



STRATEGIC PLAN

FISCAL YEARS 2020-2023

Submitted this 1st day of July, 2019

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Director

Mission

The mission of the Idaho Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend for Idaho Public Schools and the Permanent Building Fund.

Vision

The vision for the Idaho Lottery is to become the highest performing jurisdiction in North America.

Values

- We operate the Idaho Lottery in accordance with the spirit and letter of the law that established its purpose.
- We conduct business in an ethical and honest manner at all times.
- We continuously strive to exceed the expectations of our customers, each other, and our community.
- We are personally responsible for our individual performance.
- We commit to operational excellence in all disciplines.
- We cooperate with each other to create an environment that is conducive to great work.
- We treat each other with mutual respect and cooperation.
- We have fun.

Internal Agency Assessment

The Idaho Lottery sold our first ticket in 1989. Idaho Code 67-7403 states, "*The lottery shall be operated to produce the maximum amount of net income to benefit the public purposes described in this chapter...*". Since that first ticket was sold, the Lottery has worked diligently to maximize the dividend for the good causes we support, Idaho Public Schools and the Permanent Building Fund. Each year Team Lottery (Lottery executive team, our associates, and key vendors) works to identify and successfully implement substantive initiatives to fulfill our mission and vision. Here are some highlights of our accomplishments during FY2019:

1. The Lottery transferred an all-time record \$60 million dividend from operations in FY2019 - for our beneficiaries – Idaho Public Schools and the Permanent Building Fund.
2. The Lottery obtained a commitment from Walmart to begin Lottery sales in 23 Idaho Superstore locations by the end of 2019.
3. We launched the first ever anniversary family of games – the 30th Anniversary Family (\$5, \$10 and \$30 games). All games sold extremely well. 30th Anniversary second chance draws garnered an impressive 88,882 entries in five weeks.
4. The Lottery created a successful partnership with three Idaho universities to launch the first ever Idaho University themed Scratch Tickets™ – Broncos, Bengals and Vandals.
5. We utilized player insights through our community based research tool, Vision Critical, to launch the ultimate Scratch Game product mix for holiday games. This insight resulted in a 10% sales increase from last year. Our Vision Critical research communities have over 3,200 voluntary player and retailer members.
6. The Lottery created a promotion where teachers can submit applications for needs within their classrooms. Players who have accumulated VIP points through the VIP Club can apply these points to sponsor a Classroom Wish for the requested project(s). Through the generosity of our players, the Lottery was able to grant six of these projects:

Park Ridge Elementary (Nampa) – Classroom Kitchen
Camelot Elementary (Lewiston) – Exercise Ball Chairs
Victory Middle School (Meridian) – Classroom set of Treasure Island books
North Valley Academy (Gooding) – Books entitled "Battle of the Books"
Mullan Trail Elementary (Mullan) – Easy Up Basketball Hoop System
American Falls Intermediate (American Falls) – 3-D Printer

7. The Lottery will introduce a new Idaho-only Draw Game by October 1, 2019. Our Vision Critical research indicates that one of the most important features of a game is that it is played only in Idaho.
8. We are working on a pilot project to test grocery in-lane selling of Draw Games in Ridley's stores. The pilot will begin in December 2019.
9. We continue to optimize placement of DreamTouch vending machines. Vending locations with less than optimal selling levels will be moved to locations with more potential.
10. We have placed 216 LED signs in Retail locations throughout the state. These were contractually provided by our gaming system vendor and call out to players that Lottery products are sold at this location.
11. The twelfth *Idaho \$1,000,000 Raffle* sold out and returned more than \$600,000 to Idaho Public Schools and the Permanent Building Fund.
12. The Lottery hosted the largest series of *Scratch for Schools* events with 460 Idaho schools participating. This year's event gleaned the highest number of prizes awarded to participating schools, with a total of \$109,601 going to classrooms across the state.
13. The Idaho Lottery received national recognition for advertising from the North American Association of State and Provincial Lotteries (NASPL) for:
 - Best TV Campaign under \$25,000 – Holiday Scratch Game – Santa's Helper and Santa's Sleigh
14. The Idaho Lottery was recognized for their outstanding work and contributions in advertising achievements this year. At this year's Idaho Advertising Awards, the Idaho Lottery won the following Rockies awards:
 - Gold Rockie – Public Service, Benefits TV "Improvements in Sync"
 - Silver Rockie – Out of Home "Giant BALL"
 - Silver Rockie – Public Relations "Go for the Gold" Campaign
 - Silver Rockie – Sales Promotion "Cash Getaway Retailer Brochure"
 - Citation – Elements of Advertising, Cinematography – Benefits TV, "Improvements in Sync"

In addition, the Idaho Lottery was recognized with a GOLD ADDY Award by the Northwest Advertising Awards for the Public Service, Benefits TV "Improvements in Sync" commercial. This District XI gold winner is now forwarded on for consideration at the National level.

Key Success Areas

The Idaho Lottery works on behalf of the people of Idaho to continue our responsible and goal-oriented efforts. We operate the Lottery using sound business principles. Team Lottery, which includes our associates and our vendor partners, participates in strategic planning sessions throughout the year. We work toward the goals and initiatives established during planning sessions. We are focused, aligned, and committed to operating at a consistently high level.

We take our mission seriously, from responsible weekly compliance monitoring of every contract to ensure all parties are delivering on contract terms, to evaluating every purchase and respecting the competitive bidding process. We rigorously manage our costs each day since the budget we are entrusted with is the people's money. We work diligently to solidify our connections with existing customers and reach new ones through data-driven, responsible marketing programs and new product offerings.

The Lottery is a specialized entity with many intricacies not shared by other state entities. Idaho Code mandates the Director of Lottery Security be a Law Enforcement Officer with specific investigative skills to combat any crime against the Lottery. Whether heading the investigation, or assisting local law enforcement, the Lottery's sworn Detectives are pivotal in proving cases against offenders.

In addition, the members of the Idaho Lottery Law Enforcement Division lend their expertise to our retail partners to assist them in preventing insider theft perpetrated by employees or external theft by customers. This saves the retailer money and preserves the integrity of all Idaho Lottery products. This integrity is further enhanced through the background investigations performed on retailers, vendors, and major procurement partners to the Idaho Lottery.

TEAM LOTTERY:

. . . is a mission and values driven enterprise. We appreciate and respect the responsibility entrusted to us by the people of Idaho.

. . . believes that security, integrity, and responsible play are job one.

. . . is consistently mindful of contractual obligations and deliverables. These are the things that guarantee an efficient, productive, and cost effective operation.

. . . is creative and innovative, while respecting governing Statutes and Administrative Rules. Team Lottery is known in the Lottery industry as innovators who can accomplish amazing results with a small budget.

. . . puts our customers first: our players, our retailers, our vendors, our dividend recipients, our partners. By working for them and with them, together, they are the reasons behind our success.

. . . feels 'responsible gaming' is about more than making good choices, it's about doing good things for all Idahoans within each community.

Game Portfolio

Lottery game revenue currently comes from three authorized play styles: Draw Games, Scratch Games and PullTab Games. Gross profit and net revenue vary by game and are subject to prizes paid to players and the cost of goods sold.

Scratch Games and PullTab Games continue to interest players as evidenced by solid acceptance in the marketplace. Printing costs, shipping charges, and the games' prize expense, contribute to these games having a higher overall cost of goods sold than Draw Games.

To increase net revenues, we work to responsibly grow total sales, increase the ratio of Draw Games to Scratch Games and PullTab ticket sales, actively manage gross margins on all games when possible, and implement responsible, comprehensive marketing initiatives to support them.

Draw Games - (Powerball with PowerPlay®, Mega Millions with Megaplier®, Idaho Cash, Idaho Pick 3, Weekly Grand™, Lucky for Life™, Idaho \$1,000,000 Raffle and Lotto America®)

Performance of big, multi-state jackpot games like Powerball and Mega Millions is dependent on the size of the advertised annuity jackpot amounts. The Idaho Lottery's goal is to responsibly increase the percentage of total Draw Game sales for the secondary, multi-state, and in-state games through research, refinement, and promotion of the entire portfolio.

The Draw Game line-up for the Idaho Lottery was unchanged for Fiscal Year 2019.

A year after making a game structure and price change, the Mega Millions jackpot reached the second largest, single prize jackpot recorded in world history at \$1.537 billion on October 23, 2018. For the year, Mega Millions realized three of the game's highest six jackpots in history, crossing the half-a-billion dollar mark each time. Consequently, Mega Millions enjoyed its greatest sales year with the Idaho Lottery since debuting in 2010, recording \$23 million in sales and posting an increase of nearly 80% in year-over-year sales. Average announced daily jackpots also increased by 56% year-over-year.

Powerball, though, remains the champion of Draw Game sales in Idaho. Even with the anticipated year-over-year decline in sales, Powerball recorded over \$30 million in game sales for the fifteenth time since 2002. During the year, Powerball's largest jackpot reached its second highest in history, at \$768.4 million on March 27, 2019. Powerball sales represented 11% of all Idaho Lottery sales in Fiscal Year 2019.

The Idaho Lottery also is reporting record sales for their newest Draw Game, Idaho Cash, which is realizing a near 20% year-over-year increase as well as a new annual record in sales for the daily Draw Game, Idaho Pick3.

As an entire portfolio, Draw Game sales are up 13% from FY2018, with the biggest increases occurring on Mega Millions.

****Please note that all sales figures throughout this document are through June 26, 2019****

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Powerball	\$30,323,689	\$33,197,811	\$28,501,559	\$42,632,859
Mega Millions	23,548,836	13,524,177	9,334,536	10,390,885
Wild Card	-	-	-	992,239
Idaho Pick 3	2,478,439	2,385,518	2,307,494	2,175,855
Hot Lotto	-	1,180,730	2,505,619	2,319,204
Weekly Grand	1,764,072	1,900,908	1,996,150	2,148,250
Lucky for Life	3,249,904	3,298,584	3,378,658	3,662,388
Idaho Cash	1,919,143	1,606,887	884,810	-
Lotto America	2,764,380	1,535,009	-	-
Raffle	2,857,060	3,000,000	3,000,000	2,500,000
Total Sales	\$68,905,523	\$61,629,624	\$51,908,826	\$66,821,680
Change from prior year	\$7,275,899	\$9,720,798	(\$14,912,854)	\$12,511,205
Percentage of Product Sales	23.9%	23.3%	21.6%	28.4%
Percentage Sales Change	11.8%	18.7%	-22.3%	23.0%

Scratch Games™ – The Idaho Lottery has delivered record Scratch Game sales for seventeen of the last eighteen years. In general, Scratch Game players increasingly prefer higher priced games which deliver more prizes for their playing experience. While these games have lower overall gross profit margins, they do contribute to higher overall net revenues available for distribution to our beneficiaries. We continue to focus on a portfolio that produces an appealing mix for the player and an optimum yield for Idaho public schools and the Permanent Building Fund.

The Lottery’s goal is to responsibly increase Scratch Game sales and profitability with:

- a. Creative marketing campaigns
- b. Recruitment of additional retail outlets
- c. Unique and entertaining authorized play formats and styles
- d. Persistence in improving the performance of \$1, \$2, and \$5 games
- e. Renewed emphasis in implementing our core-game strategy by price
- f. Rigorous and responsible management of the gross margin on the entire product portfolio
- g. Improvements to in-store product presentation through our Retailer Standards of Excellence Program
- h. Effective, in-store inventory management

Players continue to enjoy terminal-based Scratch Games, especially the Idaho-only, continuously rolling jackpot games, *Idaho Jackpot*, *Big Money Jackpot*, and *Ultimate Diamond Jackpot*.

Players also welcome new, fun play styles, and it’s important to our mission to keep the overall product portfolio fresh.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
One dollar games	\$5,777,650	\$6,204,057	\$6,299,206	\$7,701,224
Two dollar games	6,844,050	6,977,564	7,039,202	7,409,460
Three dollar games	15,964,143	16,676,646	15,851,028	19,564,098
Five dollar games	42,067,035	42,497,525	41,320,085	41,187,025
Ten dollar games	31,562,210	28,087,010	22,123,500	18,471,820
Twenty dollar games	30,479,900	26,895,340	21,244,860	21,354,301
Twenty-five dollar games	18,065,100	19,568,525	23,250,150	13,286,475
Thirty dollar games	8,403,840	-	-	-
Terminal based scratch games	11,477,070	11,131,640	10,798,801	7,066,327
Total Sales	<u>\$170,640,998</u>	<u>\$158,038,307</u>	<u>\$147,926,832</u>	<u>\$136,040,730</u>
Change from prior year	<u>\$12,602,691</u>	<u>\$10,111,475</u>	<u>\$11,886,102</u>	<u>\$6,218,106</u>
Percentage of Product Sales	59.2%	59.7%	61.6%	57.6%
Percentage Sales Change	8.0%	6.8%	8.7%	4.8%

PullTab Games – (*PullTabs and TouchTabs*) The Lottery’s goal is to responsibly enhance sales by recruiting additional retailers, evolving the product portfolio, and offering contemporary ways to play traditional PullTab games with multiple dispensers at retail through our full service vendor partner, International Gamco (and Gamco's new owner, Pollard Banknote, Ltd).

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PullTabs	\$48,784,020	\$45,416,663	\$40,094,208	\$33,217,218
Total Sales	<u>\$48,784,020</u>	<u>\$45,416,663</u>	<u>\$40,094,208</u>	<u>\$33,217,218</u>
Change from prior year	<u>\$3,367,357</u>	<u>\$5,322,455</u>	<u>\$6,876,990</u>	<u>\$7,646,484</u>
Percentage of Product Sales	16.9%	16.7%	14.0%	15.8%
Percentage Sales Change	7.4%	13.3%	20.7%	33.0%

TOTAL PRODUCT SALES SUMMARY

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Draw Games	\$68,905,523	\$61,629,624	\$51,908,826	\$66,821,680
Scratch Games	170,640,998	158,038,307	147,926,832	136,040,730
PullTab Games	48,784,020	45,416,663	40,094,208	33,217,218
Total Sales	<u>\$288,330,541</u>	<u>\$265,084,594</u>	<u>\$239,929,866</u>	<u>\$236,079,628</u>
Change from prior year	<u>\$23,245,947</u>	<u>\$25,154,728</u>	<u>\$3,850,238</u>	<u>\$27,187,034</u>
Percentage Sales Change	8.8%	10.5%	1.6%	13.0%

Team Lottery Goals

1. To protect the security and integrity of our games
2. To responsibly increase net revenues
3. To rigorously manage costs
4. To guard the honesty of charitable gaming

Objectives – Strategies – Action Plans

1. **To protect the security and integrity of Idaho Lottery games** by continuing to meet or exceed Multi-State Lottery Association (MUSL), North American Association for State and Provincial Lotteries (NASPL) security standards, internal Idaho Lottery security standards, and State of Idaho Cybersecurity initiatives.

We conduct thorough background checks of prospective Lottery and vendor employees (as well as having the option for similar retailer background checks) for criminal, financial, and conflict of interest issues that could affect the integrity of our games.

The Idaho Lottery Security Division investigates and prosecutes theft and fraud relating to Lottery games and, along with the Idaho Lottery Sales Division, is proactive in Loss Prevention training for our retail partners. The Lottery continues to be an effective partner with our retailers, working together to protect the public.

2. **To responsibly increase net revenues** by diligently working to improve the net revenue from our comprehensive portfolio of Draw Games, Scratch Games, and PullTab products. Our focus is on:

- a. Enriching retailer relations
- b. Extending distribution channels
- c. Improving the customer experience
- d. Gaining a better understanding of the marketplace through research
- e. Continuing the responsible distribution of self-service, player activated terminals (Dreamtouch vending machines) and Multi-Play kiosks (MP)
- f. Continuing the distribution of customer friendly dispensing devices for our PullTab product line

- a. **Enriching retailer relations** by:

1. Continuing to seek retailer and customer feedback about our performance
2. Responsibly managing the retailer incentive program
3. Developing an effective training program for retail managers and clerks to ensure they are always fully trained in both selling Lottery products and Loss Prevention
4. Collaborating with our retail partners and chains to focus on working in both of our businesses

- b. **Extend distribution channels** beyond our current Idaho Lottery retailers by consistently and responsibly adding new retail outlets. As of July 1, 2019, our retailer base is 1,165.

- c. **Improve the retailer and player customer experience** through the ongoing implementation of the Idaho Lottery Retailer Standards of Excellence Program and improvements to our website and VIP Club Program. The Standards of Excellence Program is the Lottery’s retailer improvement program designed to bring consistency of brand presentation at the transaction point and consists of Six Points of Reference for retail locations:
 - 1. Outside signage
 - 2. Building signage
 - 3. Inside signage
 - 4. Point of purchase
 - 5. Game display
 - 6. Customer service and retailer training

For our retailers, we offer a secure, retailer-only website that makes doing business with us easier, faster, and less expensive for both the Lottery and our retail partners. Retail customers are able to view and download their own accounting information, saving on mailing costs, and allowing anytime access to better fit the needs of our retailer partners.

The Lottery has updated our VIP Club player website where our players can learn more about our games, and, enter sweepstakes and second chance drawings for prizes. This loyalty club has over 213,000 members as of July 1, 2019.

- d. **Continue to utilize responsible market research** for insight into Lottery players’ interest in our brand/product offerings and implement actionable plans for creating and responsibly promoting entertaining games.

 - e. **Continue to responsibly deploy DreamTouch and DreamTouch Smart** secure Lottery dispensing devices, which offer Scratch Games and Draw Games.

 - f. **Continue to deploy PullTab game dispensing devices** by responsibly managing our contract and relationship with International Gamco, Inc.
3. **Rigorously manage costs** by controlling and lowering the expense of operating the Lottery through negotiating favorable vendor contracts for services, creating operational efficiencies, and exercising continuous process improvements.
4. **Guard the honesty of charitable gaming** through educating, regulating, licensing, and overseeing charitable gaming operators and their games and by implementing feedback on statutory and administrative rule changes to better serve Idahoans.

Critical Security Controls

Per Executive Order, No. 2017-02, the Lottery is engaged and participating in all aspects of the requirements of the National Institute of Standards and Technology (NIST) Cybersecurity Framework in order to better foster risk and decision making with both internal and external organizational stakeholders.

The Lottery is actively participating with these efforts and using existing or implementing new technology to meet the requirements of the Center for Internet Security (CIS) Critical Security Controls. Although a much more comprehensive list exists to outline the top five CIS controls, the highlights are below.

- Develop an automated asset inventory tool
- Deploy a dynamic host configuration protocol server logging tool that will help detect unknown systems
- Maintain an asset inventory of all systems connected to the network and the network devices themselves
- Deploy network level authentication via 802.1x to limit and control which devices can be connected to the network
- Devise a list of authorized software versions that are required in the Lottery for each type of system
- Deploy application whitelisting technology that allows systems to run software only if it is included on the whitelist
- Deploy software inventory tools throughout the Lottery covering each operating system types including servers, workstations, and laptops
- Establish standard secure configurations of our operating systems and software applications
- Implement and test an automated configuration monitoring system that verifies all remotely testable secure configuration elements and alerts when unauthorized changes occur
- Run automated vulnerability scanning tools against all systems on the network on a weekly or more frequent basis
- Configure systems to issue a log entry and alert when an account is added to or removed from a domain administrators' group

Deliverables are being managed by the Lottery's Information Technology Division and due to the exacting nature of the Lottery business and industry security controls required, many of these controls were already in place.

In addition to the items listed above, the Lottery continues efforts to ensure all Critical Controls are finalized and agreed upon by established deadlines.

Red Tape Reduction Act – Executive Order 2019-02

Governor Brad Little signed an Executive Order referred to as the Red Tape Reduction Act in February of 2019. The goal of the Executive Order is to control and reduce excessive regulation

which can inhibit job growth, impede private sector investment and impose a high cost on businesses wishing to work with State Government at any level.

The Order requires that for every new proposed administrative rule, an agency must either repeal or significantly simplify an existing Rule.

The Order also required that each agency designate a Rules Review Officer (RRO) who is responsible for critical and comprehensive review of each agency's administrative rules to identify costly, ineffective, or outdated regulations. The Rules Review Officer for the Lottery is Becky Schroeder, Chief Operating Officer.

The Lottery's Director and Executive Team conducts an annual code and rule review, so this project is not new for us. To date, we have recommended the removal of 1379 outdated or unnecessary words from the Lottery administrative rules.

Business Recovery/Continuity of Operations [COOP] Plan

Included in the efforts associated with the Executive Order above, a reformatted and updated version the Continuity of Operations and the Disaster Recovery Plan is in place to correspond with the Governor's mandated initiatives. This new plan is in place and effective.

Performance Measures - Trends

Measuring an enterprise operation like the Idaho Lottery is effectively done by monitoring our performance to plan as reported in the statement of our revenues, expenditures, net income, and internal yardstick criteria.

	FY-2019	Change 2018 to 2019	% Change 2018 to 2019	FY-2018	FY-2017	FY-2016
Revenue	\$ 288,330,541	\$ 23,245,947	8.8%	\$ 265,084,594	\$ 239,929,866	\$ 236,079,628
Other Revenue	666,127	(60,207)	-8.3%	726,334	756,704	739,790
Total Revenue	288,996,668	23,185,740	8.7%	265,810,928	240,686,570	236,819,418
Prize Expense	190,532,030	14,344,291	8.1%	176,187,739	160,304,895	153,649,679
Other Expenditures	38,481,271	2,752,934	7.7%	35,728,337	32,009,239	31,465,634
Total Expenditures	229,013,301	17,097,225	8.1%	211,916,076	192,314,134	185,115,313
Income Before Dividends	59,983,367	\$6,088,515	11.3%	\$53,894,852	\$48,372,436	\$51,704,105
Dividends	60,000,000	\$6,500,000	12.1%	\$53,500,000	\$48,500,000	\$49,500,000
Change in Net Assets	(16,633)			394,852	(127,564)	2,204,105
Total Net Assets, Beginning	759,005			364,153	491,717	(1,712,388)
Total Net Assets, Ending	\$742,372			\$759,005	\$364,153	\$491,717

Idaho Lottery Operational Benchmark Measures

We believe in the strength of our business model which is a balanced mix of the game portfolio. This will deliver consistent sales growth and net income improvement. Our mantra is “it’s not about the ticket, it’s about the transfer”. The forecast factors in anticipated Draw Game jackpot delivery based on game matrix modeling.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Draw Sales				
Powerball	\$32,000,000	\$32,000,000	\$32,000,000	\$32,000,000
Mega Millions	13,000,000	13,000,000	13,000,000	13,000,000
Idaho Pick 3	2,500,000	2,600,000	2,700,000	2,800,000
Lotto America	2,800,000	2,900,000	3,000,000	3,100,000
Weekly Grand	1,800,000	1,800,000	1,800,000	1,800,000
Lucky for Life	3,300,000	3,400,000	3,500,000	3,600,000
Idaho Cash	2,000,000	2,000,000	2,000,000	2,000,000
Five Star Draw	1,500,000	2,000,000	2,100,000	2,200,000
Raffle	2,500,000	2,500,000	2,500,000	2,500,000
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Total Draw Sales	61,400,000	62,200,000	62,600,000	63,000,000
Scratch™ ticket sales	180,500,000	185,900,000	191,500,000	197,200,000
PullTab ticket sales	52,000,000	53,000,000	54,000,000	55,000,000
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Total Sales	293,900,000	301,100,000	308,100,000	315,200,000
Other Revenue	700,000	710,000	720,000	730,000
Total Expenditures	234,100,000	240,810,000	247,320,000	253,930,000
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Net Income	\$60,500,000	\$61,000,000	\$61,500,000	\$62,000,000
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DIVIDEND ESTIMATE	\$60,500,000	\$61,000,000	\$61,500,000	\$62,000,000
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Peer Benchmark Measures

The Idaho Lottery measures our performance against the Lottery industry as a whole and to a select group of peer jurisdictions. Peer group states were selected for similarity in marketplace and product portfolio, not size of population or overall sales. The peer group referenced below is comprised of Arkansas, Iowa, Kansas, Maine, Minnesota, Montana, Nebraska, New Mexico, Tennessee, and Vermont. The comparison criteria includes, but is not limited to, our performance compared to the mean and median percentage change in:

1. Retailers per capita
2. Dividend change
3. Dividend to sales
4. Advertising to sales
5. Sales per capita
6. Administration costs to sales
7. Overall sales
8. Draw Game sales
9. Scratch Game sales
10. Prize expense to sales

	FY19		FY18		FY17		FY16		FY15	
	PEER GROUP**	IDAHO	PEER GROUP*	IDAHO						
SALES PER CAPITA	-	\$164.46	\$147.62	\$154.38	\$137.38	\$139.74	\$143.45	\$142.66	\$129.61	\$127.01
ADMINISTRATION COSTS AS A PERCENTAGE OF SALES	-	6.0%	7.3%	6.0%	7.5%	6.0%	7.2%	5.9%	7.2%	6.0%
DIVIDENDS AS A PERCENTAGE OF SALES	-	20.8%	23.9%	20.2%	24.0%	20.2%	24.1%	21.0%	23.8%	21.4%
DIVIDEND INCREASE PERCENTAGE	-	12.2%	6.7%	10.3%	-4.9%	-2.0%	12.3%	10.0%	-0.4%	-8.2%

* PEER GROUP INCLUDES - ARKANSAS, IOWA, KANSAS, MAINE, MINNESOTA, NEBRASKA, NEW MEXICO, TENNESSEE AND VERMONT

**PEER GROUP FIGURES UNAVAILABLE AT THIS TIME

At the Idaho Lottery, we diligently strive to be an industry leader among our peer states and all North American lotteries. Our per capita sales exceed all of those in our peer group (enhanced by cross-border sales to Utah residents) and we continue to excel in areas we have more control over, for example, keeping administrative costs as low as possible.

External Factors

- 1. Big Jackpot Game Dependency** – The one significant external factor which is difficult for the Lottery to influence and may affect performance to plan, is reliance on these types of games. Sales of big-bloc, jackpot Draw Games such as Mega Millions and Powerball are directly related to the size of advertised annuity jackpots. Higher Draw Game sales as a percentage of total sales have an inordinately positive impact on the dividend because they deliver significantly higher gross margins. Game matrix modeling indicates huge jackpots cannot be consistently counted on for estimating future sales. We have a revised business model that focuses on success without unpredictable big jackpot game sales variances from year-to-year. Should a big jackpot occur, the corresponding increase in sales beyond forecast and all net revenues will be conveyed to our beneficiaries.

POWERBALL JACKPOTS

Year	Avg Announced Jackpot Per Draw	Avg Sales Per Draw	Annual Sales
2019	\$200,451,923	\$288,797	\$30,323,689
2018	\$176,504,762	\$316,170	\$33,197,811
2017	\$166,451,923	\$271,443	\$28,501,559
2016	\$160,257,143	\$406,027	\$42,632,859
2015	\$105,336,538	\$282,027	\$29,330,831
2014	\$117,846,154	\$351,215	\$36,526,313
2013	\$121,403,846	\$436,059	\$45,350,144
2012	\$85,857,143	\$331,028	\$34,757,979
2011	\$63,019,231	\$285,412	\$29,682,810
2010	\$83,361,905	\$352,521	\$36,662,205
2009	\$68,605,769	\$353,725	\$36,787,378
2008	\$71,146,154	\$379,533	\$39,471,389
2007	\$69,694,286	\$365,226	\$38,348,748
2006	\$82,345,192	\$430,385	\$44,760,077
2005	\$49,202,885	\$289,351	\$30,092,519
2004	\$62,099,048	\$339,498	\$35,647,385
2003	\$49,337,500	\$302,959	\$31,577,648

MEGA MILLIONS JACKPOTS

Year	Avg Announced Jackpot Per Draw	Avg Sales Per Draw	Annual Sales
2019	\$219,259,615	\$224,275	\$23,548,836
2018	\$146,490,385	\$130,040	\$13,524,177
2017	\$78,152,381	\$89,755	\$9,334,536
2016	\$101,730,769	\$99,912	\$10,390,885
2015	\$93,752,381	\$107,577	\$11,295,562
2014	\$98,259,615	\$128,645	\$13,379,076
2013	\$42,865,385	\$88,973	\$9,253,222
2012	\$68,780,952	\$133,949	\$14,064,660
2011	\$64,615,385	\$86,182	\$8,962,895
2010	\$62,720,930	\$61,002	\$2,623,081

Mega Millions was introduced in Idaho in January of 2010. Acceptance of Mega Millions in the Idaho marketplace remains well below Powerball. Although there was a significant price increase in FY2018, the frequency of lines played per draw has decreased year-over-year. Increases in sales, much like Powerball, will remain heavily dependent on the size of advertised annuity jackpots.

2. Health of the Overall Economy

General economic conditions do affect the Idaho Lottery and our retail partners. The thriving economy and Idaho's low unemployment rate, along with our consistent portfolio management, will provide a stable environment for continued improvement to our performance to plan. The continued trend in rising gasoline prices could marginally affect or slow what has been a consistent pattern of responsible growth over the past seven years of operations.

3. Other

Other external factors that may impact our ability to deliver performance to plan include, but are not limited to, unpredictable increases in prices for fuel that affects available consumer spendable income; our ability to be nimble in responding to rapidly changing consumer preferences and retail market conditions; changes to our business model, product portfolio, and sales as a result of legislative action; the inability of our major vendors to meet contractual terms for service; and Acts of God.