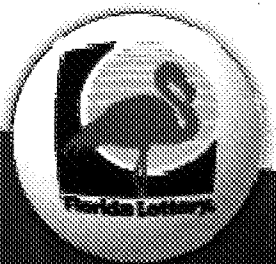
1:175 Million jackpot odds--down from 1:195 million
1:31 overall odds (down from 1:35)

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



Marketing & Advertising

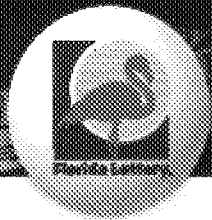
David Bishop, Deputy Secretary



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LOTTO FANTASY

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

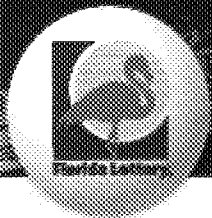


- This fall, we have expanded our annual Florida LOTTO College football promotion, partnering with eight Florida universities and the state's bowl games.
- These sponsorships offer the opportunity to support the schools' programs while building awareness of the value the Florida Lottery contributes to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



Advertising

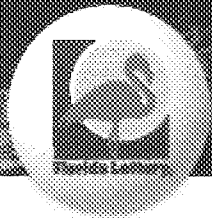
- Advertising is just one, albeit a very important, factor that drives sales. The appeal and quality of our products, jackpots, sales and merchandising efforts, economic conditions and others all contribute to the success of the Florida Lottery. Advertising is a crucial component to maximizing sales 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



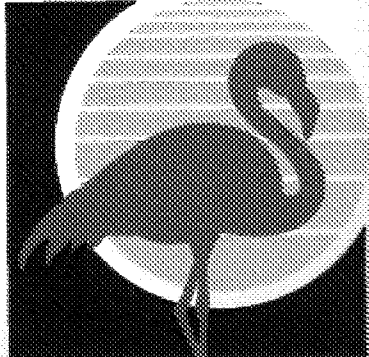
Lottery Headquarters Tour



Watch a live Lottery Drawing

Forensics Lab

Games Administration



Florida Lottery.