

Benefitting New Mexico's Future®

# New Mexico Lottery Authority for Revenue Stabilization and Tax Policy Committee

September 17, 2012  
Las Cruces, New Mexico

## *New Mexico Lottery Mission Statement*

*Maximize revenues for education by conducting  
a fair and honest lottery for the entertainment of the public.*

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New Mexico Lottery Authority  
for  
Revenue Stabilization and  
Tax Policy Committee  
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## About the New Mexico Lottery

-  By New Mexico State Statute, the mission of the New Mexico Lottery is to "Maximize revenues for education by conducting a fair and honest lottery for the entertainment of the public."
-  100% of net revenues benefit the Legislative Lottery Scholarship
-  Sales began April 1996
-  Established as a business enterprise
-  Self-sustaining; receives no state or federal funding
-  Volunteer board of seven governor-appointed & senate-confirmed directors
-  CEO reports to the Board
-  Subject to oversight by the Legislative Finance Committee
-  The Legislative Lottery Scholarship program is administered by the Higher Education Department



# New Mexico Lottery Product Mix

The New Mexico Lottery offers the following games for our players:

NEW MEXICO



Powerball® and Mega Millions® are multi-state games. Both games are available in 42 states, Washington, D.C. and the Virgin Islands.



Hot Lotto® is also a multi-state game. It is played in 14 states and Washington, D.C.



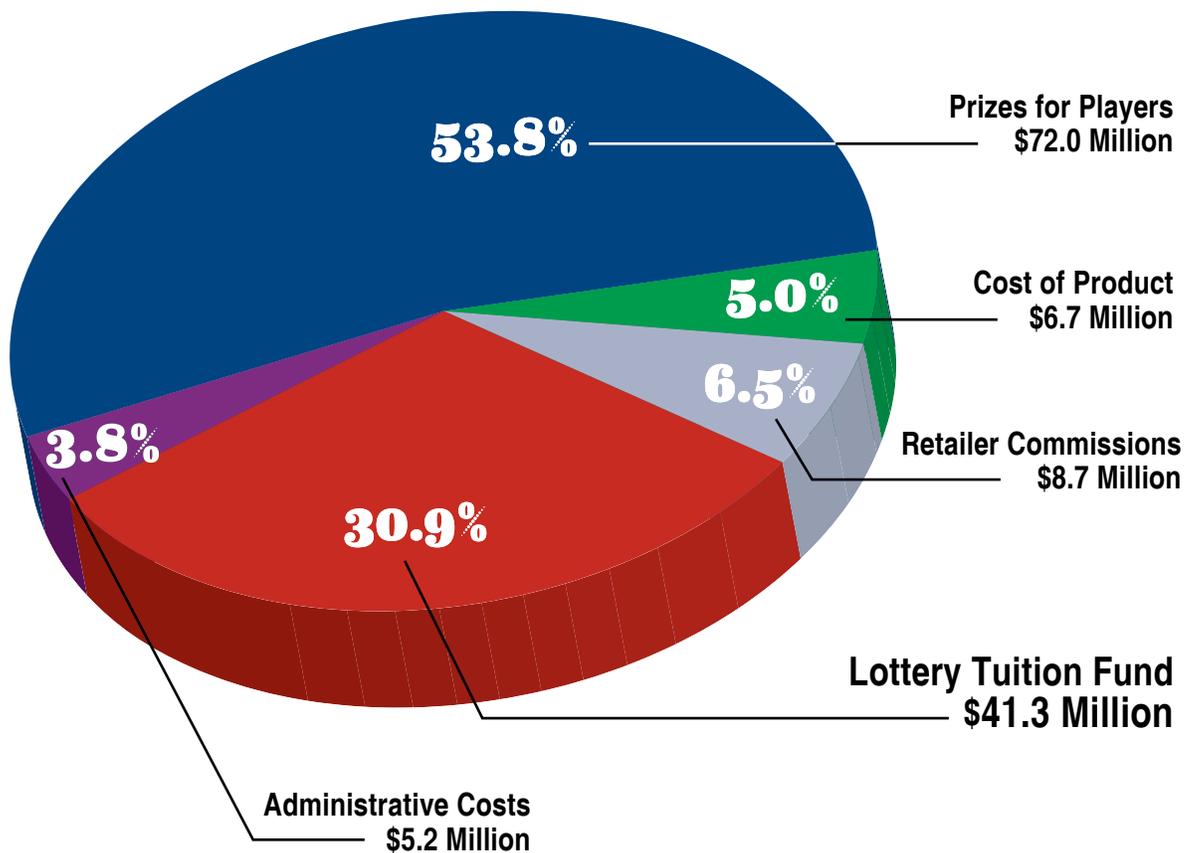
Roadrunner Cash™ and Pick 3® are played ONLY in New Mexico.



The New Mexico Lottery offers a variety of Scratchers™ at different price points (\$1, \$2, \$3, \$5, \$10 and \$20). Quicksters™ launched on March 25, 2012.

# Where the Money Goes FY 2012

\$133.9 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2012



*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 administrative costs.*



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# Lottery Accountability

## Safeguards

### ◆ Board of Directors

- Appointed by the Governor and approved by the Senate (includes a CPA and a law enforcement position)
- Requires an extensive background check
- Meets on a quarterly basis, at a minimum
- Receives weekly sales and operational updates and monthly financials with performance to budget
- Board agendas and minutes posted on Lottery website
- Procurements of \$75,000 and above require Board approval

### ◆ Reports to State

- Subject to LFC oversight
- Revenues turned over monthly
- No reserves or investment accounts
- Quarterly and annual reports to the governor and LFC

### ◆ Finance Division

- Division director and staff include Certified Public Accountants
- Fiscal year original and revised budgets approved by Board
- Monthly financial statements to CEO and Board
- Monthly reports of transfers to the State of net revenue returns
- Quarterly income statements provided to the Governor, the Legislative Finance Committee, the Higher Education Department and the Board
- Annual financial audit of the Lottery's financial statements
- Segregation of duties, access control and approval by appropriate employees, daily and monthly reconciliation of financial accounts, and documentation of procedures and policies



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# Lottery Accountability

## continued

- ◆ Internal Auditor
  - Certified Public Accountant
  - Hired after extensive background checks
  - Accountable to board of directors
  - Conducts routine audits and special audits as requested by the Board of Directors or the CEO
  
- ◆ Lottery Security & Enforcement Division
  - Comprised of law enforcement officers
  - Executive VP of Security accountable to the Board of Directors
  - Responsible for ensuring the security, honesty, fairness and integrity of the operation and administration of the Lottery
  - Conducts extensive background checks on all prospective employees, board members, retailers and vendors
  - Conducts internal and criminal investigations



## Legislative Communications

- ◆ Quarterly Legislative newsletter
- ◆ Annual LFC updates of Lottery financials and the state of the Lottery
- ◆ Is in the process of adding a legislative portal to the Lottery's website

## In addition, the Lottery is

- ◆ Self-sustaining and self-funded
- ◆ A revenue generating organization prohibited from carrying reserves or investment accounts; all funds are transferred to the State monthly.
- ◆ Reliant on its retailer base to sell tickets and generate revenue
- ◆ Facing stiff competition from other forms of gaming and entertainment venues
- ◆ Trying to stabilize sales after making significant changes to its business model



# Lottery Accountability

## continued

### Statutory changes affecting the Lottery

- ◆ Subject to the State Audit Act
- ◆ Subject to the State Procurement Code
- ◆ 30% Monthly Return
  - Requires monthly balancing of sales and expenditures, making it difficult to operate as a sales and marketing organization
  - Limits our flexibility to respond to changing market conditions
  - Doesn't allow for reserve or carryover
  - Will be a significant issue if contract terms increase as a result of changes in the lottery industry and the NMLA's reduced sales
  - Required the Lottery to:
    - Eliminate retailer and employee sales incentives
    - Reduce staffing from 68 FTEs to 56
    - Initially reduce advertising budget by \$1 million (33%)
    - Cut prizes to players
      - ▲ In FY '07, the prize payout for instant games was 63%. In FY '12, it was 58% (the lowest instant prize payout of all US lotteries).
      - ▲ If the FY '07 instant payout had been 58% instead of 63%, players would have won \$4.7 million less in prizes
      - ▲ While other lotteries are enjoying increases in instant sales, New Mexico instant sales decreased from \$91.4 million in FY '07 to \$68.7 million in FY '12 — a 24.8% drop

# Lottery Governmental Structures

## State Agency



## Privatization

### State Agency

Most US lotteries were originally created as state agencies, subject to the rules and regulations applicable to all other state agencies.

In 1992, the Georgia Lottery Corporation was created as a government instrumentality and went on to become one of the most successful US lotteries.

In 1995, the New Mexico Legislature followed the Georgia model, determining that “the most desirable, efficient and effective mechanism for operation of a state lottery is an independent lottery authority organized as a business enterprise separate from state government.”

All US lotteries created since then have been similarly structured.

### New Mexico Lottery

The NML Act created the Lottery in a way that combined the best of both governmental structures. It established the lottery as “a business, separate and apart from state government” but also required that it be “subject to governmental oversight.”

This allows the lottery to function as a marketing enterprise and to maximize revenues for the Legislative Lottery Scholarship program while ensuring that this vital state asset remains a fair and honest lottery for the entertainment of the public.

- ◆ The Lottery is self-funding and self-sustaining. It receives no state appropriations for the operation of the Lottery.
- ◆ The lottery’s 56 employees are not state employees and as a consequence do not receive salaries or benefits from the State of New Mexico.
- ◆ In the past four years, New Mexico Lottery profits for education have been the highest in the lottery’s 16-year history.
- ◆ The New Mexico Lottery is
  - Subject to oversight by the Legislative Finance Committee
  - Overseen by a board of directors that is appointed by the Governor and approved by the Senate. They meet on a quarterly basis, at a minimum.
  - Has an internal auditor on staff

### Privatization

Privatizing a lottery consists of outsourcing the majority of lottery functions to an outside company. In return, the company receives a fee and/or a percentage of the profits. In order to increase sales, private companies increase the types of games that are offered, spend more on advertising and increase prizes to players.

The Illinois Lottery is the only privatized US lottery at this time.

- ◆ Illinois was previously a state agency that was considered to be an underperforming lottery.
- ◆ Sales under Northstar, the company that won the bid, increased as a result of spending more on advertising and prizes to players.
- ◆ They were also the first US lottery to offer online gaming.
- ◆ Their return to the State increased from \$669 million to approximately \$726 million but fell nearly \$100 million short of the \$825 million that they committed to.
  - The percentage return to the State decreased from 30% to 26%.
- ◆ The State of Illinois is currently in arbitration with Northstar for not meeting their revenue projections. The contract allows for a \$36 million penalty.\*
- ◆ Northstar is seeking “adjustments” of at least \$119 million for alleged losses caused by the state resulting from missed deadlines, delays in implementing online sales, and a lack of advertising money.\*

# FY 2013 Original Budget vs. FY 2012 Revised Budget vs. FY 2012 Original Budget



	FY 2013 ORIGINAL ANNUAL BUDGET*	FY 2012 REVISED ANNUAL BUDGET**	FY 2012 ORIGINAL ANNUAL BUDGET***
<b>OPERATING REVENUES</b>			
Instant ticket sales	\$ 71,100,000	\$ 72,000,000	\$ 80,000,000
Powerball sales	36,000,000	34,000,000	27,000,000
Mega Millions sales	12,000,000	14,000,000	9,500,000
Roadrunner Cash sales	8,000,000	7,800,000	10,000,000
Hot Lotto sales	5,000,000	5,600,000	8,000,000
Pick 3 sales	3,700,000	3,700,000	3,600,000
Quickster sales	2,500,000	300,000	1,900,000
Prize tickets	(3,000,000)	(3,100,000)	(3,400,000)
Spoiled, stolen, and promotional tickets	(287,000)	(147,000)	(187,000)
Retailer fees	11,000	14,000	11,000
Bad debts	(24,000)	(24,000)	(24,000)
<b>Total operating revenues</b>	<b>135,000,000</b>	<b>134,143,000</b>	<b>136,400,000</b>
<b>NON-OPERATING REVENUES</b>			
Interest income	18,000	18,000	30,000
Other income	-	24,000	50,000
<b>Total non-operating revenues</b>	<b>18,000</b>	<b>42,000</b>	<b>80,000</b>
<b>GROSS REVENUES</b>	<b>135,018,000</b>	<b>134,185,000</b>	<b>136,480,000</b>
<b>GAME EXPENSES</b>			
Prize expense	72,791,000	72,460,000	73,699,000
Retailer commissions	9,025,000	8,951,000	9,118,000
On-line vendor fees	2,170,000	2,165,000	2,200,000
Advertising	2,300,000	2,300,000	2,300,000
Ticket vendor fees	1,303,000	1,195,000	1,465,000
Promotions	441,000	387,000	395,000
Shipping and postage	420,000	425,000	470,000
Drawing game	119,000	117,000	129,000
Responsible gaming	88,000	88,000	88,000
Game membership	85,000	85,000	100,000
<b>Total game expenses</b>	<b>88,742,000</b>	<b>88,173,000</b>	<b>89,964,000</b>
<b>OPERATING EXPENSES</b>			
Salaries, wages and benefits	4,046,000	3,690,000	3,705,000
Leases and insurance	505,000	590,000	504,000
Utilities and maintenance	451,000	468,000	469,000
Depreciation expense	244,000	123,000	159,000
Professional fees	195,000	169,000	210,000
Other expenses	89,000	77,000	103,000
Materials and supplies	125,000	159,000	181,000
Travel	108,000	92,000	125,000
<b>Total operating expenses</b>	<b>5,763,000</b>	<b>5,368,000</b>	<b>5,456,000</b>
<b>OPERATING INCOME</b>	<b>40,495,000</b>	<b>40,602,000</b>	<b>40,980,000</b>
<b>NET INCOME</b>	<b>\$ 40,513,000</b>	<b>\$ 40,644,000</b>	<b>\$ 41,060,000</b>

\* - FY 2013 Consolidated Annual Budget approved on May 10, 2012

\*\* - FY 2012 Consolidated Revised Annual Budget approved on May 10, 2012

\*\*\* - FY 2012 Consolidated Annual Budget approved on May 18, 2011

# Consolidated Income Statement FY 2012

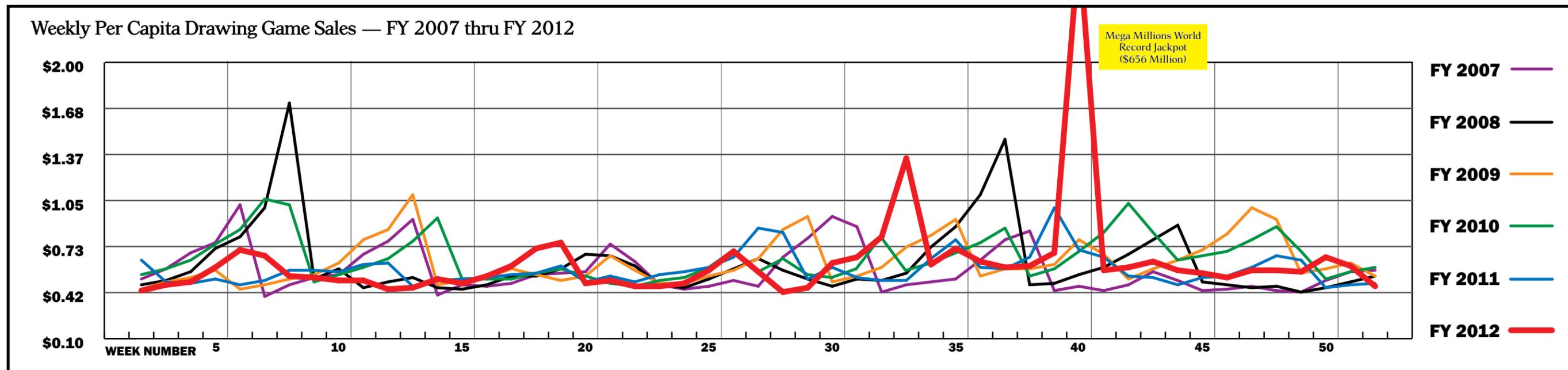
	FY 2012 Period ended: 06/30/12	FY 2011 Period ended: 06/30/11
<b>REVENUES</b>		
Instant ticket sales	\$ 71,632,710.00	\$ 78,857,176.00
Powerball sales	33,795,664.00	29,113,287.00
Mega Millions sales	14,330,230.00	10,665,551.00
Roadrunner Cash sales	7,520,021.00	8,754,477.00
Hot Lotto sales	5,438,475.00	7,571,584.00
Pick 3 sales	3,638,558.00	3,731,680.00
Quickster sales	453,448.00	0.00
Prize tickets	(2,890,810.00)	(3,086,281.00)
Spoiled, stolen and promotional tickets	(130,944.00)	(66,439.44)
Retailer fees	16,250.00	12,673.78
Bad Debts	(12,000.00)	(12,000.00)
Total operating revenues	<u>133,791,602.00</u>	<u>135,541,708.34</u>
<b>NON-OPERATING REVENUES</b>		
Interest income	18,469.62	23,557.43
Other income	45,463.68	11,395.77
Total non-operating revenues	<u>63,933.30</u>	<u>34,953.20</u>
<b>GROSS REVENUES</b>	<b><u>133,855,535.30</u></b>	<b><u>135,576,661.54</u></b>
<b>GAME EXPENSES</b>		
Prize expense	72,027,308.31	73,613,337.08
Retailer commissions	8,696,851.17	8,859,205.70
On-line vendor fees	2,139,753.91	2,170,366.37
Advertising	2,277,891.80	2,286,793.58
Ticket vendor fees	1,177,707.32	1,350,379.13
Promotions	381,178.96	323,236.30
Shipping and postage	410,422.25	423,742.24
Responsible Gaming	87,399.95	87,399.97
Game membership	65,502.28	57,449.57
Drawing game	116,531.56	122,372.22
Total game expenses	<u>87,380,547.51</u>	<u>89,294,282.16</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages and benefits	3,583,777.70	3,456,748.14
Leases and insurance	585,629.47	593,740.28
Utilities and maintenance	431,189.26	402,813.37
Depreciation and amortization	115,933.13	160,833.86
Professional fees	150,651.56	123,524.24
Materials and supplies	153,866.81	104,360.59
Travel	69,469.74	65,322.95
Other	55,726.64	67,745.50
Total operating expenses	<u>5,146,244.31</u>	<u>4,975,088.93</u>
<b>OPERATING INCOME</b>	<b>41,264,810.18</b>	<b>41,272,337.25</b>
<b>NET INCOME</b>	<b><u>\$ 41,328,743.48</u></b>	<b><u>\$ 41,307,290.45</u></b>

# Drawing Game Sales Trends

• As of June 30, 2012, preliminary, unaudited net drawing game sales for FY 2012 totaled \$65.1 million, up approximately \$5.3 million (+9%) from \$59.7 million in FY 2011. This sales upturn may be attributed to higher jackpots for Powerball® and Mega Millions® and change of matrix for Powerball.

• FY 2012 preliminary, unaudited net sales compared to FY 2011:  
 ♦ Mega Millions sales are at \$14.3 million, up 33.8%; this game was introduced in January 2010  
 ♦ Powerball sales are at \$33.8 million, up 16.1%  
 ♦ Hot Lotto® sales are at \$5.4 million, down 28.2%

♦ Roadrunner Cash™ sales are at \$7.5 million, down 14.2%  
 ♦ Pick 3® sales are at \$3.6 million, down 2.5%  
 ♦ Quicksters™, introduced in March 2012, contributed \$453,000 in sales



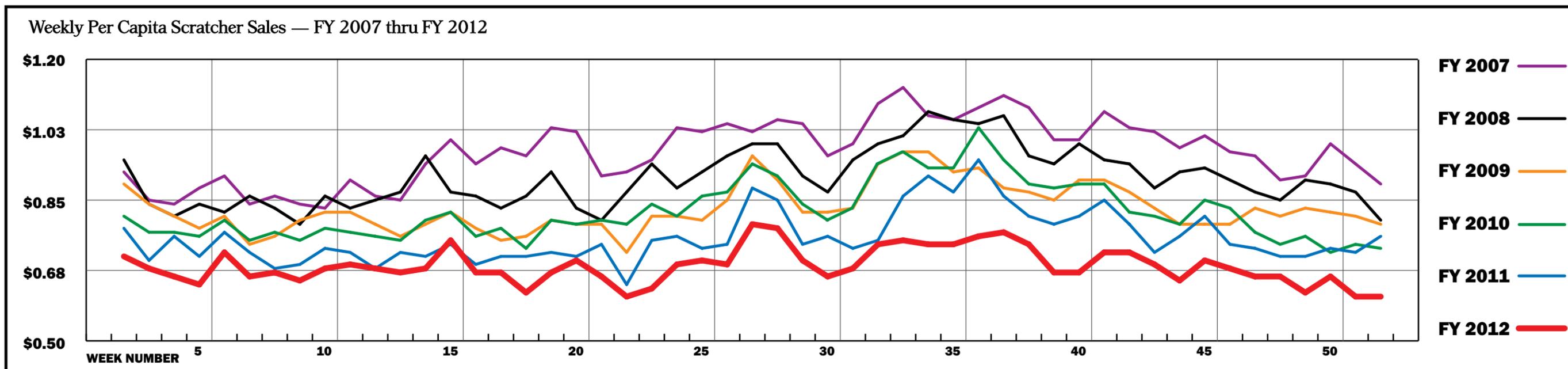
The first and last week of each Fiscal Year are partial weeks and are therefore not shown. Chart shows gross sales. New Mexico figures are based on a population of 2 million.

# Scratcher™ Sales Trends

• Net Scratcher sales have dropped by more than \$22.6 million since hitting a record \$91.37 million in FY 2007 — a 24.8% decrease.

♦ FY 2008 sales totaled \$86.6 million, down \$4.8 million  
 ♦ FY 2009 sales totaled \$80.6 million, down \$6 million  
 ♦ FY 2010 sales totaled \$78.4 million, down \$2.2 million

♦ FY 2011 sales totaled \$75.8 million, down \$2.6 million  
 ♦ FY 2012 sales (preliminary, unaudited) totaled \$68.74 million, down \$7 million



The first and last week of each Fiscal Year are partial weeks and are therefore not shown. Chart shows gross sales. New Mexico figures are based on a population of 2 million.

New Mexico Lottery Authority  
Actual Financial Results — FY 2006 – FY 2012

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>DESCRIPTION</b>	<b>AUDITED ACTUAL FY 2006</b>	<b>AUDITED ACTUAL FY 2007</b>	<b>AUDITED ACTUAL FY 2008</b>	<b>AUDITED ACTUAL FY 2009</b>	<b>AUDITED ACTUAL FY 2010</b>	<b>AUDITED ACTUAL FY 2011</b>	<b>UNAUDITED ACTUAL FY 2012</b>
Instant ticket sales	\$ 89,367,670	\$ 95,729,489	\$ 89,925,612	\$ 82,178,010	\$ 81,231,127	\$ 78,857,176	\$ 71,632,710
Powerball sales	54,113,990	42,625,468	44,504,959	43,983,020	41,177,600	29,113,287	33,795,664
Mega Millions sales	–	–	–	–	3,846,692	10,665,551	14,330,230
Roadrunner Cash sales	8,347,282	7,934,309	6,552,774	6,451,302	7,654,480	8,754,477	7,520,021
Hot Lotto sales	–	3,476,503	6,004,241	8,424,318	9,138,601	7,571,584	5,438,475
Pick 3 sales	2,009,560	2,058,844	2,327,283	2,897,012	3,408,240	3,731,680	3,638,558
Quickster sales	–	–	–	–	–	–	453,448
4 This Way! sales	769,985	653,662	215,546	–	–	–	–
Raffle game sales	–	–	1,001,400	–	–	–	–
Prize tickets	(4,533,193)	(4,335,817)	(3,333,227)	(1,588,669)	(2,798,905)	(3,086,281)	(2,890,810)
Spoiled, stolen, and promotional tickets	(80,074)	(107,995)	(92,911)	(68,964)	(71,413)	(66,440)	(130,944)
Retailer fees	47,180	45,791	46,782	40,188	32,350	12,674	16,250
Bad debts	–	–	–	–	(80,000)	(12,000)	(12,000)
<b>TOTAL OPERATING REVENUES</b>	<b>150,042,400</b>	<b>148,080,254</b>	<b>147,152,459</b>	<b>142,316,217</b>	<b>143,538,772</b>	<b>135,541,708</b>	<b>133,791,602</b>
<b>NON-OPERATING REVENUES</b>	<b>534,291</b>	<b>712,808</b>	<b>654,875</b>	<b>248,348</b>	<b>67,035</b>	<b>34,953</b>	<b>63,933</b>
<b>GROSS REVENUES</b>	<b>150,576,691</b>	<b>148,793,062</b>	<b>147,807,334</b>	<b>142,564,565</b>	<b>143,605,807</b>	<b>135,576,661</b>	<b>133,855,535</b>
<b>GAME EXPENSES</b>	<b>108,208,629</b>	<b>108,181,098</b>	<b>101,724,644</b>	<b>96,356,519</b>	<b>94,986,352</b>	<b>89,294,282</b>	<b>87,380,548</b>
<b>OPERATING EXPENSES</b>	<b>5,512,506</b>	<b>5,781,828</b>	<b>5,272,119</b>	<b>5,393,674</b>	<b>5,010,629</b>	<b>4,975,089</b>	<b>5,146,244</b>
<b>NET INCOME</b>	<b>\$ 36,855,556</b>	<b>\$ 34,830,136</b>	<b>\$ 40,810,571</b>	<b>\$ 40,814,372</b>	<b>\$ 43,608,826</b>	<b>\$ 41,307,290</b>	<b>\$ 41,328,743</b>
<b>GROSS REVENUE PERCENTAGE RETURN</b>	<b>24.48%</b>	<b>23.41%</b>	<b>27.61%</b>	<b>28.63%</b>	<b>30.37%</b>	<b>30.47%</b>	<b>30.88%</b>

ACTUAL FINANCIAL RESULTS

# FY 2013 – FY 2016 Budgets

## New Mexico Lottery Authority Budgets FY 2013 through FY 2016

DESCRIPTION	FY 2013		FY 2014	FY 2015	FY 2016
	FY 2013 ANNUAL BUDGET FORECAST (Projected June 2011)	FY 2013 CONSOLIDATED ORIGINAL ANNUAL BUDGET (Board Approved May 2012)	FY 2014 ANNUAL BUDGET FORECAST (Projected Sept. 2012)	FY 2015 ANNUAL BUDGET FORECAST (Projected Sept. 2012)	FY 2016 ANNUAL BUDGET FORECAST (Projected Sept. 2012)
Instant ticket sales	\$ 80,000,000	\$ 71,100,000	\$ 69,100,000	\$ 69,100,000	\$ 69,100,000
Powerball sales	27,000,000	36,000,000	36,000,000	36,000,000	36,000,000
Mega Millions sales	9,500,000	12,000,000	12,000,000	12,000,000	12,000,000
Roadrunner Cash sales	10,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Hot Lotto sales	8,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Pick 3 sales	3,600,000	3,700,000	3,700,000	3,700,000	3,700,000
Quickster sales	1,900,000	2,500,000	2,500,000	2,500,000	2,500,000
Prize tickets	(3,400,000)	(3,000,000)	(2,900,000)	(2,900,000)	(2,900,000)
Spoiled, stolen, and promotional tickets	(187,000)	(287,000)	(287,000)	(287,000)	(287,000)
Retailer fees	11,000	11,000	11,000	11,000	11,000
Bad debts	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)
<b>TOTAL OPERATING REVENUES</b>	<b>136,400,000</b>	<b>135,000,000</b>	<b>133,100,000</b>	<b>133,100,000</b>	<b>133,100,000</b>
NON-OPERATING REVENUES	80,000	18,000	18,000	18,000	18,000
<b>GROSS REVENUES</b>	<b>136,480,000</b>	<b>135,018,000</b>	<b>133,118,000</b>	<b>133,118,000</b>	<b>133,118,000</b>
GAME EXPENSES	89,964,000	88,742,000	87,512,000	87,512,000	87,512,000
OPERATING EXPENSES	5,456,000	5,763,000	5,670,000	5,670,000	5,670,000
<b>NET INCOME</b>	<b>\$ 41,060,000</b>	<b>\$ 40,513,000</b>	<b>\$ 39,936,000</b>	<b>\$ 39,936,000</b>	<b>\$ 39,936,000</b>
<b>GROSS REVENUE PERCENTAGE RETURN</b>	<b>30.08%</b>	<b>30.01%</b>	<b>30.00%</b>	<b>30.00%</b>	<b>30.00%</b>

# FY 2012 Highlights

Created and produced "\$500 Million" television, radio & POS campaign



Created and produced "Winners" television, radio & POS campaign



Launched first Facebook promotion:  
"Hot Summer Cash"

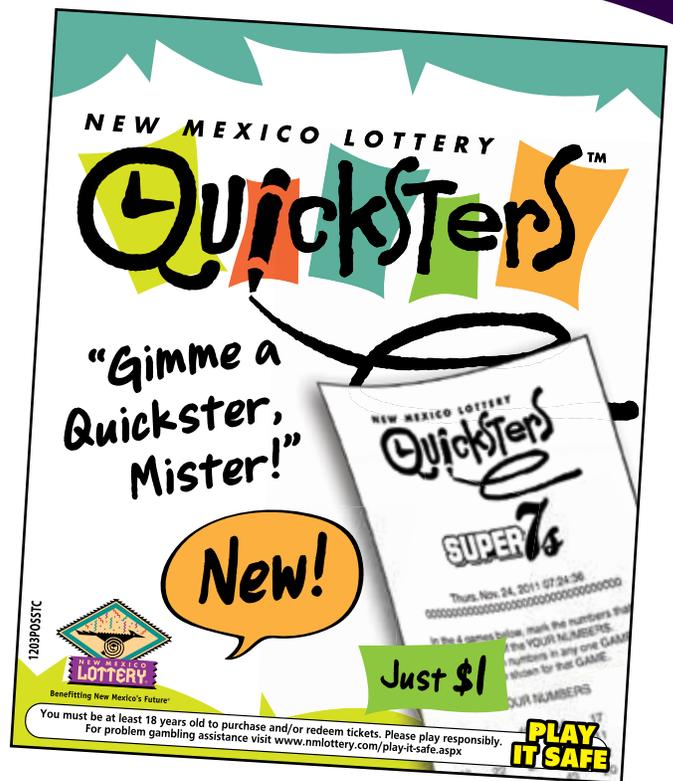


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# FY 2012 Highlights

continued

- Launched “Quicksters™,” a new type of game that plays just like Scratchers. However, instead of scratching a coating to reveal prizes, players mark matching numbers or symbols with a pen or pencil.



- Increased signage at retailer locations. Many different types of signs were placed, including banners, pole signs, pump toppers and winner boards.



# FY 2012 Highlights

continued

-  Received an unqualified opinion on the independent financial audit for the 16th consecutive fiscal year
-  Collected \$80,684,355 in retailer sweeps, \$325,213 in non-sufficient funds with less than \$6,000 in bad debt write-offs
-  Contracted for new banking and related services at a reduced cost
-  Negotiated a new lease saving over \$650,000 during the term of the lease
-  Negotiated minimal health and dental premium increases
-  Negotiated no increases in short/long-term disability and supplemental life insurance



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# FY 2012 Highlights

continued

- Designed 25 of 42 Scratchers in-house (including several Scratchers with multiple scenes)



- Negotiated and implemented 323 radio promotions, including 15 remotes
- Created 33 digital in-store advertisements



# FY 2012 Highlights

continued

- Acquired 53 new retailers
- Conducted 149 in-store sales events
- Conducted 23,377 retailer visits
- Processed 66,233 retailer calls



- Completed 148 retailer and employee applicant background checks
- Assisted law enforcement agencies in apprehending suspects in two separate incidents that included theft of lottery tickets



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## OPPORTUNITIES

- Technology is creating new ways to quickly deliver customized information and messages to players
- Population has grown, particularly in the Las Cruces area
- New research opportunities will reveal market insights
- Strong player support of the New Mexico Lottery and the Legislative Lottery Scholarship program

## CHALLENGES

- Economic uncertainty
- Changing national gaming landscape
- Changing retailer environment
- Stores going out of business
- Maintaining quality retailers, recruiting more/new types of retailers
- Competing for finite shelf and display space
- Business model requires monthly 30% return of revenues, limiting ability to quickly respond to marketplace conditions and optimize games
- Maturing games
- New games could cannibalize existing games
- Changing technologies of hardware and operating systems

## GOALS

- Maximize revenues for education
- Grow sales responsibly
- Promote corporate responsibility
- Further enhance Lottery security and integrity
- Achieve more cost and operational efficiencies

## STRATEGIES

- Further brand lottery games as fun and exciting entertainment
- Develop new products, enhance existing products
- Expand player base
- Recruit new retailers
- Evaluate and enhance sales at existing retailers
- Leverage opportunities from emerging technologies
- Increase communication with key audiences; enhance relationships
- Educate players about the Legislative Lottery Scholarship program



NEW MEXICO

A large, stylized sun with a red center and yellow rays, positioned behind the text.

**BIGGER** jackpots.  
**BETTER** odds.  
**MORE** millionaires.

Powerball® received a makeover for its 20th Birthday!

Powerball's price point changed to \$2 to create a bigger starting jackpot of \$40 million up from \$20 million and the opportunity to win a \$1 million prize rather than \$200,000 by matching five white balls.

The change went into effect on January 15, 2012.

Since the re-launch, New Mexico players have won four (4) - \$1 million prizes and Powerball sales have increased by \$5.6 million (28%) over the same time period last year.

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## New Appointment

New Mexico Lottery CEO Tom Romero has been appointed to an industry working group representing more than 40 lotteries operating in the United States, Washington, D.C. and the Virgin Islands.

As a member of the Government Relations team with the Multi-State Lottery Association (MUSL), Tom will help identify issues and opportunities vital to the lotteries' ongoing success in raising revenue for worthy causes such as college scholarships, economic development and state park preservation.

Tom holds three other key MUSL positions. He serves as Vice Chair of its Powerball Group, as the association's Secretary, and as a member of its security and integrity committee.



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## Possible National Drawing Game?

- Higher price point, higher jackpots than Powerball and Mega Millions
- Possible \$5 price point

# FY 2013 Product Highlights

## Holiday Scratchers

- In stores in November



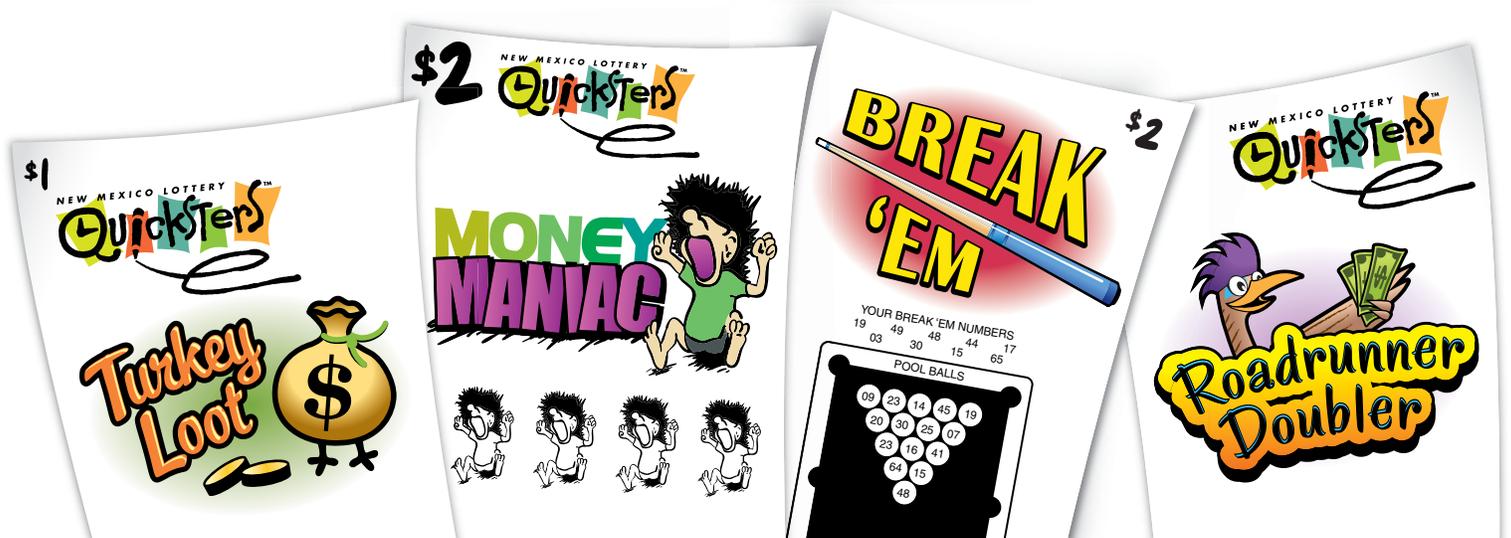
Artwork by Joby Elliott,  
New Mexico Lottery graphic designer



Artwork by Holli Fillmore,  
New Mexico Lottery graphic designer

## New Quicksters

- Coming Soon



# FY 2013 Product Highlights

## Special Features



### “Ink”

- 4 scenes
- In stores now



Artwork by Jessica Quintana,  
New Mexico Lottery graphic designer

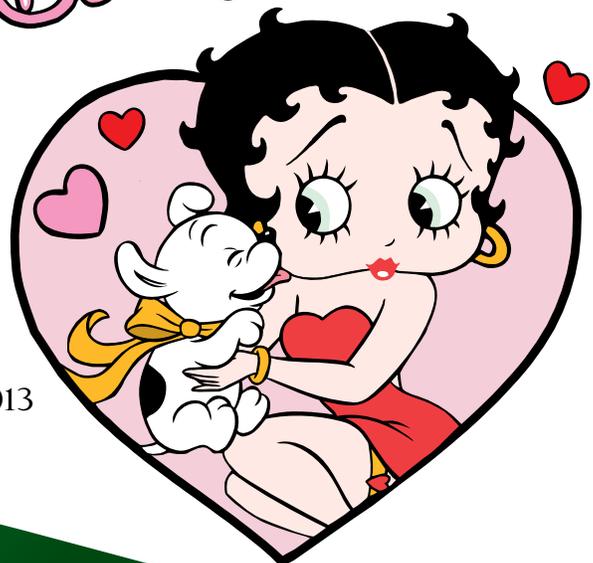


**PINK PANTHER™**

### “Pink Panther™”

- 5 scenes
- Coming in Spring 2013

**Betty Boop™**



### “Betty Boop™”

- 5 scenes
- Coming in Jan. 2013



Benefitting New Mexico's Future®

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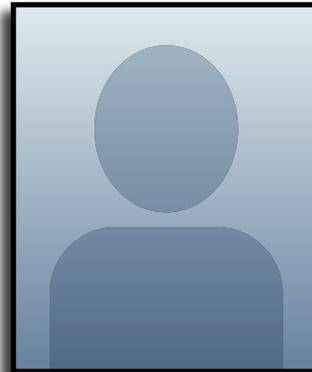
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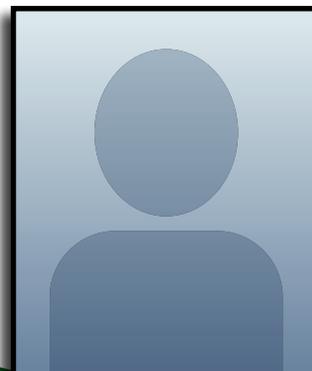
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Benefitting New Mexico's Future®

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