



New Mexico Lottery Authority For Legislative Finance Committee

October 31, 2014

Mission Statement

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

New Mexico Lottery Authority
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**New Mexico Lottery Authority
Statements of Revenues and Expenses
Periods ended:**

	<u>FY 2015 09/30/14</u>	<u>FY 2014 09/30/13</u>
OPERATING REVENUES		
Instant ticket sales	\$17,870,384.00	\$16,413,264.00
Powerball sales	6,208,664.00	11,803,387.79
Mega Millions sales	2,320,779.00	1,993,801.93
Roadrunner Cash sales	1,804,366.00	1,794,930.33
Hot Lotto sales	1,833,422.00	1,373,654.91
Pick 3 sales	1,118,737.00	914,035.11
Quickster sales	192,570.00	164,396.93
Net ticket sales	31,348,922.00	34,457,471.00
Retailer fees	3,700.00	3,375.00
Total operating revenues	<u>31,352,622.00</u>	<u>34,460,846.00</u>
NON-OPERATING REVENUES		
Interest income	2,926.33	4,532.07
Other income	(13.79)	574.50
Total non-operating revenues	<u>2,912.54</u>	<u>5,106.57</u>
GROSS REVENUES	<u>31,355,534.54</u>	<u>34,465,952.57</u>
GAME EXPENSES		
Prize expense	17,174,651.00	19,006,675.86
Retailer commissions	2,044,291.59	2,236,567.10
On-line vendor fees	501,806.86	551,921.92
Advertising	460,648.68	297,212.75
Ticket vendor fees	277,977.89	262,229.94
Promotions	22,730.69	8,373.30
Retailer equipment	7,096.30	17,967.00
Shipping and postage	68,997.87	106,140.58
Responsible gaming	17,498.99	21,849.99
Game membership	61,931.22	40,585.37
Drawing game	27,816.00	24,648.00
Total game expenses	<u>20,665,447.09</u>	<u>22,574,171.81</u>
OPERATING EXPENSES		
Salaries, wages and benefits	909,085.34	891,374.41
Leases and insurance	102,120.84	102,094.95
Utilities and maintenance	111,930.95	113,167.48
Depreciation and amortization	60,707.69	44,286.91
Professional fees	48,074.67	61,778.67
Materials and supplies	14,065.38	45,597.46
Travel	22,439.91	17,285.86
Other	14,292.43	15,271.42
Lottery Tuition Fund contingency reserve	0.00	161,000.00
Total operating expenses	<u>1,282,717.21</u>	<u>1,451,857.16</u>
OPERATING INCOME	<u>9,404,457.70</u>	<u>10,434,817.03</u>
NET INCOME	<u>\$9,407,370.24</u>	<u>\$10,439,923.60</u>

FY14 Net Compared to FY15 Budget

	FY 2015 Original Annual Budget*	FY 2014 Consolidated Income Statement**
NET SALES		
Instant ticket sales	\$ 71,893,000	\$ 69,804,813
Powerball sales	37,859,200	34,027,555
Mega Millions sales	8,994,900	13,410,732
Roadrunner Cash sales	6,992,800	8,592,684
Monopoly Millionaires' Club sales***	2,992,800	-
Hot Lotto sales	4,988,800	5,700,311
Pick 3 sales	4,195,700	3,828,187
Lucky Numbers Bingo sales***	3,396,300	-
Quickster sales	1,498,500	638,322
Retailer fees	12,000	22,453
Bad debts	(24,000)	-
Total operating revenues	<u>142,800,000</u>	<u>136,025,057</u>
NON-OPERATING REVENUES		
Interest income	24,000	18,753
Other income	-	13,604
Total non-operating revenues	<u>24,000</u>	<u>32,357</u>
GROSS REVENUES	<u>142,824,000</u>	<u>136,057,414</u>

- *FY 2015 Consolidated Original Annual Budget approved on May 6, 2014.
- **FY 2014 financial audit completed. The audit report not released.
- ***New lottery games being launched during second quarter of FY 2015.

FY14 Net Compared to FY15 Budget: continued

	FY 2015	FY 2014
	Original Annual Budget*	Consolidated Income Statement**
GAME EXPENSES		
Prize expense	77,125,000	74,060,246
Retailer commissions	9,511,000	8,782,855
On-line vendor fees	2,296,000	2,177,205
Advertising	2,500,000	2,267,772
Ticket vendor fees	1,400,000	1,188,107
Retailer equipment	297,000	345,786
Promotions	291,000	221,036
Shipping and postage	414,000	335,679
Drawing game	140,000	102,880
Responsible gaming	75,000	83,050
Game membership	<u>81,000</u>	<u>43,718</u>
Total game expenses	<u>\$94,130,000</u>	<u>\$89,608,334</u>

	FY 2015	FY 2014
	Original Annual Budget*	Consolidated Income Statement**
OPERATING EXPENSES		
Salaries, wages and benefits	4,085,000	3,726,941
Leases and insurance	437,000	423,932
Utilities and maintenance	455,000	448,166
Depreciation and amortization	287,000	188,505
Professional fees	206,000	186,035
Other expenses	115,000	69,711
Materials and supplies	121,000	135,260
Travel	140,000	61,980
Operational reserve fund	<u>-</u>	<u>267,000</u>
Total operating expenses	<u>5,846,000</u>	<u>5,507,530</u>
OPERATING INCOME	<u>42,824,000</u>	<u>40,909,193</u>
NET INCOME	<u>\$ 42,848,000</u>	<u>\$ 40,941,550</u>

Salaries and Wages, Employees, and Operating Expenses to Gross Revenues (FY07–FY14)

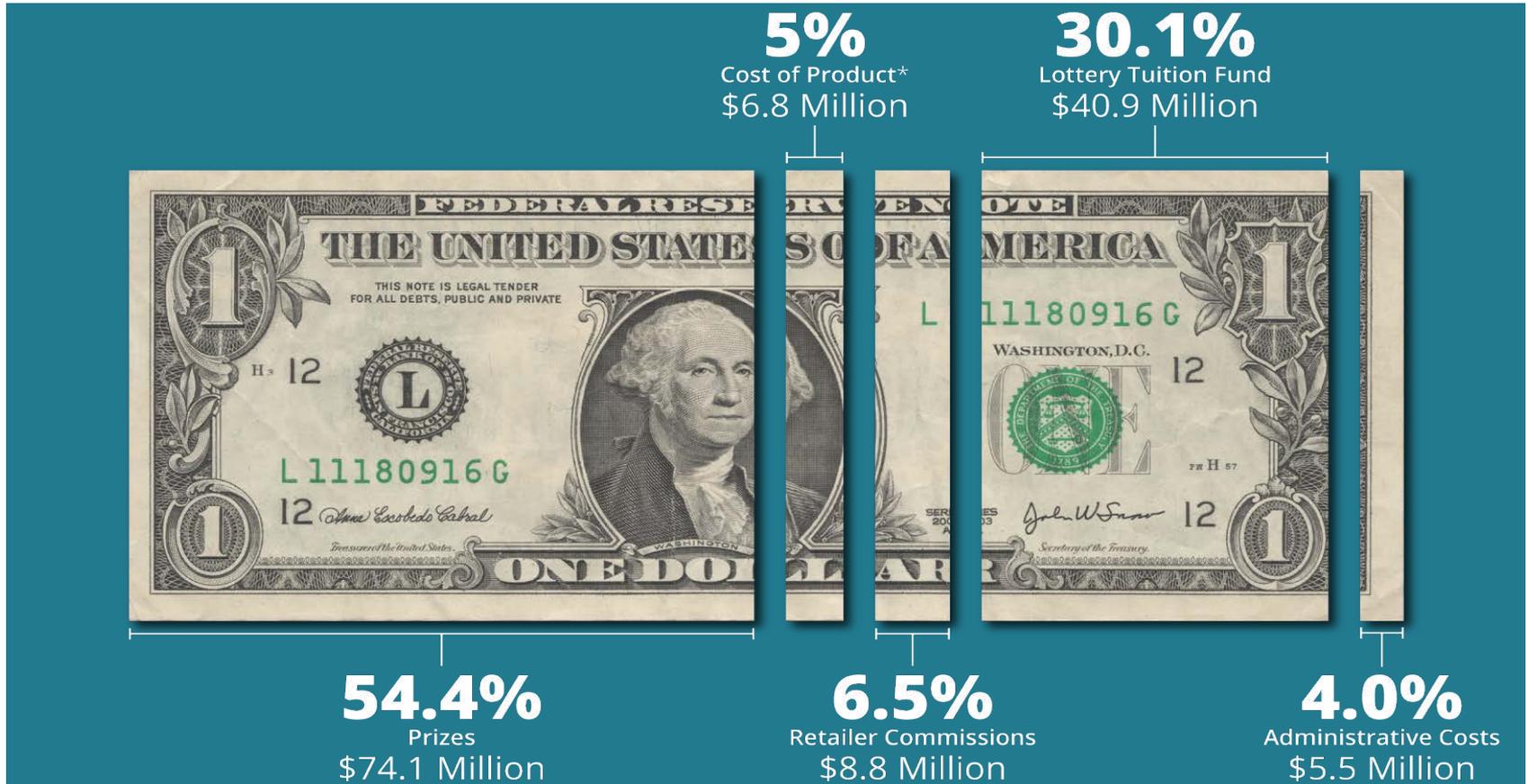
	FY 2007	FY 2008	FY 2009	FY 2010
GROSS REVENUES	\$ 148,793,062	\$ 147,807,335	\$ 142,564,565	\$ 143,605,806
Total Salaries and Wages	\$ 2,688,945	\$ 2,563,597	\$ 2,716,754	\$ 2,621,468
Salaries and Wages % to Gross Revenues	1.81%	1.73%	1.91%	1.83%
Change in Salaries and Wages from Prior Fiscal Year		\$ (125,348)	\$ 153,157	\$ (95,287)
Average Number of Employees	68	52.5	55	55
TOTAL				
OPERATING EXPENSES	\$ 5,781,829	\$ 5,272,119	\$ 5,393,674	\$ 5,010,629
Operating Expense % to Gross Revenues	3.89%	3.57%	3.78%	3.49%

Salaries and Wages, Employees, and Operating Expenses to Gross Revenues (FY07–FY14): continued

	FY 2011	FY 2012	FY 2013	FY 2014	
GROSS REVENUES	\$ 135,576,662	\$ 133,855,535	\$ 141,814,113	\$ 136,057,414	
Total Salaries and Wages	\$ 2,592,511	\$ 2,675,583	\$ 2,704,968	\$ 2,800,467	Note A
Salaries and Wages % to Gross Revenues	1.91%	2.00%	1.91%	2.06%	
Change in Salaries and Wages from Prior Fiscal Year	\$ (28,956)	\$ 83,072	\$ 29,385	\$ 95,499	Note A
Average Number of Employees	53	55.5	55.5	54.5	
	Note A: \$165,000 is included in FY 2014 for the payout to a former employee; without this amount, Salaries and Wages would be \$2,635,467.42, or 1.94% of Gross Revenues, and a \$69,500.82 reduction in Salaries and Wages from fiscal year 2013.				
TOTAL OPERATING EXPENSES	\$ 4,975,089	\$ 5,146,244	\$ 5,080,047	\$ 5,507,530	
Operating Expense % to Gross Revenues	3.67%	3.84%	3.58%	4.05%	

Where the Money Goes: FY 14 \$136.1 Million in Gross Revenues

Numbers are rounded



*Cost of Product includes: On-line vendor fees, advertising, ticket vendor fees, retailer equipment, promotions, shipping and postage, responsible gaming, game membership and drawing game costs. 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 prizes, retailer commissions, and administrative costs.

Internal Controls & Expense Management:

- ◇ **Media Buys:** Approximately \$900,000 in added value.
- ◇ **Instant ticket contracts:** Using existing contracts more effectively, including successful **renegotiation of better pricing options for printing** instant tickets.
 - Saved over **\$90,000** by paying a per thousand fee for two \$5 games and one \$20 game
 - Six License games at no cost – **\$200,000** savings in license fees
 - Reduced the fees from some special features on games
 - New pricing for % of sales – cost saving
- ◇ **In-house animator:**
 - Estimated \$7,000 savings per : TV 15 spot
 - Estimated \$150,000+ savings annually
 - In the last 6 months, has created more than 14 TV spots: \$98,000 in estimated savings
 - Time Savings

Internal Controls & Expense Management: continued

▶ **Back Office System Migration:**

- This provides the lottery with a dual data center architecture with fully redundant processing in two separate locations.
 - Initial cost saving of approximately \$137,500
 - Annual savings \$268,000 (human resource and system).
 - Additional, staff cost savings are undetermined at this time. Two positions have been eliminated.

▶ **Drawing Automation:**

- Annual Cost savings of approximately \$50,000 the first year and 150,000 in subsequent years.
 - Eliminated maintenance and upgrade cost for equipment
 - Eliminated cost of external auditors
 - Eliminated overtime compensation for evening and Saturday draws

Internal Controls & Expense Management: continued

Jackpot signage:

- New cost-effective electronic jackpot signs purchased to replace old, outdated, high maintenance signs. Annual savings of approximately \$24,000.

Pick 3: (Budgeted \$4.2 million for sales in FY14)

- Added a midday drawing in the fourth quarter of FY14, resulting in a 9.6% increase from FY13.
- Tracking for the first quarter in FY15 (as of 10/14/14) shows a 28% increase to date over FY14 (\$291,000)..

Retailer Credit:

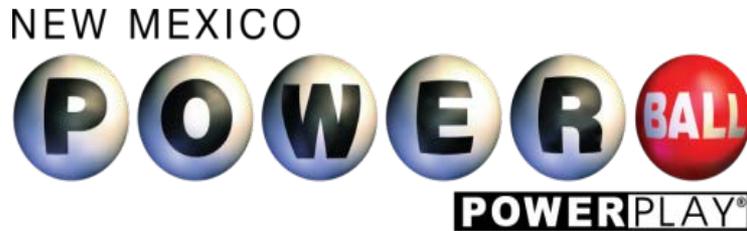
Discontinued a practice of crediting retailers for online damaged tickets. Retailers must now seek a credit per event.

Organizational Restructuring:

Restructuring of divisions, functions, and staff.

Portfolio of Games

- ▶ National Lottery Draw Games





- ▶ \$5 game with \$15 - \$25 million top prize
- ▶ Making more and more millionaires
- ▶ Three ways to become a millionaire
- ▶ Payout 50%



- \$2 jackpot game
- Jackpot starts at \$40 million
- Always win something by matching the Red Powerball
- Add Powerplay for \$1 and multiply the prize won by 2X, 3X, 4X or 5X
- Payout 50%



- \$1 jackpot game
- Jackpot starts at \$20 million
- Always win something by matching the Gold Ball
- Add the Megaplier for \$1 and multiply prize won by 2X, 3X, 4X, or 5X
- Payout 50%



- \$1 jackpot game
- Jackpot starts at \$1,000,000
- Always win something with the Hot Ball
- Add Sizzler for \$1 and triple the prize won
- Payout 50%

Powerball FY15 sales comparisons

October 6, 2014

Member Lottery	POWERBALL				YTD FY15 Sales compared to Total FY14 Sales	YTD FY15 Sales compared to YTD FY14 Sales
	FY14 Sales	FY14 YTD Sales (28 draws)	FY15 YTD Sales (28 draws)			
AR	\$ 28,989,404	\$ 11,082,678	\$ 5,228,240		-81.96%	-52.83%
AZ	\$ 108,142,840	\$ 39,128,110	\$ 19,327,996		-82.13%	-50.60%
CO	\$ 70,212,862	\$ 26,006,120	\$ 13,935,702		-80.15%	-46.41%
CT	\$ 73,356,102	\$ 27,789,402	\$ 13,955,286		-80.98%	-49.78%
DC	\$ 13,411,912	\$ 5,047,872	\$ 2,592,614		-80.67%	-48.64%
DE	\$ 25,449,162	\$ 9,832,730	\$ 4,844,520		-80.96%	-50.73%
FL	\$ 427,422,582	\$ 152,234,122	\$ 78,032,662		-81.74%	-48.74%
IA	\$ 54,750,918	\$ 19,897,658	\$ 10,750,980		-80.36%	-45.97%
ID	\$ 33,777,676	\$ 11,935,236	\$ 6,966,468		-79.38%	-41.63%
IN	\$ 98,799,814	\$ 36,861,110	\$ 18,955,304		-80.81%	-48.58%
KS	\$ 39,412,956	\$ 13,932,584	\$ 8,084,920		-79.49%	-41.97%
KY	\$ 75,647,228	\$ 27,313,666	\$ 15,080,640		-80.06%	-44.79%
LA	\$ 93,562,316	\$ 34,366,238	\$ 18,332,920		-80.41%	-46.65%
MD	\$ 101,131,274	\$ 37,173,752	\$ 19,471,596		-80.75%	-47.62%
ME	\$ 18,166,162	\$ 6,415,956	\$ 4,184,816		-76.96%	-34.77%
MN	\$ 77,459,146	\$ 29,283,878	\$ 15,054,494		-80.56%	-48.59%

October 6, 2014

Member Lottery	FY14 Sales	FY14 YTD Sales (28 draws)	FY15 YTD Sales (28 draws)	YTD FY15 Sales compared to Total FY14 Sales	YTD FY15 Sales compared to YTD FY14 Sales
MO	\$ 98,005,426	\$ 36,209,762	\$ 18,823,864	-80.79%	-48.01%
MT	\$ 13,501,858	\$ 4,690,932	\$ 2,869,792	-78.75%	-38.82%
NC	\$ 132,302,550	\$ 48,889,372	\$ 25,739,884	-80.54%	-47.35%
ND	\$ 10,368,600	\$ 3,643,144	\$ 2,330,654	-77.52%	-36.03%
NE	\$ 37,887,516	\$ 12,957,236	\$ 7,849,738	-79.28%	-39.42%
NH	\$ 33,167,264	\$ 12,605,980	\$ 6,792,934	-79.52%	-46.11%
NM	\$ 31,138,038	\$ 11,367,472	\$ 5,976,994	-80.80%	-47.42%
OK	\$ 48,570,056	\$ 18,168,320	\$ 8,889,108	-81.70%	-51.07%
OR	\$ 41,232,842	\$ 15,483,258	\$ 7,651,124	-81.44%	-50.58%
PA	\$ 274,559,638	\$ 107,695,294	\$ 50,944,650	-81.44%	-52.70%
PR	\$ -	\$ -	\$ 1,202,220	100.00%	100.00%
RI	\$ 28,888,634	\$ 10,560,474	\$ 5,880,038	-79.65%	-44.32%
SC	\$ 77,976,916	\$ 27,216,676	\$ 16,161,414	-79.27%	-40.62%
SD	\$ 14,738,414	\$ 5,353,386	\$ 2,943,438	-80.03%	-45.02%
TN	\$ 89,011,870	\$ 32,058,424	\$ 16,889,794	-81.03%	-47.32%
TX	\$ 230,006,716	\$ 87,247,012	\$ 43,323,966	-81.16%	-50.34%
VI	\$ 2,409,104	\$ 798,656	\$ 465,242	-80.69%	-41.75%
VT	\$ 8,021,196	\$ 2,868,662	\$ 1,733,870	-78.38%	-39.56%
WI	\$ 81,521,922	\$ 31,231,968	\$ 15,659,022	-80.79%	-49.86%
WV	\$ 37,291,122	\$ 13,078,764	\$ 7,740,122	-79.24%	-40.82%
WY	\$ -	\$ -	\$ 1,268,164	100.00%	100.00%
CA	\$ 472,778,248	\$ 184,145,468	\$ 84,815,314	-82.06%	-53.94%
GA	\$ 127,308,140	\$ 48,338,536	\$ 24,195,608	-80.99%	-49.95%
IL	\$ 154,539,428	\$ 62,695,592	\$ 27,473,384	-82.22%	-56.18%
MA	\$ 101,716,904	\$ 41,555,628	\$ 21,369,540	-78.99%	-48.58%
MI	\$ 124,146,110	\$ 49,104,008	\$ 23,691,910	-80.92%	-51.75%
NJ	\$ 224,556,396	\$ 93,959,194	\$ 36,105,618	-83.92%	-61.57%
NY	\$ 381,959,710	\$ 156,004,440	\$ 62,187,890	-83.72%	-60.14%
OH	\$ 112,488,984	\$ 44,403,640	\$ 21,045,812	-81.29%	-52.60%
VA	\$ 106,253,794	\$ 40,237,020	\$ 20,455,030	-80.75%	-49.16%
WA	\$ 54,355,612	\$ 20,809,840	\$ 9,934,046	-81.72%	-52.26%
	\$ 4,490,395,362	\$ 1,711,679,270	\$ 837,209,342	-81.36%	-51.09%

INSTATE LOTTERY DRAW GAMES

- New Mexico Draw Games
- Best Odds



- ▶ \$1 jackpot game
- ▶ Jackpot starts at \$25,000
- ▶ Win by matching 2 or more of the 5 white balls
- ▶ Payout approximately 55.38%



- \$1 game with \$500 top prize
- Win by matching 3 numbers
- STRAIGHT (exact order)
- \$500 Prize
- BOX (any order)
- \$160 prize
- STRAIGHT/BOX (split between exact and any order)
- \$40 prize
- Payout approximately 59%



- Combines the instant play style of Scratchers with tickets printed at the terminals like other draw games.
- \$1 and \$2 games have low top prizes of \$100 – \$200
- \$5 Red Hot Jackpot Bingo has a rolling jackpot that starts at \$1,000
- Payout approximately 57.33%



- \$2 game with two ways to win
- It is a Bingo game with an added bonus – Your Lucky Numbers
- Top prize \$10,200
- Payout approximately 62.80%

SCRATCHERS



\$1 Games



- ▶ Top Prizes range between \$500 up to \$5,000
- ▶ 13 games launched FY14 – 16.1% of total sales
- ▶ Average Payout 55.73%

\$2 Games



- Top Prizes range between \$7,000 and \$20,000
- 10 games launched in FY14 – 13.87% of total sales
- Average Payout 57.62%

\$3 Games



- Top Prizes range between \$25,000 and \$35,000
- Extended play games like Crossword and Bingo
- Crossword players very loyal
- 10 games launched in FY14 – 22.49% of total sales
- Average payout 57.94%

\$5 Games

\$10 Games

\$20 Games



- ▶ Top Prizes range between \$50,000 and \$70,000
- ▶ 10 games launched in FY14 – 25.41% of sales
- ▶ Average payout 60.34%
- ▶ Best selling price point



- Top Prizes between \$500 and \$100,000
- 5 games launched in FY14 – 12.31% of total sales
- Average payout 65.12%



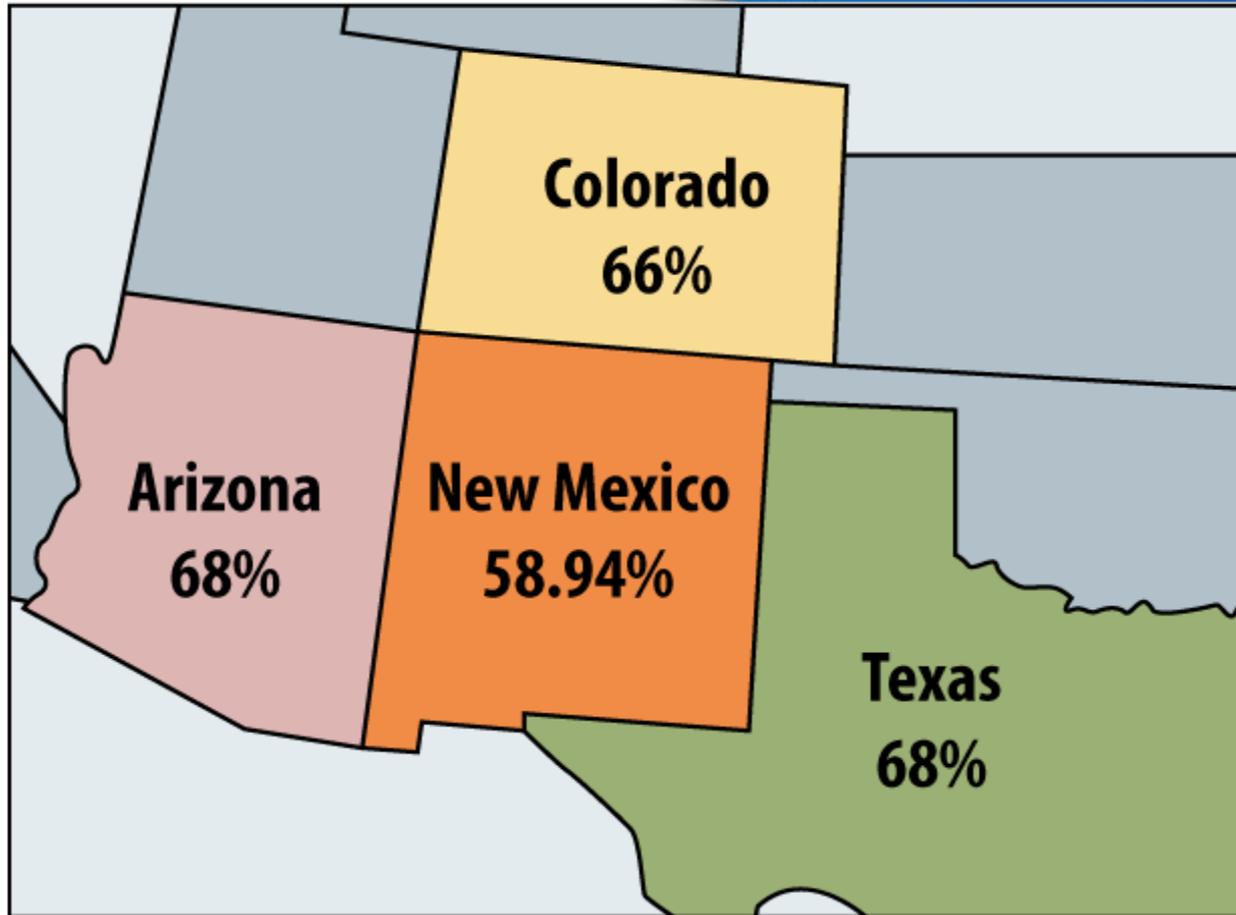
- Top Prize between \$200,000 and \$250,000
- 1 game launched in FY14 – 9.82% of total sales
- Average payout 68.13%



- Started in March– Scratchers launch once a month on a Tuesday
- FY15 scratcher sales are up \$1,781,673 –9.05% increase



FY 13 Average Scratcher payout by Border States: Potential Lost Sales



*FY14 Payouts not available. NM FY14 Payout 60.05%.

Media Update: \$900,000 in Added Advertising Value & Cost Savings Negotiated

Annual buys vs. Spot buys – saves time and money

Negotiated at year start vs. prior to each campaign
Strengthens media partnerships

Additional promotional and ad support–

Negotiated lower cost and zero cost digital, radio and TV spot banks

Promotions included

Additional unsold media airs at zero cost

MORE media for LESS ad dollars–

TV: Approx. 3,900 spots in FY14 vs. 6,700 spots in FY15

Radio: Approx. 36,000 spots in FY14 vs. 56,000 spots in FY15

Ability to flight multiple campaigns at same time

Ability to flight unlimited campaigns during Fiscal Year

Advertising in New Places

- ▶ Buses
- ▶ Railrunner
- ▶ In-Store Radio Announcements
 - 2 per hour during business hours
 - All New Mexico Smith's and Albertson's stores
- ▶ Digital Outdoor Billboards
- ▶ New Event Sponsorships
 - AIBF Balloon Banner, Gildan NM Bowl,



The Future



Millennials or Generation Y

(loosely defined as those born between 1982 and 1999)

- ▶ The largest, most diverse generation in the U.S. population.
- ▶ Have been **shaped by technology**.
- ▶ Value community and family.
- ▶ Are heavily influenced by their peers.
- ▶ Shop differently and more frequently.
- ▶ Seek **value and rewards**, but will pay extra to support a charity.
- ▶ The **convenience** of shopping online is very important.
- ▶ They do not shop with cash.

The Next Generation of Consumers



The Mobile Revolution



“The mobile revolution has been dubbed by many as the trillion dollar revolution. From news consumption, to photo sharing, to gaming, to hailing a cab to depositing a check, **every moment has become a mobile moment.**”

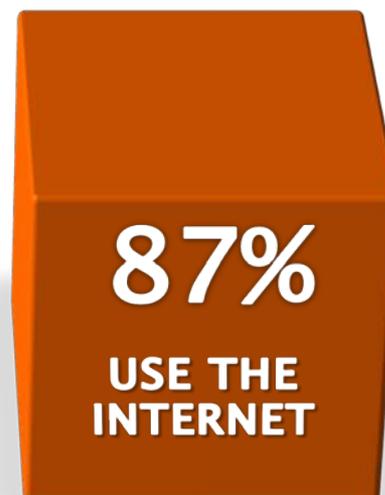
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Adult Americans (18+)

- ▶ As of January 2014



Lottery Industry – North America

- ◆ 32 lotteries offer responsive design or mobile website
- ◆ 19 lotteries offer a mobile app with 6 coming soon

Two NMLA Sales Facts:

- ▶ 82% of all lottery sales occur at “C” stores
 - (convenience stores)
- ▶ 73% of all “C” store customers never enter the building (NACS).
- ▶ **Observation:** the lottery has to expand its sales base from traditional retail solutions to more mobile solutions to remain relevant with future customers.



PLAY ^{AT THE} PUMP

Enables the sale of lottery at ATMs and other unmanned POS devices. This represents an extremely cost effective tool for lotteries to reach new customers. By leveraging existing kiosks in the field, lotteries can massively expand their retail footprint at very little cost. Games such as Mega Millions and Powerball are offered on these terminals.

California and Missouri lotteries plan to sell at the pump.
Minnesota realized a 3% in-store lift in addition to sales at the pump.

STATUTORY CONSIDERATIONS

- ▶ **Section 6-24-24B.** “30% return requirement and quarterly transfers to lottery tuition fund”.
 - ▶ Suggestion (item B.):

“B. No later than the last business day of ~~each month~~ of January, April, July, and October, the authority shall to the extent practicable, transmit at least ~~twenty-seven percent of the gross revenue of the previous month until December 31, 2008 and at least thirty percent of the gross revenue of the previous month~~ quarter thereafter to the state treasurer, who shall deposit it in the lottery tuition fund.”

- ▶ Lotteries bench mark their sales success based on per capita sales. This type of formula provides a state-by-state comparison.

- ▶ Of 42 U.S. Lotteries Louisiana, New Mexico, and Oklahoma are among the nation's worst in per capita sales for scratchers. All have required percentage returns.

- Louisiana (\$35) #37 PC Ranking
- New Mexico (\$34) #38 PC Ranking
- Oklahoma (\$23) #41 PC Ranking

- ▶ “Massachusetts State Lottery is the most successful lottery in the nation . . . Top lottery officials from **Massachusetts, New York, Florida, Texas, and Georgia** have recently stated that higher payouts were instrumental in increasing revenues and generating additional funds for their beneficiaries.” *Increase Lottery Sales and Funding to Public Education, California Performance Review GC06.*

US Lotteries Ranked by FY13 Per Capita Sales

(La Fleur Magazine/ Sept/Oct 2013)

US FY13 instant PC				US FY13 instant PC			
Rank		Pop. (M)	PC Sales	Rank		Pop. (M)	PC Sales
1	Massachusetts	6.6	\$503	22	Michigan	9.9	\$83
2	Georgia	9.9	\$265	23	Maryland	5.9	\$83
3	New York	19.6	\$190	24	Rhode Is.	1.1	\$81
4	Connecticut	3.6	\$186	25	California	38	\$79
5	Pennsylvania	12.8	\$181	26	Colorado	5.2	\$71
6	South Carolina	4.7	\$171	27	Idaho	1.6	\$68
7	New Jersey	8.9	\$166	28	Minnesota	5.4	\$68
8	Florida	19.3	\$157	29	Arizona	6.6	\$67
9	New Hampshire	1.3	\$145	30	Iowa	3.1	\$66
10	Illinois	12.9	\$137	31	W. Virginia	1.9	\$59
11	Missouri	6	\$126	32	Wisconsin	5.7	\$57
12	Ohio	11.5	\$124	33	Delaware	0.9	\$53
13	Texas	26.1	\$123	34	Washington	6.9	\$52
14	Maine	1.3	\$123	35	Nebraska	1.9	\$45
15	Arkansas	2.9	\$120	36	Kansas	2.9	\$44
16	Kentucky	4.4	\$119	37	Louisiana	4.6	\$35
17	Vermont	0.6	\$119	38	New Mexico	2.1	\$34
18	Virginia	8.2	\$108	39	South Dakota	0.8	\$30
19	North Carolina	9.8	\$104	40	Oregon	3.9	\$30
20	Indiana	6.5	\$94	41	Oklahoma	3.8	\$23
21	D.C.	0.6	\$92	42	Montana	1	\$17

STATUTORY CONSIDERATIONS: continued

▶ Section 6-24-19. “Procurement Code Provision”

▶ Suggestion (second sentence):

“The authority shall conduct its own procurement, but the authority shall conduct all procurement in accordance keeping with the general principles of the procurement code; however, contract periods for instant ticket printing and computer gaming systems may be of a longer time period and be continued or extended to achieve maximum pricing efficiencies but contract periods may not exceed ten years [13-1-28 NMSA1978].”

- Without a change to this section, pricing for major vendor contracts will substantially increase. The lottery needs a ten year period to receive best pricing. (7 year base plus 3 extension years).
- JEFFERSON CITY, Mo. (AP). The Lottery Commission on Thursday approved a new computer gaming system contract with GTECH for 4.2% of sales. Vendor received 4.4 percent in its previous contract. October 10, 2014.

Intralot Gaming (draw system contract): 1.5% of net sales.

GTECH (primary scratcher contract): 1.55% of net scratcher sales.

STATUTORY CONSIDERATIONS: continued

- ▶ **Section 6–24–8. Adoption of rules by board.**
 - Suggestion (item G.):
 - “G. the method to be used in selling tickets, which may include the use of the internet, mobile devices or cellular devices, cable television and electronic or mechanical devices and systems;”

- ▶ **Section 6–24–15. Lottery tickets, sales.**
 - Suggestion (item D.):
 - “D. Tickets may be purchased only with cash, ~~or a check~~ or debit card and shall not be purchased on a credit card, unless the lottery purchase is twenty dollars or less.”

NEWS – PA House Drops Prize Percentage to 25%

- ▶ The bill lowers Pennsylvania's statutorily required profit margin from 27 percent of all Lottery sales at present, to 25 percent.
- ▶
- ▶ That may sound counter-productive, but Lottery Executive Director Sylvan Lutkewitte III has said lowering the profit margin lets them give players better odds of winning. Better odds and more prizes for players, he contends, spark interest in the games and grow sales, ultimately resulting in more revenue for the Lottery and the senior services it supports.
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- ▶ In a brief interview after the House vote Monday, Lutkewitte said that with the bill's passage "we can start to plan on adjusting and increasing our payouts on our instant ticket portfolio really immediately."
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- ▶ But given the need to play through games that are already in circulation, Lutkewitte added, it could be several months till tickets with the sweeter odds are on the street.
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- ▶ The change in the profit margin alone, Revenue Secretary Dan Meuser added, should increase the lottery's return to the state by \$7 million in fiscal 2015-16; \$13 million in 2016-17; and \$20 million annually by 2017-18.
- ▶ With no action on the profit margin, the Lottery's profit floor was scheduled to rise to 30 percent next July, **which Meuser said would have translated into major reductions in ticket sales and profits over the next five years.**
- ▶ Faced with demographic projections that indicate significant demand in growth for senior services, Corbett Administration officials have put a premium on trying to grow lottery profits.