



Benefitting New Mexico's Future®

New Mexico Lottery Authority for Legislative Education Study Committee

July 26, 2011

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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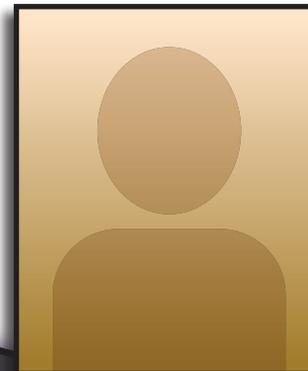
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Benefitting New Mexico's Future®

*Fifteen
Years*

FY 2011 Highlights

➤ Created “Whatchagonnado?” branding campaign



➤ Introduced VIP Club



➤ Launched Facebook page



*Fifteen
Years*

FY 2011 Highlights continued

➤ Involved New Mexicans in designing “Lucky Dog” Scratcher

 Dog owners entered more than 7,000 photos

 More than 100,000 votes were cast



Benefitting New Mexico's Future

*Fifteen
Years*

FY 2011 Highlights continued

- Landed contracts with two entertainment acts to launch world-premiere Scratchers™



- Revitalized Bingo Scratcher with New Mexico scenery and achieved best-selling results



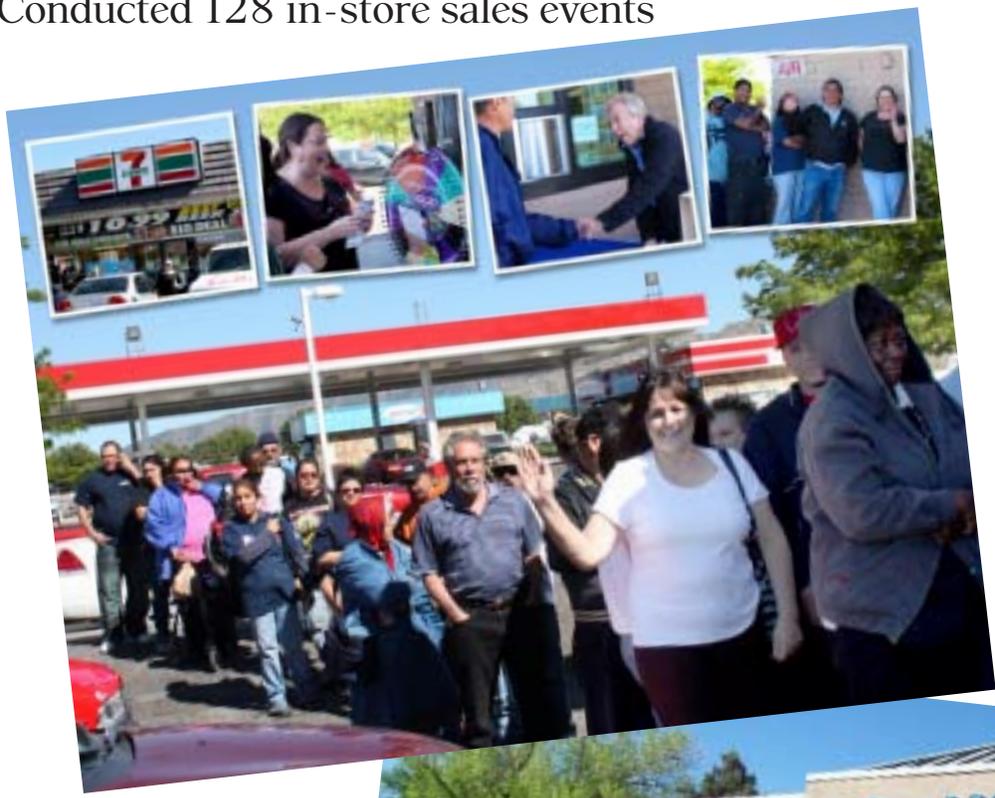
*Fifteen
Years*

Benefitting New Mexico's Future®

FY 2011 Highlights

continued

- Acquired 39 new stores
- Created sales promotions at 82 stores
- Conducted 128 in-store sales events



*Fifteen
Years*

FY 2011 Highlights

continued

- Conducted 15,300 retailer visits
- Processed 61,000 retailer calls
- Completed 144 retailer and employee applicant background checks



*Fifteen
Years*

FY 2012 Original Budget vs. FY 2011 Revised Budget vs. FY 2011 Original Budget

	FY 2012 ORIGINAL ANNUAL BUDGET*	FY 2011 REVISED ANNUAL BUDGET**	FY 2011 ORIGINAL ANNUAL BUDGET***
OPERATING REVENUES			
Instant ticket sales	\$ 80,000,000	\$ 78,000,000	\$ 84,500,000
Powerball sales	27,000,000	27,000,000	36,000,000
Mega Millions sales	9,500,000	9,500,000	11,000,000
Roadrunner Cash sales	10,000,000	10,000,000	6,500,000
Hot Lotto sales	8,000,000	8,000,000	9,000,000
Pick 3 sales	3,600,000	3,600,000	3,000,000
New Game sales	1,900,000	-	-
Prize tickets	(3,400,000)	(3,250,000)	(3,800,000)
Spoiled, stolen, and promotional tickets	(187,000)	(137,000)	(192,000)
Retailer fees	11,000	11,000	16,000
Bad debts	(24,000)	(24,000)	(24,000)
Total operating revenues	136,400,000	132,700,000	146,000,000
NON-OPERATING REVENUES			
Interest income	30,000	30,000	75,000
Other income	50,000	-	-
Total non-operating revenues	80,000	30,000	75,000
GROSS REVENUES	136,480,000	132,730,000	146,075,000
GAME EXPENSES			
Prize expense	73,699,000	71,674,000	78,881,000
Retailer commissions	9,118,000	8,865,000	9,800,000
On-line vendor fees	2,200,000	2,140,000	2,345,000
Advertising	2,300,000	2,300,000	2,300,000
Ticket vendor fees	1,465,000	1,420,000	1,730,000
Promotions	395,000	373,000	461,000
Shipping and postage	470,000	484,000	442,000
Drawing game	129,000	123,000	121,000
Responsible gaming	88,000	88,000	88,000
Game membership	100,000	100,000	103,000
Total game expenses	89,964,000	87,567,000	96,271,000
OPERATING EXPENSES			
Salaries, wages and benefits	3,705,000	3,499,000	3,976,000
Leases and insurance	504,000	603,000	624,000
Utilities and maintenance	469,000	448,000	528,000
Depreciation expense	159,000	179,000	202,000
Professional fees	210,000	288,000	233,000
Other expenses	103,000	100,000	111,000
Materials and supplies	181,000	136,000	154,000
Travel	125,000	91,000	147,000
Total operating expenses	5,456,000	5,344,000	5,975,000
OPERATING INCOME	40,980,000	39,789,000	43,754,000
NET INCOME	\$ 41,060,000	\$ 39,819,000	\$ 43,829,000

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

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

*** - FY 2011 Consolidated Original Annual Budget approved on June 17, 2010

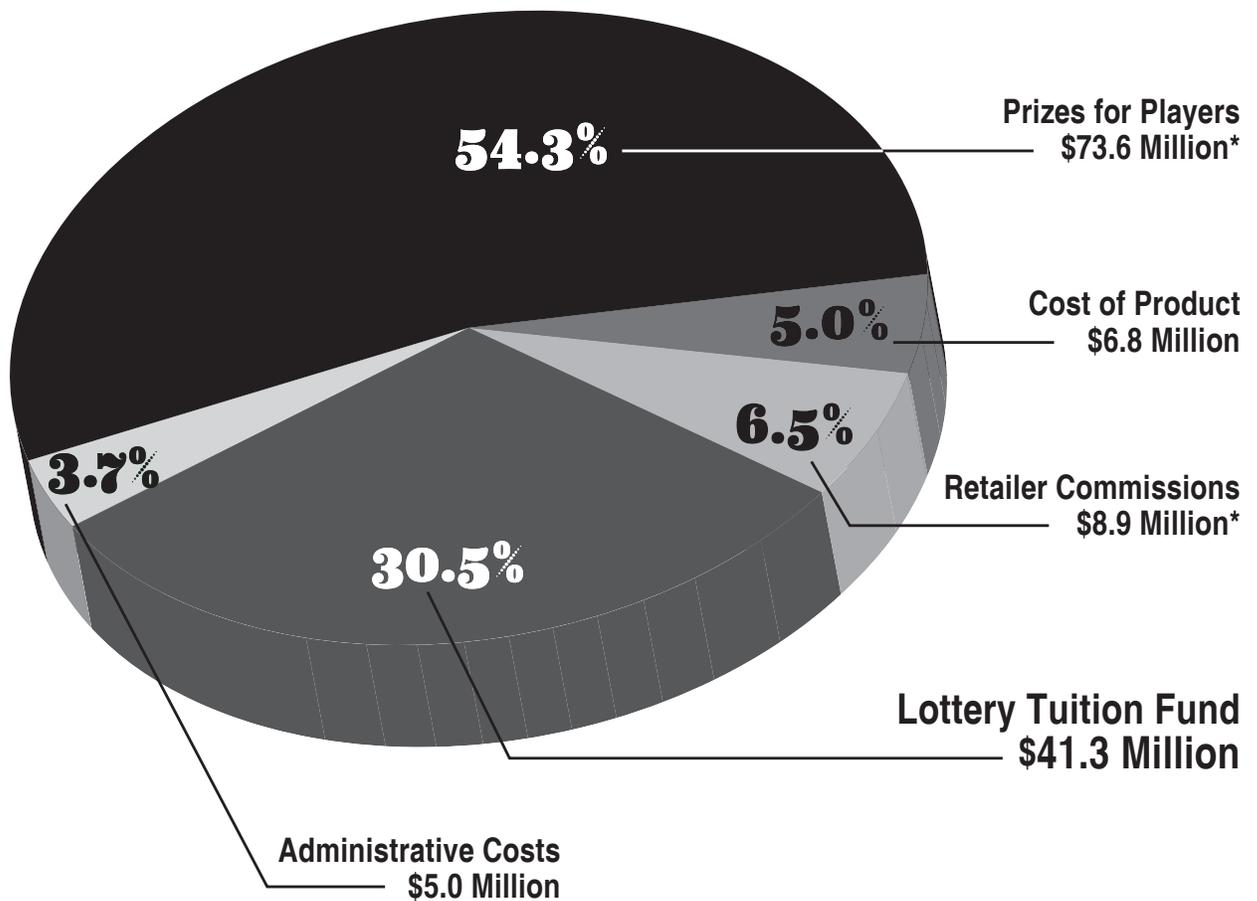
Consolidated Income Statement FY 2011

UNAUDITED DRAFT

	FY 2011 Period ended: 06/30/11	FY 2010 Period ended: 06/30/10
REVENUES		
Instant ticket sales	\$78,857,176.00	\$81,231,127.00
Powerball sales	29,113,287.00	41,177,600.00
Mega Millions sales	10,665,551.00	3,846,692.00
Roadrunner Cash sales	8,754,477.00	7,654,480.00
Hot Lotto sales	7,571,584.00	9,138,601.00
Pick 3 sales	3,731,680.00	3,408,240.00
Prize tickets	(3,086,281.00)	(2,798,905.00)
Spoiled, stolen and promotional tickets	(66,439.44)	(71,412.70)
Retailer fees	12,673.78	32,350.00
Bad debts	(12,000.00)	(80,000.00)
Total operating revenues	<u>135,541,708.34</u>	<u>143,538,772.30</u>
NON-OPERATING REVENUES		
Interest income	23,557.43	51,662.56
Other income	11,395.77	15,371.58
Total non-operating revenues	<u>34,953.20</u>	<u>67,034.14</u>
GROSS REVENUES	<u>135,576,661.54</u>	<u>143,605,806.44</u>
GAME EXPENSES		
Prize expense	73,613,337.08	78,606,568.62
Retailer commissions	8,859,205.70	9,363,616.00
On-line vendor fees	2,170,366.37	2,290,586.17
Advertising	2,286,793.58	2,160,111.70
Ticket vendor fees	1,350,379.13	1,597,118.07
Promotions	323,236.30	292,957.88
Shipping and postage	423,742.24	396,779.47
Responsible Gaming	87,399.97	82,690.00
Game membership	57,449.57	61,865.12
Drawing game	122,372.22	134,058.94
Total game expenses	<u>89,294,282.16</u>	<u>94,986,351.97</u>
OPERATING EXPENSES		
Salaries, wages and benefits	3,456,748.14	3,468,592.63
Leases and insurance	593,740.28	613,876.73
Utilities and maintenance	402,813.37	429,691.61
Depreciation and amortization	160,833.86	138,631.67
Professional fees	123,524.24	155,994.17
Materials and supplies	104,360.59	93,130.55
Travel	65,322.95	55,589.00
Other	67,745.50	55,122.51
Total operating expenses	<u>4,975,088.93</u>	<u>5,010,628.87</u>
OPERATING INCOME	<u>41,272,337.25</u>	<u>43,541,791.46</u>
NET INCOME	<u>\$41,307,290.45</u>	<u>\$43,608,825.60</u>

Where the Money Goes

\$135.6 Million in Gross Revenues for the New Mexico Lottery
Fiscal Year 2011



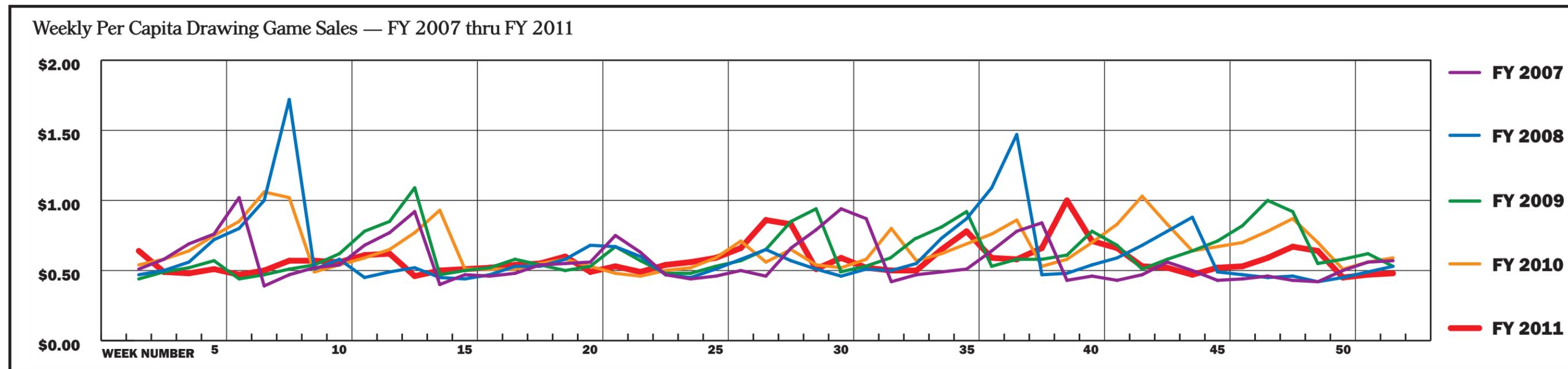
** By statute, the Lottery is required to return a minimum of 50% of proceeds to players in the form of prizes. Funds are also allocated to cover the cost of product as well as retailer commissions and administrative costs. Once these expenses have been paid, the Lottery delivers all net proceeds to the State Treasurer to fund the Legislative Lottery Scholarship program.*

Drawing Game Sales Trends

- As of June 30, 2011, unaudited net drawing game sales for FY 2011 totaled \$59.7 million, down approximately \$5.5 million (-8%) from \$65.2 million in FY 2010. This sales downturn may be attributed to low jackpots in Powerball, Mega Millions and Hot Lotto.

- FY 2011 unaudited net sales:
 - Mega Millions sales are at \$10.6 million; this game was introduced in January 2010
 - Powerball sales are at \$29.1 million, down 29%
 - Hot Lotto sales are at \$7.6 million, down 17%

- Roadrunner Cash sales are at \$8.7 million, up 14%
- Pick 3® sales are at \$3.7 million, up 9%



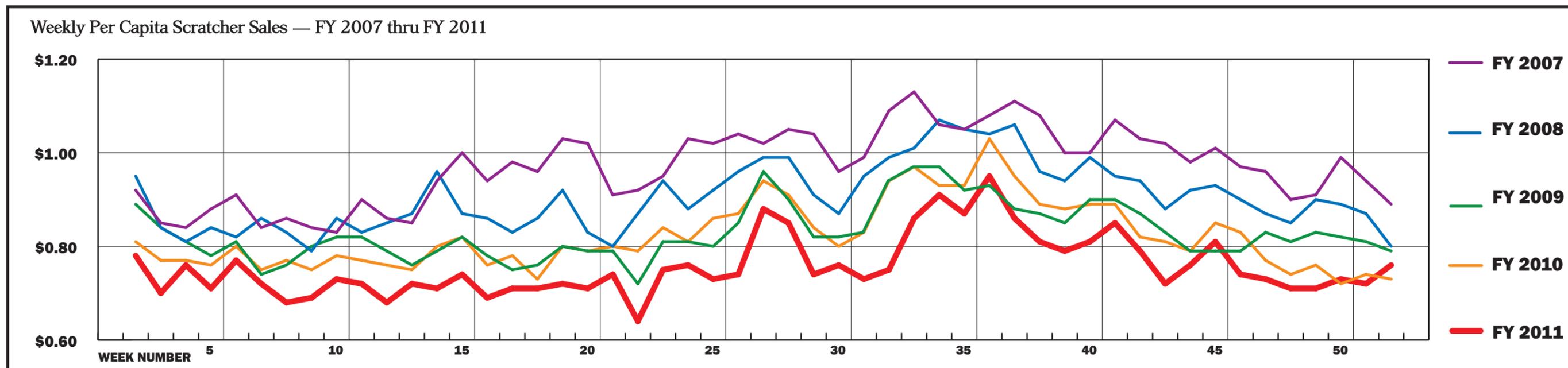
The first and last week of each Fiscal Year are partial weeks and are therefore not shown. Chart shows gross sales. New Mexico figures are based on a population of 2 million.

Scratcher™ Sales Trends

- Net Scratcher sales have dropped by more than \$15.6 million since hitting a record \$91.4 million in FY 2007.

- 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 (unaudited) totaled \$75.8 million, down \$2.6 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.

FY 2006 – FY 2010 Actuals

New Mexico Lottery Authority Actual Financial Results — FY 2006 – FY 2010

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
DESCRIPTION	AUDITED ACTUAL FY 2006	AUDITED ACTUAL FY 2007	AUDITED ACTUAL FY 2008	AUDITED ACTUAL FY 2009	AUDITED ACTUAL FY 2010
Instant ticket sales	\$ 89,367,670	\$ 95,729,489	\$ 89,925,612	\$ 82,178,010	\$ 81,231,127
Powerball sales	54,113,990	42,625,468	44,504,959	43,983,020	41,177,600
Mega Millions sales	-	-	-	-	3,846,692
Roadrunner Cash sales	8,347,282	7,934,309	6,552,774	6,451,302	7,654,480
Hot Lotto sales	-	3,476,503	6,004,241	8,424,318	9,138,601
Pick 3 sales	2,009,560	2,058,844	2,327,283	2,897,012	3,408,240
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)
Spoiled, stolen, and promotional tickets	(80,074)	(107,995)	(92,911)	(68,964)	(71,413)
Retailer fees	47,180	45,791	46,782	40,188	32,350
Bad debts	-	-	-	-	(80,000)
OPERATING REVENUES	150,042,400	148,080,254	147,152,459	142,316,217	143,538,772
NON-OPERATING REVENUES	534,291	712,808	654,875	248,348	67,035
GROSS REVENUES	150,576,691	148,793,062	147,807,334	142,564,565	143,605,807
GAME EXPENSES	108,208,629	108,181,098	101,724,644	96,356,519	94,986,352
OPERATING EXPENSES	5,512,506	5,781,828	5,272,119	5,393,674	5,010,629
NET INCOME	\$ 36,855,556	\$ 34,830,136	\$ 40,810,571	\$ 40,814,372	\$ 43,608,826
PERCENTAGE RETURN	24.48%	23.41%	27.61%	28.63%	30.37%

 ACTUAL FINANCIAL RESULTS



*Fifteen
Years*

New Mexico Lottery Authority Budget Forecast FY 2011 through FY 2016

DESCRIPTION	FY 2011		FY 2012		FY 2013		FY 2014	FY 2015	FY 2016
	FY 2011 ORIGINAL ANNUAL BUDGET (Budget adopted June 2010)	FY 2011 REVISED ANNUAL BUDGET (Budget adopted May 2011)	FY 2012 ANNUAL BUDGET FORECAST (Projected September 2010)	FY 2012 ORIGINAL ANNUAL BUDGET (Budget adopted May 2011)	FY 2013 ANNUAL BUDGET FORECAST (Projected September 2010)	FY 2013 ANNUAL BUDGET FORECAST (Projected June 2011)	FY 2014 ANNUAL BUDGET FORECAST (Projected June 2011)	FY 2015 ANNUAL BUDGET FORECAST (Projected June 2011)	FY 2016 ANNUAL BUDGET FORECAST (Projected June 2011)
Instant ticket sales	\$ 84,500,000	\$ 78,000,000	\$ 84,500,000	\$ 80,000,000	\$ 84,500,000	\$ 80,000,000	\$ 80,000,000	\$ 80,000,000	\$ 80,000,000
Powerball sales	36,000,000	27,000,000	36,000,000	27,000,000	36,000,000	27,000,000	27,000,000	27,000,000	27,000,000
Mega Millions sales	11,000,000	9,500,000	11,000,000	9,500,000	11,000,000	9,500,000	9,500,000	9,500,000	9,500,000
Roadrunner Cash sales	6,500,000	10,000,000	6,500,000	10,000,000	6,500,000	10,000,000	10,000,000	10,000,000	10,000,000
Hot Lotto sales	9,000,000	8,000,000	9,000,000	8,000,000	9,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Pick 3 sales	3,000,000	3,600,000	3,000,000	3,600,000	3,000,000	3,600,000	3,600,000	3,600,000	3,600,000
New Game sales	-	-	-	1,900,000	-	1,900,000	1,900,000	1,900,000	1,900,000
4 This Way! sales	-	-	-	-	-	-	-	-	-
Raffle game sales	-	-	-	-	-	-	-	-	-
Prize tickets	(3,800,000)	(3,250,000)	(3,800,000)	(3,400,000)	(3,800,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)
Spoiled, stolen, and promotional tickets	(192,000)	(137,000)	(192,000)	(187,000)	(192,000)	(187,000)	(187,000)	(187,000)	(187,000)
Retailer fees	16,000	11,000	16,000	11,000	16,000	11,000	11,000	11,000	11,000
Bad debts	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)
OPERATING REVENUES	146,000,000	132,700,000	146,000,000	136,400,000	146,000,000	136,400,000	136,400,000	136,400,000	136,400,000
NON-OPERATING REVENUES	75,000	30,000	75,000	80,000	75,000	80,000	80,000	80,000	80,000
GROSS REVENUES	146,075,000	132,730,000	146,075,000	136,480,000	146,075,000	136,480,000	136,480,000	136,480,000	136,480,000
GAME EXPENSES	96,271,000	87,567,000	96,271,000	89,964,000	96,271,000	89,964,000	89,964,000	89,964,000	89,964,000
OPERATING EXPENSES	5,975,000	5,344,000	5,975,000	5,456,000	5,975,000	5,456,000	5,456,000	5,456,000	5,456,000
NET INCOME	\$ 43,829,000	\$ 39,819,000	\$ 43,829,000	\$ 41,060,000	\$ 43,829,000	\$ 41,060,000	\$ 41,060,000	\$ 41,060,000	\$ 41,060,000
PERCENTAGE RETURN	30.00%	30.00%	30.00%	30.08%	30.00%	30.08%	30.08%	30.08%	30.08%

APPROVED BUDGET

BUDGET PROJECTIONS FROM SEPTEMBER 2010

BUDGET PROJECTIONS FROM JUNE 2011

Legislative Lottery Scholarship Program

Measuring Success In Degrees Six-Year College Graduation Rates

60% for Legislative Lottery Scholarship students*

42% for all New Mexico college students*

57% national college graduation rate**

6 years needed to complete college by most students
in New Mexico and the United States*

*“The Legislative Lottery Scholarship continues to be one of the most successful scholarship incentives for students to enroll in a New Mexico public college or university directly out of high school.”****

* Provided by Higher Education Department, May 2011

** National Center for Education Statistics

*** HED 2010 Annual Report



*Fifteen
Years*

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



NEW MEXICO
LOTTERY

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

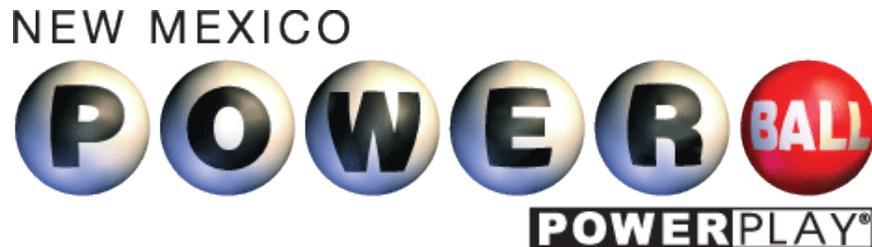
- Grow sales responsibly
- Promote corporate responsibility
- Further enhance Lottery security and integrity
- Achieve more cost and operational efficiencies



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





Powerball® will receive a makeover for its 20th Birthday!

- MORE millionaires
- BIGGER starting jackpots &
- BETTER overall odds

Powerball's price point will change 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 changes go into effect on January 15, 2012.

Possible National Drawing Game

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

Product Highlights — Coming Soon!



“Plants vs. Zombies™”

- 2 scenes
- In stores in September



Artwork by Jessica Quintana,
New Mexico Lottery graphic designer



Artwork by
Joby Elliott,
New Mexico Lottery
graphic designer

“KISS® II”

- 3 scenes
- Features a second chance to win autographed guitars

Product Highlights — Coming Soon!

Holiday Scratchers — “Made from Scratch!”

- In stores in September



Artwork by
Jessica Quintana,
New Mexico Lottery
graphic designer



Artwork by
Holli Fillmore,
New Mexico Lottery
graphic designer

Star Trek®

- In stores in December
- Second-chance drawing to Comic-Con



Artwork by Joby Elliott,
New Mexico Lottery graphic designer