



# **STRATEGIC PLAN**

**FISCAL YEARS 2022-2025**

**Submitted this 25<sup>th</sup> day of August, 2021**

**Jeffrey R. Anderson  
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 mandates, *“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 FY2021:

1. The Lottery transferred the highest dividend in Lottery history - \$72,500,000, from operations in FY2021 – for their beneficiaries – Idaho Public Schools, the Permanent Building Fund and the Bond Levy Equalization Fund.
2. The Idaho Lottery reached over ONE BILLION DOLLARS given back in dividends to the state since inception at 1989.
3. Successfully launched a new Draw Game – *2by2* in April 2021. This game is played along with Kansas, Nebraska, North Dakota and Wyoming and offers a top prize of \$22,000. Since launch, the Lottery has paid 5 lucky top prize winners – along with nearly 90,000 low tier prize winners.
4. The Lottery launched the second fastest selling Idaho *\$1,000,000 Raffle* in 14 years. The raffle sold all 250,000 only 44 days after launch.
5. The 2020 Holiday Bonus 2<sup>nd</sup> Chance Drawing had over 1 million entries.
6. A concerted effort to appeal to new players realized 29,730 new VIP Club members.
7. The Lottery partnered with Idaho Parks and launched new Scratch Tickets with artwork by Ward Hooper, which included a summer long promotion which focused on appreciating Idaho outdoors and achieved a 30% increase in new VIP Club members year over year during the campaign.
8. The Lottery had record Scratch ticket sales in FY21. Sales on Scratch tickets were up 31.3% year over year. Total sales were up 33.9% as we topped \$371,000,000 in gross revenue.
9. A new game, *Pick 4*, was launched in January 2021. Pick 4 is an Idaho only Draw game and has been well received by players.
10. Idaho Lottery Sales Representatives, who work 100% of their time from their vehicles around the state, had an accident free FY21.
11. The Lottery continued one of their DO GOOD Programs, Bucks for Books. Together with VIP Club members, \$43,000 in grants were awarded to Idaho Public Elementary Schools in 2020. 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 the books their schools need.
  - Grace Elementary School, Grace
  - McGhee Elementary School, Lewiston

- Paul Elementary, Paul
  - Culdesac Elementary, Culdesac
  - Bickel Elementary, Twin Falls
  - Clearwater Valley Elementary, Kooskia
  - Thirkill Elementary, Soda Springs
  - Popplewell Elementary, Buhl
  - Lincoln Elementary, Caldwell
  - Ross Elementary, Kuna
12. 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. Over the past year, the Lottery funded 26 wishes for Idaho teachers/classrooms.
13. 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:
- a. Gold Rockie: Goodness at Play TV (Regional/National TV single entry)
  - b. Silver Rockie: Mapped Out Radio (Regional/National Radio single entry :60)
  - c. Silver Rockie: Raffle - Penguin | Camel Radio (regional/national campaign)
  - d. Silver Rockie: Idaho Parks App (digital advertising apps/games/VR: Mobile App)
  - e. Silver Rockie: Potpourri - Mystery Cash Cooler
  - f. Silver Rockie: Public Relations - Idaho Parks PR Campaign
  - g. Silver Rockie: Digital- Blogs & Digital Publications - Idaho Lottery Blog
  - h. Silver Rockie: Public Service- Collateral - 2020 Annual Report
  - i. Citations of Excellence for design
    - i. Collateral Material- Specialty Advertising: Idaho Lottery Camping Mugs
    - ii. Radio - Idaho Parks Radio Campaign “Adventure Beckons” and “Mapped Out”
    - iii. Complete Campaign - Idaho Parks
14. For nearly two decades, the Scratch for Schools program has returned over \$1.4 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, 409 schools participated in and took nearly \$90,000 back to their schools.

## **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, 5 Star Draw, Pick 4 [new game] and 2by2 [new game])

Throughout the year, the Lottery offered eleven 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 Idaho-only game, *Pick 4* in January 2021 to the Draw Game line-up. They also started sales of a game called *2by2* in April along with Kansas, Nebraska, North Dakota and Wyoming.

**Powerball Game Play in Idaho** - Idaho Code 67-7408(4) does not allow the Idaho Lottery to participate in a game outside of the United States and provinces of Canada. As the Multi-state Game Group for *Powerball* considers allowing international sales of the game, we continue our efforts to educate the Legislature, players and retailers of the significant loss to the dividend that would be recognized if we are forced to cease participation in the game. This is a considerable risk for the Idaho Lottery and dividend estimates at this time. Sales in Australia and the United Kingdom are planned in the fourth quarter of 2022. The Lottery has submitted a Legislative Proposal for change to this portion of Idaho Code to be considered again in the 2022 session.

In Idaho, *Powerball* has been the driver in all Draw Games. The past year showed a sales increase of nearly 30% in *Powerball* and *Mega Millions* up 50% with entire Draw Game sales up by 31.2%.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Powerball	\$26,323,815	\$20,397,045	\$30,257,158	\$33,197,811
Mega Millions	19,803,804	13,212,519	23,530,337	13,524,177
Pick 3	2,655,481	2,470,126	2,477,919	2,385,518
Hot Lotto	-	-	-	1,180,730
Weekly Grand	1,662,420	1,550,776	1,761,998	1,900,908
Lucky for Life	3,265,888	3,012,004	3,244,654	3,298,584
Idaho Cash	1,770,082	1,879,574	1,915,502	1,606,887
Lotto America	2,343,635	2,201,894	2,755,083	1,535,009
5 Star Draw	2,811,900	1,491,420	-	-
2by2	203,620	-	-	-
Pick 4	591,528	-	-	-
Raffle	2,500,000	2,500,000	2,857,060	3,000,000
<b>Total Sales</b>	<u>\$63,932,173</u>	<u>\$48,715,358</u>	<u>\$68,799,711</u>	<u>\$61,629,624</u>
Change from prior year	<u>\$15,216,815</u>	<u>(\$20,084,353)</u>	<u>\$7,170,087</u>	<u>\$9,720,798</u>
Percentage of Product Sales	17.2%	17.5%	23.9%	23.3%
Percentage Sales Change	31.2%	-29.2%	11.6%	18.7%

**Scratch Games™** – The Idaho Lottery has delivered record Scratch Game sales for eighteen of the last nineteen years – but this year was something for the record books. The Scratch category resulted in a 30% sales increase. The Lottery surmises that the pandemic and many entertainment outlets being closed and unavailable contributed to lottery products being a fun amusement choice.

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 and were popular the past year. 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
One dollar games	\$6,638,927	\$5,059,162	\$5,874,932	\$6,204,057
Two dollar games	7,676,976	7,081,854	6,835,298	6,977,564
Three dollar games	16,683,744	13,071,261	15,831,858	16,676,646
Five dollar games	57,109,025	46,724,490	42,033,950	42,497,525
Ten dollar games	51,174,940	35,628,840	31,605,300	28,087,010
Twenty dollar games	49,199,380	42,708,560	30,688,060	26,895,340
Twenty-five dollar games	-	(22,550)	17,470,925	19,568,525
Thirty dollar games	38,682,060	22,818,060	8,699,250	-
Terminal based scratch games	14,081,409	12,497,033	11,424,634	11,131,640
<b>Total Sales</b>	<u><u>\$241,246,461</u></u>	<u><u>\$185,566,710</u></u>	<u><u>\$170,464,207</u></u>	<u><u>\$158,038,307</u></u>
 Change from prior year	 <u><u>\$55,679,751</u></u>	 <u><u>\$15,102,503</u></u>	 <u><u>\$12,425,900</u></u>	 <u><u>\$10,111,475</u></u>
 Percentage of Product Sales	 64.8%	 66.8%	 59.1%	 59.7%
Percentage Sales Change	30.0%	8.9%	7.9%	6.8%

***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 and subcontractor, Diamond Game).

As with the Scratch Game increases, *PullTabs* were a welcome distraction for players once social environments opened during the pandemic and sales were up in the category.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PullTabs	\$66,843,524	\$43,320,423	\$48,649,018	\$45,416,663
<b>Total Sales</b>	<u>\$66,843,524</u>	<u>\$43,320,423</u>	<u>\$48,649,018</u>	<u>\$45,416,663</u>
Change from prior year	<u>\$23,523,101</u>	<u>(\$5,328,595)</u>	<u>\$3,232,355</u>	<u>\$5,322,455</u>
Percentage of Product Sales	18.0%	15.6%	16.9%	16.7%
Percentage Sales Change	54.3%	-11.0%	7.1%	13.3%

#### TOTAL PRODUCT SALES SUMMARY

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Draw Games	\$63,932,173	\$48,715,358	\$68,799,711	\$61,629,624
Scratch Games	241,246,461	185,566,710	170,464,207	158,038,307
PullTab Games	66,843,524	43,320,423	48,649,018	45,416,663
<b>Total Sales</b>	<u>\$372,022,158</u>	<u>\$277,602,491</u>	<u>\$287,912,936</u>	<u>\$265,084,594</u>
Change from prior year	<u>\$94,419,667</u>	<u>(\$10,310,445)</u>	<u>\$22,828,342</u>	<u>\$25,154,728</u>
Percentage Sales Change	34.0%	-3.6%	8.6%	10.5%



## 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 2020, the Lottery retailer base is 1,192.
  - 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's Club with a launch coming in August of 2021. This includes a website where players can learn more about Lottery games, and enter sweepstakes and second chance drawings for prizes. This loyalty club has over 243,000 members as of August 17, 2021.

- 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 for statutory and administrative rule changes to better serve Idahoans.

### **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.

### **Business Recovery/Continuity of Operations [COOP] Plan**

Business Recovery and Continuity of Operations [COOP] plans are a way of life for the Lottery as our operations must be available 24/7. The Lottery has a current Continuity of Operations and Disaster Recovery Plan in place to correspond with mandated initiatives and those best practices of the lottery industry. The plan is in place and effective and was referred to consistently while dealing with the global Covid pandemic, which also provided unanticipated insights to a real disaster, rarely seen in most lifetimes.

## 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-2021</u>	<u>CHANGE</u> <u>2020 to 2021</u>	<u>% CHANGE</u> <u>2020 2021</u>	<u>FY-2020</u>	<u>FY-2019</u>	<u>FY-2018</u>
Revenue	\$ 372,022,158	\$ 94,419,667	34.0%	\$ 277,602,491	\$ 287,912,936	\$ 265,084,594
Other Revenue	727,966	34,694	5.0%	693,272	703,065	726,334
<b>Total Revenue</b>	<u>372,750,124</u>	<u>94,454,361</u>	33.9%	<u>278,295,763</u>	<u>288,616,001</u>	<u>265,810,928</u>
Prize Expense	252,890,557	67,043,769	36.1%	185,846,788	190,047,371	176,187,739
Other Expenditures	47,893,333	10,785,739	29.1%	37,107,594	38,304,278	35,728,337
<b>Total Expenditures</b>	<u>300,783,890</u>	<u>77,829,508</u>	34.9%	<u>222,954,382</u>	<u>228,351,649</u>	<u>211,916,076</u>
Income Before Dividends	71,966,234	\$16,624,853	30.0%	55,341,381	60,264,352	\$53,894,852
Dividends	72,500,000	\$17,000,000	30.6%	55,500,000	60,000,000	\$53,500,000
Change in Net Assets	(533,766)			(158,619)	264,352	394,852
Total Net Assets, Beginning	864,738			1,023,357	759,005	364,153
Total Net Assets, Ending	<u>\$330,972</u>			<u>\$864,738</u>	<u>\$1,023,357</u>	<u>\$759,005</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.

## Dividend Estimate

	<u>2022</u>	<u>2023 **</u>	<u>2024**</u>	<u>2025**</u>
Draw Sales				
Powerball **	\$31,400,000	\$31,400,000	\$31,400,000	\$31,400,000
Mega Millions	18,000,000	18,000,000	18,000,000	18,000,000
Pick 3	2,700,000	2,800,000	2,900,000	3,000,000
Lotto America	2,300,000	2,400,000	2,500,000	2,600,000
Weekly Grand	1,700,000	1,800,000	1,900,000	2,000,000
Lucky for Life	4,100,000	4,200,000	4,300,000	4,400,000
Idaho Cash	2,500,000	2,600,000	2,700,000	2,800,000
Five Star Draw	2,800,000	2,900,000	3,000,000	3,100,000
2By2	900,000	1,200,000	1,300,000	1,400,000
Pick 4	1,000,000	1,200,000	1,300,000	1,400,000
Raffle	2,500,000	2,500,000	2,500,000	2,500,000
Total Draw Sales	69,900,000	71,000,000	71,800,000	72,600,000
Scratch™ ticket sales	234,000,000	239,000,000	244,500,000	250,000,000
PullTab ticket sales	54,750,000	55,750,000	56,750,000	57,750,000
Total Sales	358,650,000	365,750,000	373,050,000	380,350,000
Other Revenue	710,000	720,000	730,000	740,000
Total Expenditures	291,360,000	296,970,000	302,780,000	308,590,000
Net Income	<u>\$68,000,000</u>	<u>\$69,500,000</u>	<u>\$71,000,000</u>	<u>\$72,500,000</u>
<b>DIVIDEND ESTIMATE</b>	<u>\$68,000,000</u>	<u>\$69,500,000</u>	<u>\$71,000,000</u>	<u>\$72,500,000</u>

**\*\* Assumption: That the Idaho Lottery continues offering Powerball**

**DIVIDEND ESTIMATE if  
Powerball is eliminated -  
effective January 1, 2023**

**\$ 61,600,000    \$ 55,300,000    \$ 56,800,000**

## 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

	FY21		FY20		FY19		FY18	
	PEER GROUP**	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO
SALES PER CAPITA	-	\$199.99	\$152.86	\$149.24	\$153.29	\$157.66	\$147.62	\$154.38
ADMINISTRATION COSTS AS A PERCENTAGE OF SALES	-	5.8%	5.9%	6.1%	6.5%	5.9%	7.0%	6.2%
DIVIDENDS AS A PERCENTAGE OF SALES	-	19.5%	22.6%	20.0%	23.8%	20.8%	23.9%	20.2%
DIVIDEND INCREASE PERCENTAGE	-	30.6%	-6.1%	-7.5%	5.2%	12.1%	6.7%	10.3%

\* 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

**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
2021	\$152,447,619	\$250,703	\$26,323,815
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
2021	\$166,576,923	\$190,421	\$19,803,804
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

### **Adverse Legislative Action or Inaction Regarding Idaho's Favorite Game, Powerball**

The Multi-State Lottery Association Powerball Game Group intends to license *Powerball* to the United Kingdom and states in Australia by December 31, 2022. This plan was to have taken effect in August 2021 but the complexity of negotiations required more time and a fourteen month delay. Idaho remains the only jurisdiction of the 48 member/licensee lotteries that requires a statutory change to allow for continued participation. The

Idaho Lottery did seek legislative approval in 2021 but was rebuffed. The Lottery will try again in 2022. *Powerball* is Idaho's most profitable offering. Negative legislative action or inaction will cause millions of dollars of on-going damage to Idaho Lottery beneficiaries, Idaho Public Schools and Buildings.

**Wage Pressure and Housing Cost Impact on Succession Planning, Recruitment, Retention**

Idaho's booming economy requires a reassessment of wage rates to remain competitive in the marketplace and pay Lottery associates fair wages. Upwards of 20% of the workforce is forecast to retire in 2022-2023. Recruitment and retention success will be dependent on the Lottery's ability to deliver on its mission.

**Other**

Other external factors that may impact the Lottery's ability to deliver performance to plan include, but are not limited to, continued significant 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 or inaction; the inability of our major vendors to meet contractual terms for service; and Acts of God.