



IDAHO LOTTERY **STRATEGIC PLAN** FY2023 - FY2026

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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

Strategic Lottery Goals

Idaho Code §67-7401 mandates the Idaho Lottery Director to operate the Lottery at the least public expense and the smallest staffing possible. Additionally, *Idaho Code §67-7403* directs that the Lottery be operated to produce the maximum amount of net income to benefit the public purposes described in the chapter, consonant with the public good. As it relates to Peer Benchmark Performance Measures, the Director and the Lottery Management Team endeavor to be in the top quintile among their peer states in the areas of **Sales per Capita**, **Dividends as a Percentage of Sales**, and **Dividend Increase Percentage** and among the lowest quintile for **Administrative Costs as a Percentage of Sales**.

Team Lottery Core Functions

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.

The Idaho Lottery is a self-funded and self governing agency of the State of Idaho. In-house operations include Security, Marketing, Sales, Media Relations, Warehousing and Inventory control, Information Technology, and Fiscal Management. The Idaho Lottery operates with 45 full-time employees and works hard every day to provide funding for Lottery beneficiaries and to DO GOOD for education in communities all over the State of Idaho.

Objectives

Goals will be met utilizing the following:

RETAILERS

1. Traditional and nontraditional recruitment
2. Seek retailer and customer feedback about performance
3. Manage the retailer incentive program
4. Offer effective training program for retail managers and clerks to ensure they are always fully trained in both selling Lottery products and Loss Prevention
5. Collaborate with retail partners and chains to focus on working in both
6. Leverage technology, drive retail innovation

7. Six Points of Reference for retail locations: outside signage, building signage, inside signage, point of purchase, game display and customer service and retailer training

GAMES

1. Provide a fun, engaging, entertaining portfolio of games, where and how players want them
2. Extend distribution channels responsibly
3. Gain a better understanding of the marketplace through research
4. Continue the responsible distribution of self-service, player activated terminals (DreamTouch and DreamTouch Smart vending machines)
5. Continue distribution of customer friendly dispensing devices for the PullTab product line

CUSTOMERS

1. Grow customer base
2. Engage VIP Club Players with offerings and communication
3. Responsible market research for insights into players' interests
4. Improve the customer experience
5. Drive fun participation and engagement

COMPLIANCE

1. Meet or exceed all industry standards for background checks
2. Offer secure retailer only website for balancing and accounting
3. Continuous process improvement to guarantee lowest costs for all processes
4. Loss prevention classes available to all retail partners
5. Investigate and prosecute all theft and fraud related to Lottery games
6. Guard the honesty of charitable gaming
7. Implement all necessary controls and verification systems

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.

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. An Idaho Lottery mantra 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>FY-2022</u>	<u>CHANGE</u> <u>2021 to 2022</u>	<u>% CHANGE</u> <u>2021 to 2022</u>	<u>FY-2021</u>	<u>FY-2020</u>	<u>FY-2019</u>
Revenue	\$ 376,317,050	\$ 4,294,892	1.2%	\$ 372,022,158	\$ 277,602,491	\$ 287,912,936
Other Revenue	717,757	(10,209)	-1.4%	727,966	693,272	703,065
Total Revenue	377,034,807	4,284,683	1.1%	372,750,124	278,295,763	288,616,001
Prize Expense	257,135,621	4,245,064	1.7%	252,890,557	185,846,788	190,047,371
Other Expenditures	46,853,928	(1,039,405)	-2.2%	47,893,333	37,107,594	38,304,278
Total Expenditures	303,989,549	3,205,659	1.1%	300,783,890	222,954,382	228,351,649
Income Before Dividends	73,045,258	\$1,079,024	1.5%	71,966,234	55,341,381	60,264,352
Dividends	73,000,000	\$500,000	0.7%	72,500,000	55,500,000	60,000,000
Change in Net Assets	45,258			(533,766)	(158,619)	264,352
Total Net Assets, Beginning	330,972			864,738	1,023,357	759,005
Total Net Assets, Ending	\$376,230			\$330,972	\$864,738	\$1,023,357

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, Nebraska, New Mexico, Tennessee, and Vermont. The Idaho Lottery diligently strives to be an industry leader among peer states and all North American lotteries.

Peer 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. Prize expense to sales

Dividend Estimate

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Draw Sales					
Powerball	\$30,238,594	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000
Mega Millions	13,883,030	14,000,000	14,000,000	14,000,000	14,000,000
Pick 3	2,344,945	2,500,000	2,600,000	2,700,000	2,800,000
Lotto America	2,591,434	2,600,000	2,700,000	2,800,000	2,900,000
Weekly Grand	1,647,772	1,700,000	1,800,000	1,900,000	2,000,000
Lucky for Life	4,577,482	4,700,000	4,800,000	4,900,000	5,000,000
Idaho Cash	1,709,000	1,800,000	1,900,000	2,000,000	2,100,000
Five Star Draw	1,898,345	2,000,000	2,100,000	2,200,000	2,300,000
2By2	626,650	300,000	-	-	-
Pick 4	1,121,898	1,100,000	1,200,000	1,300,000	1,400,000
Raffle	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Draw Sales	63,139,150	63,200,000	63,600,000	64,300,000	65,000,000
Scratch™ ticket sales	234,882,426	239,290,000	244,080,000	248,960,000	253,900,000
PullTab ticket sales	78,295,474	80,780,000	82,400,000	84,050,000	85,730,000
Total Sales	376,317,050	383,270,000	390,080,000	397,310,000	404,630,000
Other Revenue	717,757	720,000	730,000	740,000	750,000
Total Expenditures	303,989,549	309,990,000	316,310,000	323,050,000	329,880,000
Net Income	<u>\$73,045,258</u>	<u>\$74,000,000</u>	<u>\$74,500,000</u>	<u>\$75,000,000</u>	<u>\$75,500,000</u>
DIVIDEND ESTIMATE	<u>\$73,000,000</u>	<u>\$74,000,000</u>	<u>\$74,500,000</u>	<u>\$75,000,000</u>	<u>\$75,500,000</u>

Key External Factors

Big Jackpot Games

Idaho's Favorite Game, *Powerball*, and its companion *Mega Millions*, have an out-sized influence on Idaho Lottery sales performance and dividend delivery. Customer interest in these games is highly dependent upon the size of the advertised jackpots in these big Draw Games. Ticket sales increase exponentially when jackpots reach \$350,000,000 and higher. Dividends for our beneficiaries are also impacted by these games since they are the highest gross margin offerings in our game portfolio. Thirty years of experience has shown it is very difficult to influence customer interest in the base games when jackpots are "low" (<\$350 million). Game matrix modeling (the random odds of winning a prize) estimates advertised jackpots exceeding \$350 million are the exception, not the rule. Hence, future sales forecasts are always conservative. The Idaho Lottery continues to work on a business model that focuses on success without unpredictable big jackpot game sales variances from year-to-year. When big jackpots occur, the corresponding increase in net revenues is passed on to beneficiaries.

General Conditions of the Economy

While Idaho continues to lead the nation in the strength of our economy, inflationary pressures on consumer goods, fuel, and housing are external factors that have unpredictable impacts. Over the

past 20 years, the Idaho Lottery has weathered the storm of wide swings in fuel prices but not concurrently with near double-digit general market inflation and soaring costs of housing.

Wages and Housing Cost Impact on Succession Planning, Recruitment, Retention

Idaho’s booming economy requires an annual reassessment of wage rates to remain competitive in the marketplace. Half of our employees are “deskless workers” who work directly with the public and/or do physical labor while the other half are high-technology and/or subject matter experts in a very unique business. Nearly 20% of the workforce is forecast to retire between 2023 and 2025. Recruitment and retention success is a requirement, not an option. Our \$400 million enterprise relies on fewer than 50 state employees.

Other

Other external factors that may impact the Lottery’s ability to deliver performance to plan include, but are not limited to, persistent inflationary pressures 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.