



STRATEGIC PLAN

FISCAL YEARS 2021-2024

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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 first Idaho Lottery ticket was sold 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 they support, Idaho Public Schools and the Permanent Building Fund. Each year Team Lottery (Lottery executive team, partners, and key vendors) works to identify and successfully implement substantive initiatives to fulfill the mission and vision. Here are some highlights of accomplishments during FY2020:

1. The Lottery transferred the second highest \$55.5 million dividend from operations in FY2020 – for their beneficiaries – Idaho Public Schools and the Permanent Building Fund.
2. To celebrate their 30th Anniversary, the lottery debuted a 30th Anniversary Scratch ticket along with a family of Anniversary games. These three games combined generated over \$1 million in sales for 6 straight weeks.
3. The Lottery quickly and efficiently implemented a COVID-19 response plan for their Headquarters employees and Sales Representatives working in the field, preventing a decline in service to retail locations, or customers while protecting Team Lottery in every way possible as outlined by the Centers for Disease Control. The Customer Service division continued to pay winners throughout and experienced no delay in processing winning tickets.
4. The Lottery broke the Guinness World Record for the “Largest amount of people scratching scratch cards” during a 30th Anniversary event held on July 19, 2019.
5. The Lottery completed the installation of DreamTouch Smart vending machines in 22 Walmart Supercenter locations in the state, completing a three year effort to provide this new vending solution.
6. Focus continues toward optimizing locations for DreamTouch vending machines. Vending locations with less than optimal selling levels are moved to locations with more potential.
7. The Lottery offered the 13th edition and the fastest selling Raffle since 2009, generating more than \$700,000 for beneficiaries.
8. The Lottery began a pilot program with a new small profile in-lane Lottery terminal in all twelve Ridley’s Family Grocery Stores. The pilot is ongoing at this time, and is the first of its kind for the Idaho Lottery.
9. In celebration of the Lottery’s 30th Anniversary the first anniversary family of games was released in the market – the 30th Anniversary Family included \$5, \$10 and \$30 games. All games sold extremely well. 30th Anniversary second chance draws garnered an impressive 88,882 entries in five weeks.
10. The Lottery initiated a new DO GOOD Program, Bucks for Books. Together with VIP Club members \$30,000 in grants were awarded to Idaho Public Elementary Schools in 2019. The recipients, listed below, all received money earmarked for their libraries in amounts between \$1,000 and \$3,000. School librarians are responsible for using the funds to purchase books their school needed.

- Naples Elementary School – Naples
- Bryan Elementary School – Coeur d’Alene
- Riggins Elementary School – Riggins
- Payette Primary School – Payette
- Van Buren Elementary School – Caldwell
- Central Elementary School – Nampa
- Hillcrest Elementary School – Boise
- West Elementary School – Mountain Home
- Shoshone School District – Shoshone
- Harrison Elementary School – Twin Falls
- Tiebreaker Elementary School – Idaho Falls
- Malad Elementary School – Malad

11. Another program within the Lottery’s DO GOOD initiatives, is the Classroom Wishlist, where Idaho Educators can submit a need for their classroom on the Lottery website. The need is offered to all Idaho Lottery VIP Club members and those members help fund these projects. The Lottery’s amazing, generous VIP Club members will most times donate the full amount needed within minutes of these being posted on the website. Funded project examples are below:

- Notus Elementary School – Field Day in a Bucket for 140 families
- Island Park Charter School – Supplies for distance learning
- Pocatello High School – Classroom Surface Pro
- Priest River Lamanna High School – Toothpicks for Advanced Art and Architecture classes
- Paul Elementary – Drawstring bags for 600 for distance learning
- Pioneer Primary School – Caterpillars/Butterflies for entire classroom science project
- Grangeville Elementary – Sunflower seeds and supplies to plant them
- Prairie Palouse Charter School – ‘Kid’s Book of Paper Love’ for middle school class
- Van Buren Elementary – Books for 5th graders’ distance learning
- Priest River Elementary – Books for distance learning
- Hubbard Elementary – Books for distance learning
- Sacajawea Elementary – Books for distance learning
- Genesee Elementary – Camcorder for virtual library storytime
- Wendell Elementary – Paper and envelopes to help with 450 homework packets created every two weeks
- Priest Lake Elementary – Butterflies for kindergarten/first grade life cycle unit
- Horseshoe Bend Elementary – KORE Wiggle Stools for wiggly elementary students
- Woodland Middle School – 300 copies of the ‘Touching Spirit Bear’ book, one for every 7th grader
- Leadore School – 10 Virtual Reality headsets
- Juliaetta Elementary – Water Bottle filling drinking fountains

12. The Idaho Lottery was recognized for outstanding work and contributions in advertising this year. At this year’s Idaho Advertising Awards, the Idaho Lottery won the following Rockies awards:

Gold Rockies

Public Relations – Guinness World Record Setting Event

Television – Holiday Joy Single Spot

Silver Rockies

Out of Home – 30th Anniversary Coasters

Sales Promotion – 30th Anniversary Scratch & Shout Topper

Social Media – Scratch & Shout Trivia

Radio – Holiday Giftopia

Citations

Television – 30th Anniversary Cubicle TV

Social Application – Bucks for Books

13. The Idaho Lottery also won national innovation awards from the North American Association of State and Provincial Lotteries (NASPL) for:
 - Best New Scratch Ticket - 30th Anniversary Family of Games
 - Best New Draw Game - Powerball Arcade

14. For nearly two decades, the Scratch for Schools program has returned over \$1.3 million for individual classroom needs—including playground equipment, audio book learning tools, and technology. This program invites every public school in Idaho to participate in a five-minute fundraising event where principals, teachers, staff, and parents scratch for classroom cash. Last year saw 420 schools participate in one of seven events and claim nearly \$90,000.

Key Success Areas

The Idaho Lottery works on behalf of the people of Idaho to continue responsible and goal-oriented efforts. The Lottery is operated using sound business principles. Team Lottery, which includes employees along with vendor partners, participates in strategic planning sessions throughout the year. The group works toward the goals and initiatives established during these planning sessions. These efforts are focused, aligned, and Team Lottery is committed to operating at a consistently high level.

The Lottery takes their 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. Costs are rigorously managed each day since the budget entrusted to the Lottery is the people's money. The team works diligently to solidify 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 agencies. 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 leading 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 Enforcement Division lend their expertise to 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 background investigations performed on retailers, vendors, and major procurement partners of the Idaho Lottery.

TEAM LOTTERY:

. . . is a mission and values driven enterprise – with appreciation and respect for the responsibility entrusted by and for 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 customers first: players, retailers, vendors, dividend recipients, partners. Working for them and with them, together, these are the reasons behind the realized mutual success.

. . . feels 'responsible gaming' is about Play Wise™. And this is more than just making good choices, it's about doing good things for all Idahoans within each community – far beyond the dividend.

Game Portfolio

Lottery game revenue 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, the Lottery works 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, 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™, Lotto America®, Idaho \$1,000,000 Raffle and 5 Star Draw)

Throughout the year, the Lottery offered nine different Draw Game choices for players. Large, national jackpot games like *Powerball* and *Mega Millions* are dependent on the size of their respective annuitized jackpots to generate sales. In-state games offer better odds of winning a smaller, yet still significant prize. 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. To bolster in-State Draw Game sales, the Idaho Lottery added a new, \$5 Idaho-only game, *5 Star Draw*, in October of 2019 to the Draw Game line-up.

Powerball and *Mega Millions* were significantly under-performing before the COVID-19 pandemic occurred with their sales continuing to struggle. Neither game is performing to plan.

In-state Draw Games as a collective group realized an increase in sales of 10% for the year. The bulk of this increase came from the introduction of the new \$5 game, *5 Star Draw*. Also adding to the success of in-state games was *Idaho Cash*. This game recorded three jackpot winners during the year including the largest in the game's history at \$381,000.

In Idaho, *Powerball* has been the driver for interest in all Draw Games. In a year with *Powerball* and *Mega Millions* down 33% and 44% respectively, the entire Draw Game assortment of games declined by 29.2%.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Powerball	\$20,397,045	\$30,257,158	\$33,197,811	\$28,501,559
Mega Millions	13,212,519	23,530,337	13,524,177	9,334,536
Idaho Pick 3	2,470,126	2,477,919	2,385,518	2,307,494
Hot Lotto	-	-	1,180,730	2,505,619
Weekly Grand	1,550,776	1,761,998	1,900,908	1,996,150
Lucky for Life	3,012,004	3,244,654	3,298,584	3,378,658
Idaho Cash	1,879,574	1,915,502	1,606,887	884,810
Lotto America	2,201,894	2,755,083	1,535,009	-
5 Star Draw	1,491,420	-	-	-
Raffle	2,500,000	2,857,060	3,000,000	3,000,000
Total Sales	<u><u>\$48,715,358</u></u>	<u><u>\$68,799,711</u></u>	<u><u>\$61,629,624</u></u>	<u><u>\$51,908,826</u></u>
Change from prior year	<u><u>(\$20,084,353)</u></u>	<u><u>\$7,170,087</u></u>	<u><u>\$9,720,798</u></u>	<u><u>(\$13,920,615)</u></u>
Percentage of Product Sales	17.5%	23.9%	23.3%	21.6%
Percentage Sales Change	-29.2%	11.6%	18.7%	-21.1%

Scratch Games™ – The Idaho Lottery has delivered record Scratch Game sales for eighteen of the last nineteen 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 Lottery beneficiaries. There is an ongoing 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, including a three year pilot project to increase \$1 game winning experiences (along with tracking new players to determine efficacy of the project)
- 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 jackpot games, *Idaho Jackpot*, *Big Money Jackpot*, and *Ultimate Diamond Jackpot*. Players also welcome new, fun play styles, and it's important to the mission to keep the overall product portfolio fresh.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
One dollar games	\$5,059,162	\$5,874,932	\$6,204,057	\$6,299,206
Two dollar games	7,081,854	6,835,298	6,977,564	7,039,202
Three dollar games	13,071,261	15,831,858	16,676,646	15,851,028
Five dollar games	46,724,490	42,033,950	42,497,525	41,320,085
Ten dollar games	35,628,840	31,605,300	28,087,010	22,123,500
Twenty dollar games	42,708,560	30,688,060	26,895,340	21,244,860
Twenty-five dollar games	(22,550)	17,470,925	19,568,525	23,250,150
Thirty dollar games	22,818,060	8,699,250	-	-
Terminal based scratch games	12,497,033	11,424,634	11,131,640	10,798,801
Total Sales	<u><u>\$185,566,710</u></u>	<u><u>\$170,464,207</u></u>	<u><u>\$158,038,307</u></u>	<u><u>\$147,926,832</u></u>
Change from prior year	<u><u>\$15,102,503</u></u>	<u><u>\$12,425,900</u></u>	<u><u>\$10,111,475</u></u>	<u><u>\$11,886,102</u></u>
Percentage of Product Sales	66.8%	59.1%	59.7%	61.6%
Percentage Sales Change	8.9%	7.9%	6.8%	8.7%

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 and subcontractor, Diamond Game).

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PullTabs	\$43,320,423	\$48,649,018	\$45,416,663	\$40,094,208
Total Sales	<u><u>\$43,320,423</u></u>	<u><u>\$48,649,018</u></u>	<u><u>\$45,416,663</u></u>	<u><u>\$40,094,208</u></u>
Change from prior year	<u><u>(\$5,328,595)</u></u>	<u><u>\$3,232,355</u></u>	<u><u>\$5,322,455</u></u>	<u><u>\$6,876,990</u></u>
Percentage of Product Sales	15.6%	16.9%	16.7%	14.0%
Percentage Sales Change	-11.0%	7.1%	13.3%	20.7%

TOTAL PRODUCT SALES SUMMARY

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Draw Games	\$48,715,358	\$68,799,711	\$61,629,624	\$51,908,826
Scratch Games	185,566,710	170,464,207	158,038,307	147,926,832
PullTab Games	43,320,423	48,649,018	45,416,663	40,094,208
Total Sales	<u><u>\$277,602,491</u></u>	<u><u>\$287,912,936</u></u>	<u><u>\$265,084,594</u></u>	<u><u>\$239,929,866</u></u>
Change from prior year	<u><u>(\$10,310,445)</u></u>	<u><u>\$22,828,342</u></u>	<u><u>\$25,154,728</u></u>	<u><u>\$3,850,238</u></u>
Percentage Sales Change	-3.6%	8.6%	10.5%	1.6%

Team Lottery Goals

1. To protect the security and integrity of offered 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.

The Lottery conducts 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 Lottery 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 retail partners. The Lottery continues to be an active partner with retailers, working together to protect the public.

2. **To responsibly increase net revenues** by diligently working to improve net revenue from the comprehensive portfolio of Draw Games, Scratch Games, and PullTab products. 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 the PullTab product line
 - a. **Enriching retailer relations** by:
 1. Continuing to seek retailer and customer feedback about 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 retail partners and chains to focus on working in both businesses
 - b. **Extend distribution channels** beyond current Idaho Lottery retailers by consistently and responsibly adding new retail outlets. As of August 1, 2020, the Lottery retailer base is 1,177.
 - c. **Improve the retailer and player customer experience** through the ongoing implementation of the Idaho Lottery Retailer Standards of Excellence Program and improvements to the 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 retailers, the Lottery offers a secure, retailer-only website that makes doing business with us easier, faster, and less expensive for both the Lottery and 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 Lottery retailer partners.

The Lottery has updated the VIP Club player website where players can learn more about Lottery games, and enter sweepstakes and second chance drawings for prizes. This loyalty club has over 209,000 members as of August 1, 2020.

- d. **Continue to utilize responsible market research** for insight into Lottery players' interest in 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 the contract and relationship with International Gamco, Inc./Diamond Game.
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 has actively participated in all requirements of the State and the National Institute of Standards and Technology (NIST) Cybersecurity Framework in order to better manage risk and and decision making with both internal and external organizational stakeholders.

The Lottery is actively leveraging existing technology and implementing new technology, where required, 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 – completed.
- Deploy a dynamic host configuration protocol server logging tool that will help detect unknown systems – in process.
- Maintain an asset inventory of all systems connected to the network and the network devices themselves – completed.
- Deploy network level authentication via 802.1x to limit and control which devices can be connected to the network – in process.
- Devise a list of authorized software versions that are required in the Lottery for each type of system – in process/ongoing.

- Deploy application whitelisting technology that allows systems to run software only if it is included on the whitelist – in process.
- Deploy software inventory tools throughout the Lottery covering each operating system – in types including servers, workstations, and laptops – completed.
- Establish standard secure configurations of operating systems and software applications – in process.
- Implement and test an automated configuration monitoring system that verifies all remotely testable secure configuration elements and alerts when unauthorized changes occur – in process.
- Run automated vulnerability scanning tools against all systems on the network on a weekly or more frequent basis – in process.
- Configure systems to issue a log entry and alert when an account is added to or removed from a domain administrators' group – completed.

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 at the start of this initiative.

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

Licensing Freedom Act – Executive Order 2019-1

The Licensing Freedom Act was signed by Governor Brad Little in May of 2017 and this Order was so successful in reviewing and updating occupational licensing laws and requirements that it was reissued in 2019 to expand the reach, ensuring that each executive department within the state of Idaho who has the regulatory authority to issue a license is required to report information such as: Total number of licenses processed, Number of New Applicants Denied Licensure, Number of Applicants Refused Continuation of the License, Number of Complaints against Licensees, Number of Final Disciplinary Actions against Licensees.

The Idaho Lottery has regulatory authority over Retailers wishing to sell Lottery products and Charitable Gaming entities requesting the ability to provide charitable games. These results are tracked and reported each year on the Idaho Lottery's Performance Measurement report.

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 Idaho Lottery is wholly supportive of this Order.

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. To date, the Lottery has recommended the removal of 1379 outdated or unnecessary words from the Lottery administrative rules, softened 40 restrictions from MUST to WILL, eliminated 3 pages within Administrative Rule and combined 3 chapters into 1.

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 and it was referred to consistently while dealing with the global pandemic of 2020. At the same time, many new items realized while working through the pandemic have been added to the plan.

Performance Measures - Trends

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

	<u>FY-2020</u>	<u>CHANGE</u> <u>2019 to 2020</u>	<u>% CHANGE</u> <u>2019 to 2020</u>	<u>FY-2019</u>	<u>FY-2018</u>	<u>FY-2017</u>
Revenue	\$ 277,602,491	\$ (10,310,445)	-3.6%	\$ 287,912,936	\$ 265,084,594	\$ 239,929,866
Other Revenue	693,271	(9,794)	-1.4%	703,065	726,334	756,704
Total Revenue	<u>278,295,762</u>	<u>(10,320,239)</u>	-3.6%	<u>288,616,001</u>	<u>265,810,928</u>	<u>240,686,570</u>
Prize Expense	185,792,348	(4,255,023)	-2.2%	190,047,371	176,187,739	160,304,895
Other Expenditures	37,322,599	(981,679)	-2.6%	38,304,278	35,728,337	32,009,239
Total Expenditures	<u>223,114,947</u>	<u>(5,236,702)</u>	-2.3%	<u>228,351,649</u>	<u>211,916,076</u>	<u>192,314,134</u>
Income Before Dividends	55,180,815	-\$5,083,537	-8.4%	60,264,352	\$53,894,852	\$48,372,436
Dividends	55,500,000	-\$4,500,000	-7.5%	60,000,000	\$53,500,000	\$48,500,000
Change in Net Assets	(319,185)			264,352	394,852	(127,564)
Total Net Assets, Beginning	<u>1,023,357</u>			<u>759,005</u>	<u>364,153</u>	<u>491,717</u>
Total Net Assets, Ending	<u>\$704,172</u>			<u>\$1,023,357</u>	<u>\$759,005</u>	<u>\$364,153</u>

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Draw Sales				
Powerball	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000
Mega Millions	13,500,000	13,500,000	13,500,000	13,500,000
Idaho Pick 3	2,500,000	2,600,000	2,700,000	2,800,000
Lotto America	2,200,000	2,300,000	2,400,000	2,500,000
Weekly Grand	1,600,000	1,600,000	1,600,000	1,600,000
Lucky for Life	3,000,000	3,100,000	3,200,000	3,200,000
Idaho Cash	2,000,000	2,000,000	2,000,000	2,000,000
Five Star Draw	1,700,000	1,700,000	1,800,000	1,900,000
Raffle	2,500,000	2,500,000	2,500,000	2,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Draw Sales	50,000,000	50,300,000	50,700,000	51,000,000
Scratch™ ticket sales	188,500,000	192,200,000	196,000,000	199,900,000
PullTab ticket sales	47,000,000	48,500,000	49,500,000	50,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Sales	285,500,000	291,000,000	296,200,000	301,400,000
Other Revenue	700,000	700,000	710,000	720,000
Total Expenditures	229,700,000	234,200,000	238,410,000	242,620,000
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Net Income	\$56,500,000	\$57,500,000	\$58,500,000	\$59,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
DIVIDEND ESTIMATE	\$56,500,000	\$57,500,000	\$58,500,000	\$59,500,000
	<hr/>	<hr/>	<hr/>	<hr/>

Peer Benchmark Measures

The Idaho Lottery measures the Lottery's 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, Idaho Lottery 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

	FY20		FY19		FY18		FY17	
	PEER GROUP**	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO
SALES PER CAPITA	-	\$152.01	\$153.29	\$157.66	\$147.62	\$154.38	\$137.38	\$139.74
ADMINISTRATION COSTS AS A PERCENTAGE OF SALES	-	6.2%	6.5%	5.9%	7.0%	6.2%	7.0%	6.0%
DIVIDENDS AS A PERCENTAGE OF SALES	-	20.0%	23.8%	20.8%	23.9%	20.2%	24.0%	20.2%
DIVIDEND INCREASE PERCENTAGE	-	-7.5%	5.2%	12.1%	6.7%	10.3%	-4.9%	-2.0%

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

**PEER GROUP FIGURES UNAVAILABLE AT THIS TIME

The Idaho Lottery diligently strives to be an industry leader among peer states and all North American lotteries. The Lottery's per capita sales exceed all of those in the peer group (enhanced by cross-border sales to Utah residents) and Team Lottery continues to excel in areas where there is more control, 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. The Lottery continues to work on a business model that focuses on success without unpredictable big jackpot game sales variances from year-to-year, with performance decreasing in nearly all participating states. When big jackpots occur, the corresponding increase in net revenues will be passed on to beneficiaries.

POWERBALL JACKPOTS

Year	Avg Announced Jackpot Per Draw	Avg Sales Per Draw	Annual Sales
2020	\$108,490,385	\$194,258	\$20,397,045
2019	\$200,451,923	\$288,163	\$30,257,158
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

MEGA MILLIONS JACKPOTS

Year	Avg Announced Jackpot Per Draw	Avg Sales Per Draw	Annual Sales
2020	\$136,914,286	\$125,834	\$13,212,519
2019	\$219,259,615	\$224,098	\$23,530,337
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

2. Health of the Overall Economy

General economic conditions do affect the Idaho Lottery and their retail partners. The COVID-19 pandemic and the response to it halted Idaho's thriving economy and low unemployment rate. This severely impacted subsets of our retail network as well as caused significant disruption to the lives and livelihoods of citizens. Fortunately, the Lottery's consistent portfolio management resulted in continued improvement to our performance to plan in the Scratch Ticket category of games.

3. Global Pandemic Response by the Lottery

The Idaho Lottery responded quickly and responsibly to the challenges created by the pandemic. Teams were nimble and quickly readied for telework, where applicable. After less than a week teleworking, mission critical Customer Service and Accounting personnel were back in the office paying players' claims. The Lottery worked as an efficient team throughout – offering our products, service and support, while keeping employees safe and healthy.

4. Other

Other external factors that may impact their ability to deliver performance to plan include, but are not limited to, continued adverse economic affects of viruses; unpredictable increases in prices for fuel that affects available consumer spendable income; the ability to be nimble in responding to rapidly changing consumer preferences in games of interest 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.