

Legislative Finance Committee



NEW MEXICO LOTTERY AUTHORITY

November 19, 2019

NEW MEXICO
LOTTERY

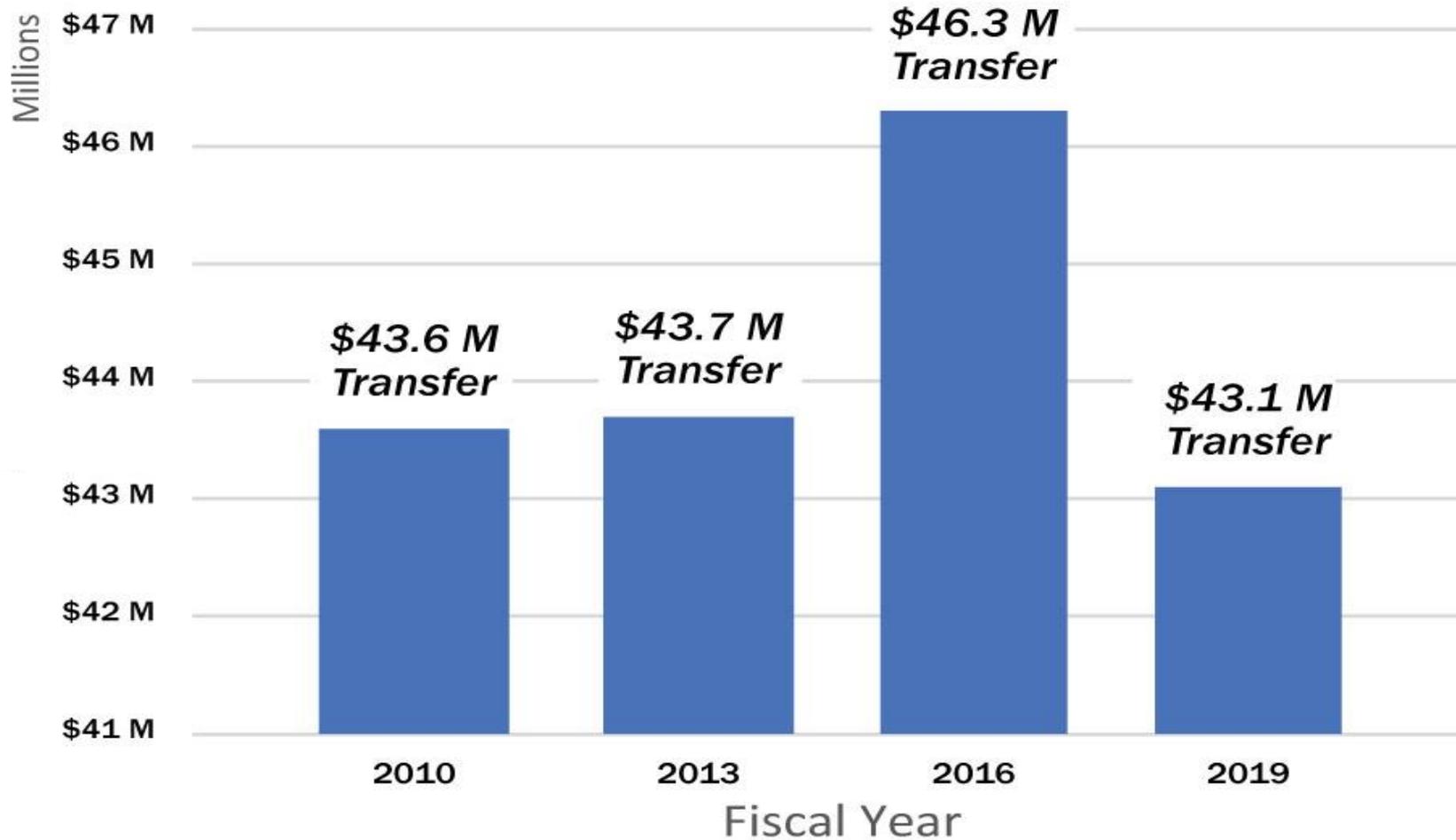


\$43.1

Million

FY19 Transfer to the
Legislative Lottery Scholarship Fund

Four Highest Fiscal Year Transfers to the Scholarship Fund

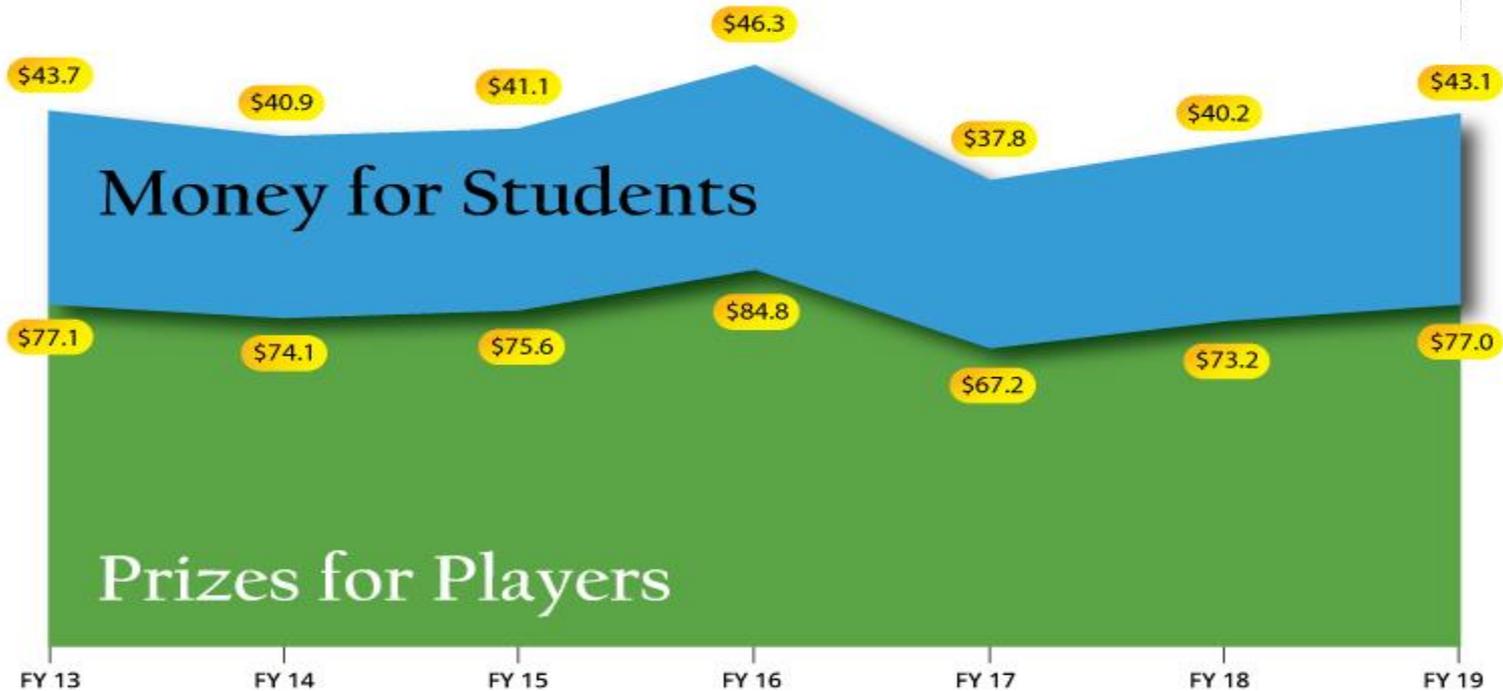


HISTORICAL REVIEW

Fiscal Year	Gross Revenues*	Net Revenues for Public Education*
1996	\$28.5 Million	\$6.3 Million
1997	\$82.4 Million	\$21.9 Million
1998	\$85.4 Million	\$20.1 Million
1999	\$89.7 Million	\$19.6 Million
2000	\$111.2 Million	\$24.5 Million
2001	\$113.7 Million	\$25.9 Million
2002	\$129.5 Million	\$29.6 Million
2003	\$133.6 Million	\$33.1 Million
2004	\$142.6 Million	\$35.9 Million
2005	\$134.7 Million	\$32.2 Million
2006	\$150.6 Million	\$36.9 Million
2007	\$148.8 Million	\$34.8 Million
2008	\$147.8 Million	\$40.8 Million
2009	\$142.6 Million	\$40.8 Million
2010	\$143.6 Million	\$43.6 Million
2011	\$135.6 Million	\$41.3 Million
2012	\$133.9 Million	\$41.3 Million
2013	\$141.8 Million	\$43.7 Million
2014	\$136.1 Million	\$40.9 Million
2015	\$137.1 Million	\$41.1 Million
2016	\$154.4 Million	\$46.3 Million
2017	\$126.1 Million	\$37.8 Million
2018	\$134.1 Million	\$40.2 Million
2019	\$143.6 Million	\$43.1 Million
Totals	\$3.026 Billion	\$822 Million

*Rounded and Unaudited

In Millions
Rounded



**When Players win more,
Students get more.**

FY19 Unaudited

Where the Money Goes

A Breakdown by the Dollar



Based on FY 2019 gross revenues



* Cost of Product includes: On-line vendor fees, advertising, ticket vendor fees, retailer equipment, promotions, shipping and postage, responsible gaming, and game membership. By statute, the Lottery is required to return a minimum of 50% of proceeds to players in the form of prizes and 30% to the Lottery Tuition Fund. The remaining funds are allocated to cover the cost of product as well as retailer commissions and the administrative costs. (Numbers are rounded.)



Fiscal Year	Total Operating Expenses (Millions)	Total Operating Expenses (%)
2007	\$28.9	19.4%
2008	\$26.9	18.2%
2009	\$23.5	16.5%
2010	\$21.4	14.9%
2011	\$20.7	15.2%
2012	\$20.6	15.3%
2013	\$21.0	14.9%
2014	\$21.1	15.5%
2015	\$20.4	14.8%
2016	\$23.3	15.1%
2017	\$21.1	16.7%
2018	\$20.7	15.4%
2019	\$23.6	16.4%

(Data from NMLA Annual Reports: <http://www.nmlottery.com/annual-reports.aspx>)

New Mexico Lottery Authority
 Eleven Year Operating Expense Totals and Percentage to Gross Revenues
 (FY 2019-2009)
 And Consolidated original Annual Budget

	Budget FY 2020	Actual FY 2019	Actual FY 2018	Actual FY 2017	Actual FY 2016	Actual FY 2015	Actual FY 2014	Actual FY 2013	Actual FY 2012	Actual FY 2011	Actual FY 2010	Actual FY 2009
GROSS REVENUES (Millions)	<u>\$135.64</u>	<u>\$ 143.69</u>	<u>\$134.05</u>	<u>\$126.11</u>	<u>\$ 154.40</u>	<u>\$137.06</u>	<u>\$ 136.05</u>	<u>\$ 141.81</u>	<u>\$133.85</u>	<u>\$ 135.57</u>	<u>\$143.60</u>	<u>\$142.56</u>
OPERATING EXPENSES TOTAL (Millions)	<u>\$ 22.67</u>	<u>\$ 23.53</u>	<u>\$ 20.69</u>	<u>\$ 21.09</u>	<u>\$ 23.32</u>	<u>\$ 20.35</u>	<u>\$ 21.06</u>	<u>\$ 21.06</u>	<u>\$ 20.49</u>	<u>\$ 20.65</u>	<u>\$ 21.39</u>	<u>\$ 23.44</u>
OPERATING EXPENSES TOTAL PERCENTAGE OF GROSS REVENUES	<u>16.71%</u>	<u>16.38%</u>	<u>15.44%</u>	<u>16.72%</u>	<u>15.11%</u>	<u>14.85%</u>	<u>15.48%</u>	<u>14.85%</u>	<u>15.31%</u>	<u>15.23%</u>	<u>14.90%</u>	<u>16.44%</u>

**3 YEAR AVERAGE OPERATING
EXPENSES PERCENTAGE (WITH
HIGHER ON-LINE PERCENTAGE)**

16.18%

**11 YEAR AVERAGE OPERATING
EXPENSES PERCENTAGE (WITH
LOWER & HIGHER ON-LINE
PERCENTAGES)**

15.43%

OPERATING EXPENSES PER FY 20 CONSOLIDATED ORIGINAL ANNUAL BUDGET APPROVED ON JUNE 26, 2019 ARE \$22,671,000 OR 16.71%

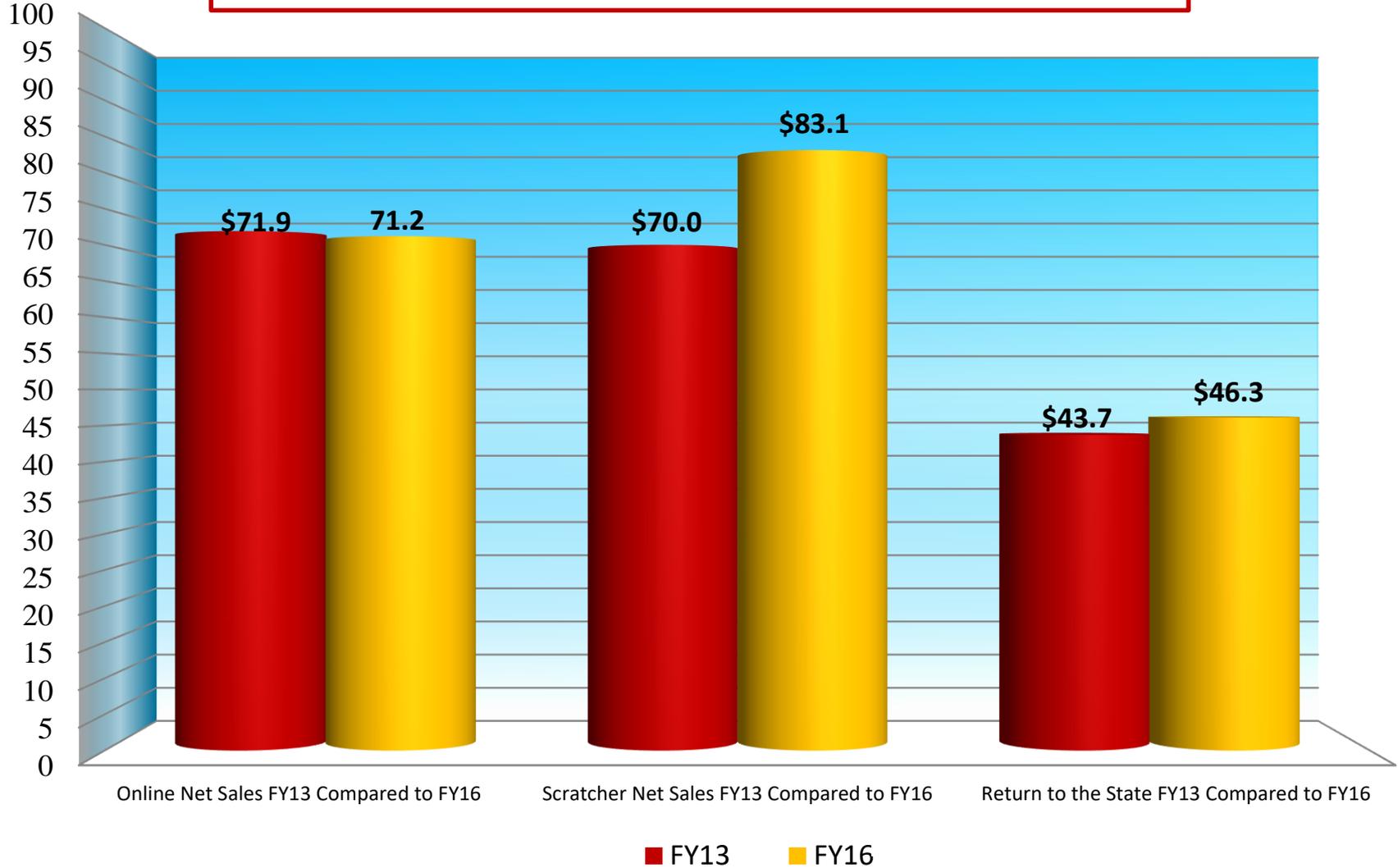
NOTE: OPERATING EXPENSES PER THIS CALCULATION INCLUDE ALL EXPENSES OTHER THAN PRIZE EXPENSE

**NEW MEXICO LOTTERY AUTHORITY
 RECAP OF UNCLAIMED PRIZES AND TRANSFERS TO LEGISLATIVE
 LOTTERY SCHOLARSHIP FUND FY 2008 THROUGH FY 2019**

Fiscal Year	Unclaimed Prizes	Unclaimed Prizes Transferred To Lottery Tuition Fund
Ending Unclaimed Fund Balance - FY 2007	<u>\$ 2,733,832.56</u>	
2008	\$ 3,118,924.15	\$(3,300,000.00)
2009	\$ 2,702,711.00	\$(3,925,000.00)
2010	\$ 3,982,535.92	\$(4,000,000.00)
2011	\$ 2,382,769.41	\$(1,875,000.00)
2012	\$ 4,354,525.44	\$(1,576,000.00)
2013	\$ 2,913,748.27	\$(925,000.00)
2014	\$ 3,248,929.87	\$(2,710,750.00)
2015	\$ 4,044,091.09	\$(5,805,500.00)
2016	\$ 3,814,376.18	\$(5,815,700.00)
2017	\$ 3,587,603.60	\$(5,643,200.00)
2018	\$ 3,436,006.54	\$(3,092,700.00)
2019	\$ 5,432,060.63	<u>\$(5,137,600.00)</u>
Totals	<u>\$43,018,282.10</u>	<u>\$(43,806,450.00)</u>
Ending Unclaimed Fund Balance – FY 2019	<u>\$ 1,945,664.66</u>	

Two Highest Fiscal Year Returns

Millions



FY 13 Powerball Sales \$46.7 million
FY 16 Powerball Sales \$43.3 million

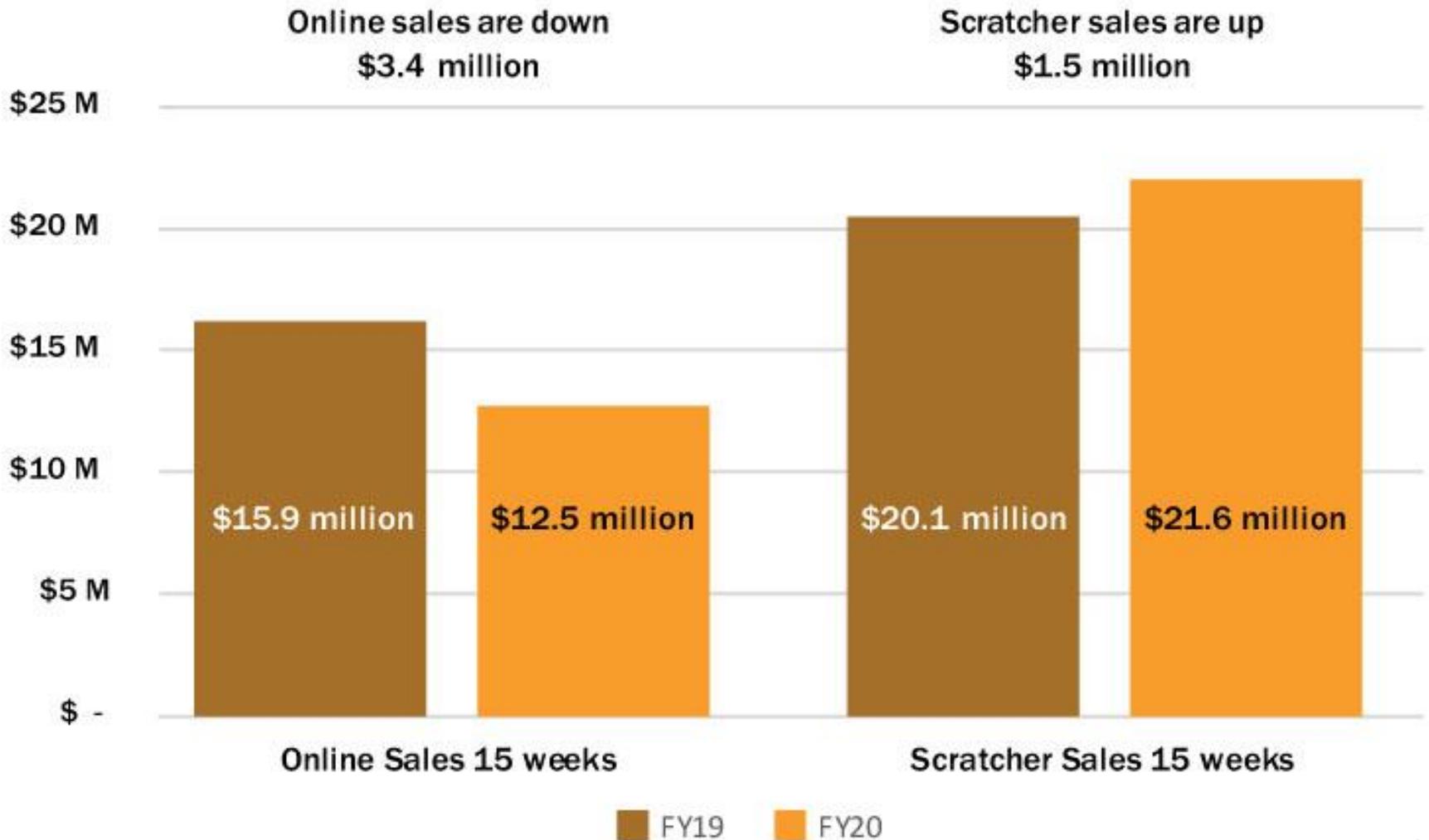
2020 Powerball Sales Update

<i>Member Lottery</i>	<i>FY19 Sales</i>	<i>FY19 YTD Sales (34 draws)</i>	<i>FY 20 YTD Sales (34 Draws)</i>	<i>YTD FY20 Sales compared to Total FY19 Sales</i>	<i>YTD FY20 Sales compared to YTD FY19 Sales</i>
AR	27,157,286	\$ 10,162,368	\$ 5,115,506	-81.16%	-49.66%
AZ	103,712,062	\$ 38,332,164	\$ 20,236,864	-80.49%	-47.21%
CO	70,081,036	\$ 23,929,722	\$ 12,882,266	-81.62%	-46.17%
CT	69,407,300	\$ 25,496,910	\$ 13,235,342	-80.93%	-48.09%
DC	9,293,070	\$ 3,517,760	\$ 1,911,694	-79.43%	-45.66%
DE	23,408,636	\$ 8,442,658	\$ 4,248,576	-81.85%	-49.68%
FL	413,569,230	\$ 143,903,542	\$ 77,526,852	-81.25%	-46.13%
IA	47,796,798	\$ 16,647,092	\$ 9,827,758	-79.44%	-40.96%
ID	27,050,170	\$ 9,978,804	\$ 6,080,234	-77.52%	-39.07%
IN	88,504,618	\$ 32,989,998	\$ 17,296,094	-80.46%	-47.57%
KS	33,485,916	\$ 12,531,746	\$ 6,925,660	-79.32%	-44.74%
KY	68,915,546	\$ 24,837,640	\$ 14,417,946	-79.08%	-41.95%
LA	79,877,506	\$ 29,189,886	\$ 16,669,926	-79.13%	-42.89%
ME	17,860,062	\$ 6,595,624	\$ 4,218,696	-76.38%	-36.04%
MN	65,329,964	\$ 25,451,060	\$ 13,455,022	-79.40%	-47.13%
MO	94,139,228	\$ 33,917,948	\$ 17,695,826	-81.20%	-47.83%
MT	10,499,856	\$ 4,092,450	\$ 2,427,610	-76.88%	-40.68%
NC	140,231,262	\$ 51,068,042	\$ 27,115,984	-80.66%	-46.90%
ND	10,103,860	\$ 3,813,948	\$ 2,053,038	-79.68%	-46.17%
NE	33,357,172	\$ 11,967,176	\$ 7,386,804	-77.86%	-38.27%
NH	35,101,764	\$ 12,352,656	\$ 6,977,580	-80.12%	-43.51%
NM	23,655,376	\$ 8,827,390	\$ 4,761,620	-79.87%	-46.06%
NY	385,741,650	\$ 137,672,186	\$ 65,348,470	-83.06%	-52.53%
OK	35,906,138	\$ 13,097,318	\$ 7,285,854	-79.71%	-44.37%
OR	45,634,048	\$ 16,839,600	\$ 8,506,624	-81.36%	-49.48%
PA	233,340,514	\$ 85,901,328	\$ 37,766,198	-83.81%	-56.04%
PR	66,989,790	\$ 20,482,520	\$ 16,016,440	-76.09%	-21.80%
RI	24,436,342	\$ 8,718,956	\$ 5,045,708	-79.35%	-42.13%
SC	76,640,478	\$ 27,177,050	\$ 16,591,048	-78.35%	-38.95%
SD	11,516,946	\$ 4,352,148	\$ 2,493,474	-78.35%	-42.71%
TN	93,949,758	\$ 35,353,626	\$ 18,482,474	-80.33%	-47.72%
TX	298,623,618	\$ 107,904,904	\$ 56,068,568	-81.22%	-48.04%
VI	1,925,610	\$ 646,922	\$ 470,934	-75.54%	-27.20%
VT	7,645,434	\$ 2,804,164	\$ 1,694,408	-77.84%	-39.58%
WI	78,661,816	\$ 29,163,024	\$ 15,549,830	-80.23%	-46.68%
WV	30,841,824	\$ 11,222,568	\$ 6,339,140	-79.45%	-43.51%
WY	8,068,922	\$ 3,143,362	\$ 1,963,142	-75.67%	-37.55%
CA	520,613,922	\$ 186,235,664	\$ 86,684,644	-83.35%	-53.45%
GA	140,654,190	\$ 52,126,778	\$ 26,216,700	-81.36%	-49.71%
IL	146,846,042	\$ 55,554,836	\$ 26,310,560	-82.08%	-52.64%
MA	127,499,260	\$ 46,366,260	\$ 20,693,788	-83.77%	-55.37%
MD	107,735,030	\$ 38,453,624	\$ 20,136,228	-81.31%	-47.64%
MI	140,611,658	\$ 50,811,674	\$ 25,354,840	-81.97%	-50.10%
NJ	224,858,520	\$ 80,260,768	\$ 36,342,292	-83.84%	-54.72%
OH	129,725,838	\$ 47,894,136	\$ 22,703,342	-82.50%	-52.60%
VA	114,309,986	\$ 42,301,104	\$ 21,805,402	-80.92%	-48.45%
WA	64,961,946	\$ 24,499,356	\$ 11,993,232	-81.54%	-51.05%
	\$ 4,610,276,998	\$ 1,667,030,460	\$ 850,330,238	-81.56%	-48.99%

2020 Mega Million Sales Update

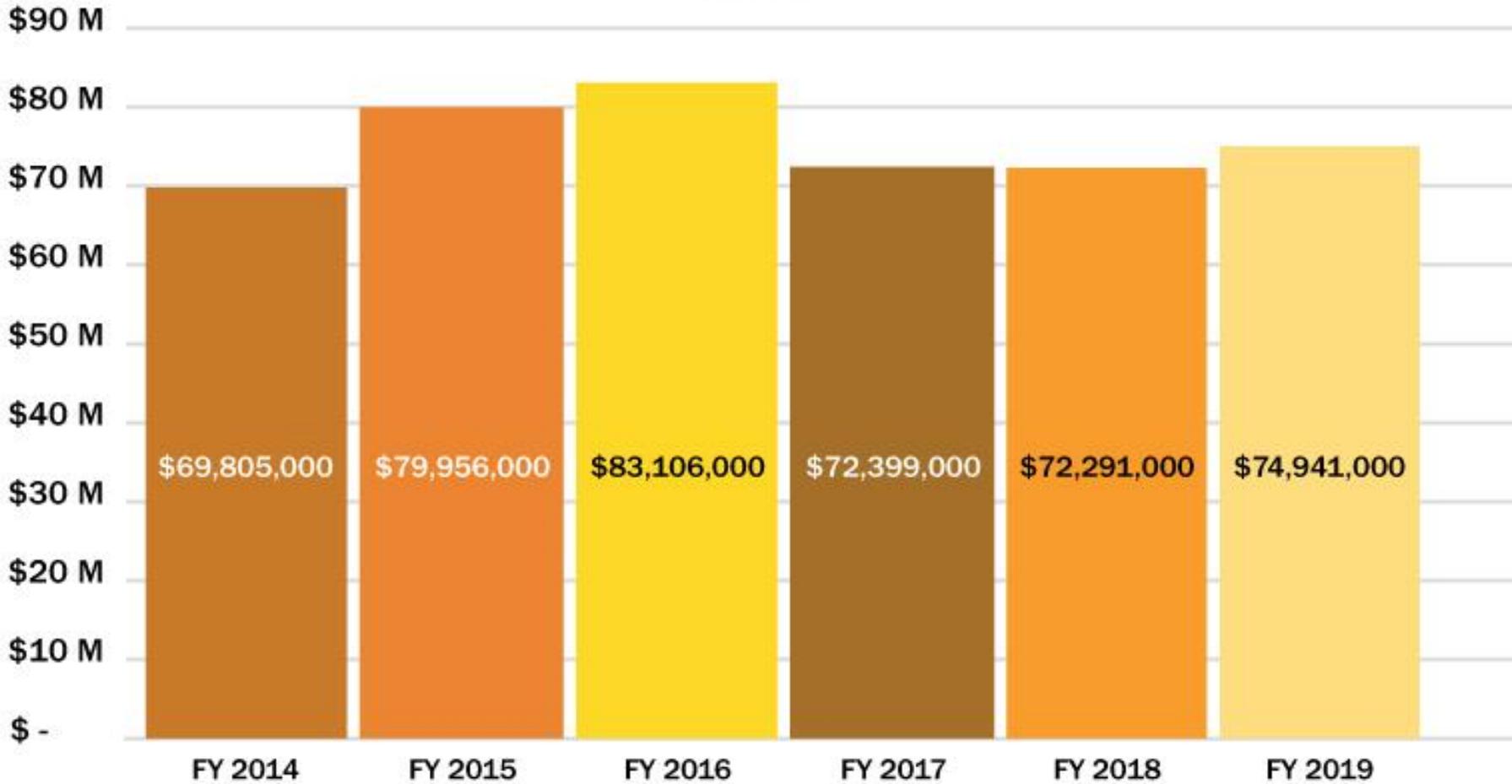
Member Lottery	FY19 Sales	FY19 YTD Sales (34 draws)	FY20 YTD Sales (34 draws)	YTD FY19 Sales compared to Total FY20 Sales	YTD FY19 Sales compared to YTD FY20 Sales
AR	\$ 27,039,454	\$ 15,429,424	\$ 3,917,482	-85.51%	-74.61%
AZ	\$ 96,730,300	\$ 55,070,954	\$ 14,424,348	-85.09%	-73.81%
CO	\$ 60,356,074	\$ 35,244,780	\$ 8,617,748	-85.72%	-75.55%
CT	\$ 62,819,046	\$ 35,160,022	\$ 9,545,718	-84.80%	-72.85%
DC	\$ 9,616,736	\$ 5,496,130	\$ 1,533,848	-84.05%	-72.09%
DE	\$ 19,318,006	\$ 10,679,540	\$ 3,025,354	-84.34%	-71.67%
FL	\$ 380,859,780	\$ 204,599,536	\$ 56,352,010	-85.20%	-72.46%
IA	\$ 32,003,050	\$ 18,069,062	\$ 4,995,834	-84.39%	-72.35%
ID	\$ 21,168,684	\$ 11,602,740	\$ 3,549,342	-83.23%	-69.41%
IN	\$ 71,656,762	\$ 41,356,478	\$ 10,280,410	-85.65%	-75.14%
KS	\$ 27,425,294	\$ 15,497,772	\$ 4,309,684	-84.29%	-72.19%
KY	\$ 59,359,958	\$ 31,859,886	\$ 9,874,676	-83.36%	-69.01%
LA	\$ 62,348,622	\$ 34,151,020	\$ 10,216,904	-83.61%	-70.08%
ME	\$ 13,293,860	\$ 7,600,080	\$ 2,244,546	-83.12%	-70.47%
MN	\$ 47,135,440	\$ 28,714,978	\$ 6,852,844	-85.46%	-76.13%
MO	\$ 79,102,490	\$ 43,039,156	\$ 11,883,402	-84.98%	-72.39%
MT	\$ 7,962,150	\$ 4,817,718	\$ 1,278,054	-83.95%	-73.47%
NC	\$ 127,950,184	\$ 72,377,422	\$ 18,810,940	-85.30%	-74.01%
ND	\$ 8,959,966	\$ 5,420,478	\$ 1,300,848	-85.48%	-76.00%
NE	\$ 22,799,052	\$ 12,069,626	\$ 4,064,102	-82.17%	-66.33%
NH	\$ 29,668,268	\$ 16,393,362	\$ 4,699,348	-84.16%	-71.33%
NM	\$ 19,952,690	\$ 11,494,076	\$ 2,961,410	-85.16%	-74.24%
NY					
OK	\$ 32,825,476	\$ 19,386,634	\$ 4,751,126	-85.53%	-75.49%
OR	\$ 46,413,362	\$ 28,886,572	\$ 5,995,272	-87.08%	-79.25%
PA	\$ 208,713,114	\$ 124,340,036	\$ 27,167,742	-86.98%	-78.15%
RI	\$ 18,238,068	\$ 9,817,210	\$ 2,983,286	-83.64%	-69.61%
SC	\$ 67,428,450	\$ 36,221,630	\$ 11,336,612	-83.19%	-68.70%
SD	\$ 7,673,746	\$ 4,619,084	\$ 1,168,028	-84.78%	-74.71%
TN	\$ 82,344,778	\$ 47,633,244	\$ 11,904,602	-85.54%	-75.01%
TX	\$ 376,321,510	\$ 217,525,306	\$ 56,124,438	-85.09%	-74.20%
VI	\$ 1,609,454	\$ 784,798	\$ 313,720	-80.51%	-60.03%
VT	\$ 6,638,744	\$ 3,710,156	\$ 1,090,654	-83.57%	-70.60%
WI	\$ 59,132,666	\$ 34,161,560	\$ 9,096,888	-84.62%	-73.37%
WV	\$ 22,710,234	\$ 12,579,458	\$ 3,543,736	-84.40%	-71.83%
WY	\$ 7,723,082	\$ 4,465,078	\$ 1,281,392	-83.41%	-71.30%
	\$ 2,225,298,550	\$ 1,260,275,006	\$ 331,496,348	-85.10%	-73.70%
Excluding NY	\$ 2,225,298,550	\$ 1,260,275,006	\$ 331,496,348	-85.10%	-73.70%

FY 19 and FY 20 Sales Comparison for Online and Scratchers

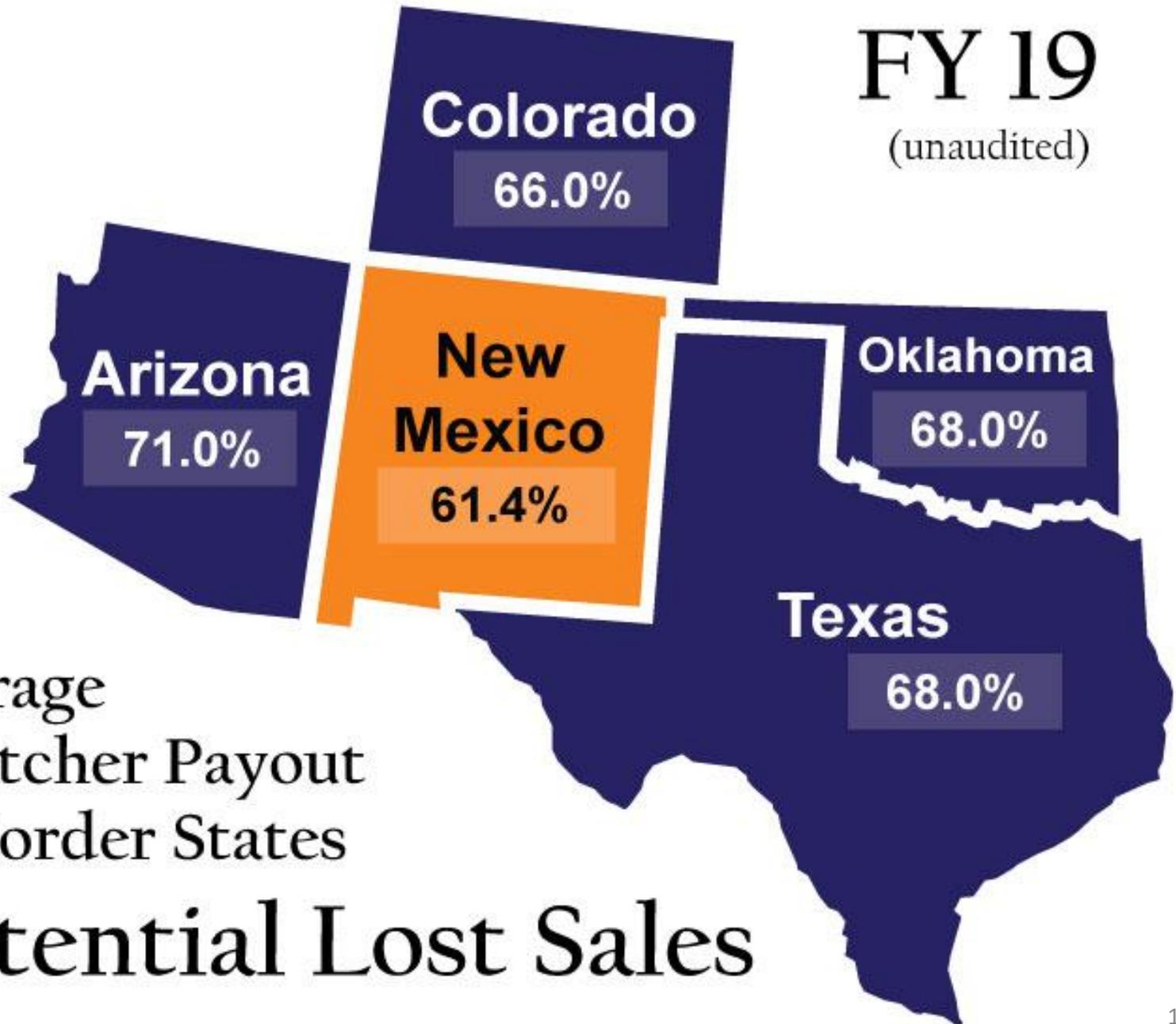


NEW MEXICO LOTTERY
Scratchers™

Net Sales



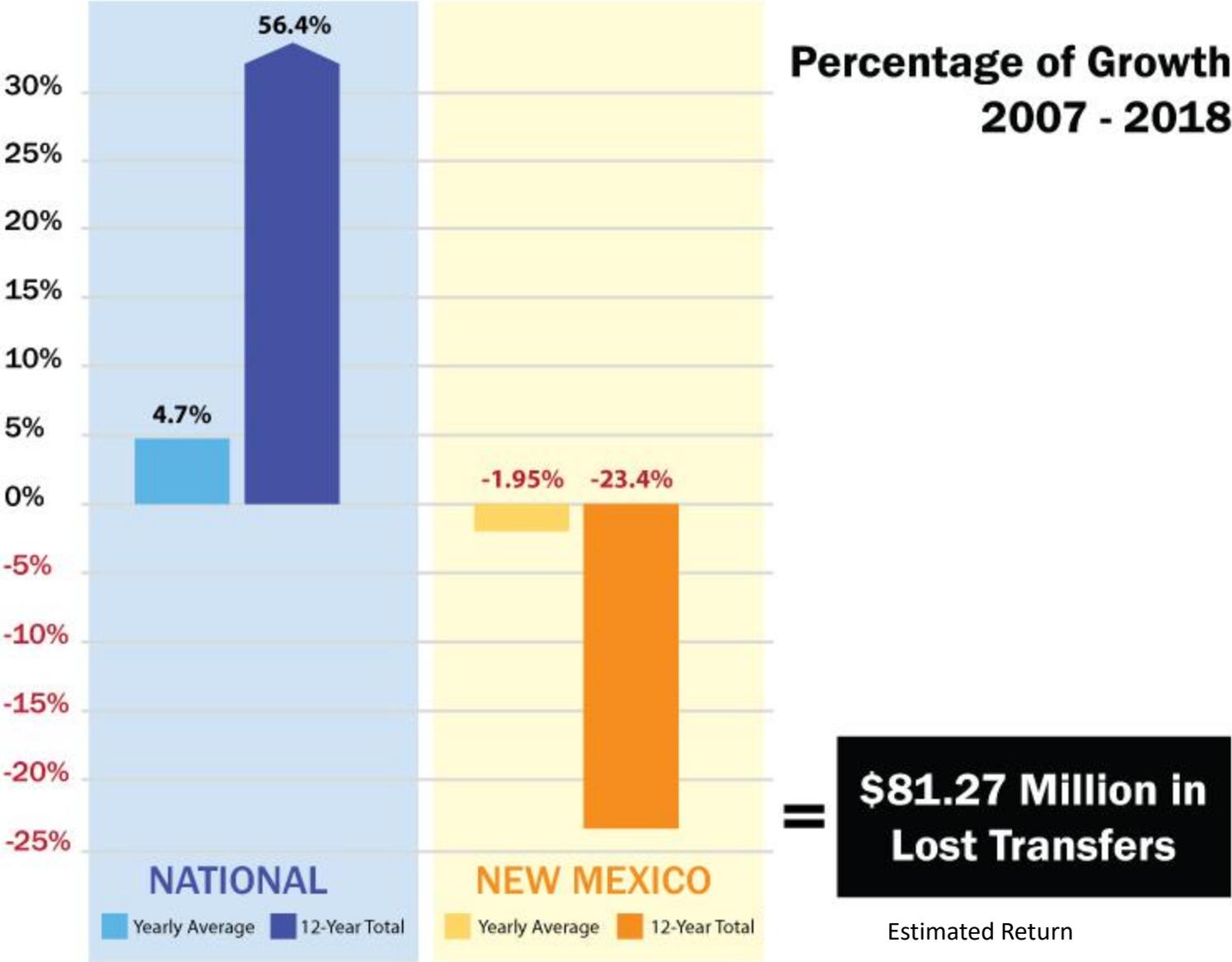
FY 19
(unaudited)



Average
Scratcher Payout
by Border States

Potential Lost Sales

Lost Opportunity



ADDED VALUE AND SAVINGS (FY15-FY20)

FY 2015 Advertising Added Value	\$900,000
FY 2016 Advertising Added Value	\$1,220,000
FY 2017 Advertising Added Value	\$2,350,000
FY 2018 Advertising Added Value	\$2,070,000
FY 2019 Advertising Added Value	\$2,440,000
FY 2020 Advertising Added Value	\$ 2,370,000
Additional Scholarship Dollar Transfers Resulting From Advertising*	\$ 17,000,000
New on line game (transfer amount)	\$2,700,000
Reduction of Lease Contract/Building	\$1,590,000
In House Animator Cost Savings in Developing Advertising Media - FY 2015 - FY 2018	\$ 670,000
4 Year Contract for Advertising - FY 18 - FY 2021	\$ 254,000
6 Licensed games at no cost - Per Instant Printing Contract ending in March 2018	\$ 200,000
Other Instant Ticket Printing Contract Starting March 2018 - Printing Cost Savings	\$958,000
Instant Ticket Contract - Starting March 2018-Added Value No Cost Printing Options	\$1,880,000
Cost Reduction Central Gaming Contract (2Years)	\$300,000
Did not have to Purchase Replacement Back Office Computer System	\$2,300,000
Elimination of annual spoiled ticket credit	\$186,000
Automation of Drawing Game (Outside Service Costs)	\$193,000
TOTAL CALCULATED ADDED VALUE AND SAVINGS	\$39,581,000

Since FY 15, an additional \$17 million has been transferred to the Scholarship Fund from added value media.

\$1 in advertising = \$5 in sales

Added Value & Cost Savings received ('15 - '20) = \$11.35 Million

\$.9

FY 15

\$1.22

FY 16

\$2.35

FY 17

\$2.07

FY 18

\$2.44

FY 19

\$2.37

FY 20

\$11.35 million * \$5 in sales = \$56.75 in sales

30% return = \$17 million

FY20 Advertising

	Media + Tax	Added Value and Cost Savings
Print Media	\$ 600	\$ -
Radio Production	\$ 16,000	\$ -
Radio Media	\$ 467,000	\$ 562,262
TV Production	\$ 10,000	\$ -
TV Media	\$ 508,220	\$ 1,334,559
Outdoor Production	\$ 22,000	\$ -
Outdoor Media	\$ 405,503	\$ 189,150
Collateral Production	\$ 80,000	\$ -
Website Production	\$ 19,876	\$ 76,000
Agency Fees	\$ 194,985	\$ 206,250
MUSL Gaming Fees	\$ 60,000	\$ -
Opportunities	\$ 9,970	\$ -
	\$2,100,000	\$2,368,221

The Future

- **Sports Lottery:** Plays like Powerball using numbers in lieu of teams. By game rule the outcome is considered the result/draw.
 - It is estimated to generate approximately \$30 million in additional sales.
 - The Legislative Scholarship fund would receive an additional **\$7 to \$10** million in a full fiscal year.

NMLA Lottery Board previously approved moving forward with this concept, but NMLA is proceeding cautiously until we get further direction from policy makers.

- **Prize Payout Relief:** The current 30% return mandate would need to be statutorily amended. By allowing for higher prize payout in instant games more dollars would be generated for scholarships.
 - Within a five year period, the Legislative Scholarship fund would receive up to an additional **\$8 to \$10** million in a full fiscal year.

Why it matters

The New Mexico Lottery has raised more than \$830 Million for New Mexico education through Lottery ticket sales. Thanks to players, more than 122,000 New Mexicans have received a Legislative Lottery Scholarship.