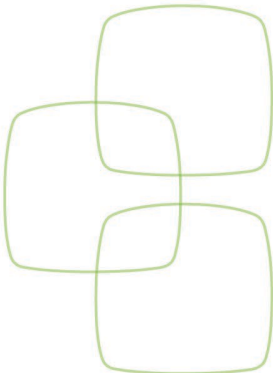
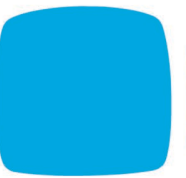
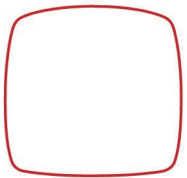
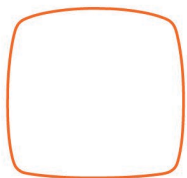




IDAHO LOTTERY STRATEGIC PLAN FY2024 - FY2027

JEFFREY R. ANDERSON, DIRECTOR
SUBMITTED JULY 7, 2023



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

Lottery Strategic 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 Lottery Management Team goals are 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 we 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 50 full-time employees and works hard every day to provide funding for Lottery beneficiaries and to **DO GOOD** for education in communities everywhere in the State of Idaho.

Key Organizational Objectives

GROW THE DIVIDEND				
FY 2023 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
GAME PORTFOLIO OPTIMIZATION	Scratch Games	SUPER TICKET Increase the visibility of the 8" x 8" Super Ticket. Because this ticket is oversized and doesn't fit in normal marketing dispensers or vending machines, we pursue opportunities to bring attention to this product and let players know it's available at this location.	Percentage of sales increase for this specific product.	Increase sales of the Super Ticket by 2%.
		INNOVATION/NEW GAMES Newly formed Scratch Game Innovation Team to meet and offer multiple unique, innovative ideas to the Management Team related to Scratch Games, play styles or promotions related to the Scratch product.	Percentage of sales increase for Scratch Games.	Increase Scratch Game sales by 2%.
		MANAGE PRIZE PAYOUTS Perform analysis of existing games to ensure prize payouts are appealing to players while also supporting Lottery goals.	Compare prize payouts year over year to determine whether changes in payout impact current year bottom line sales.	Increased sales equate to player approval for games with enhanced or modified payouts.
	InstaPlay Games	Simplify game offerings and focus on the most popular rolling jackpot games. Optimize InstaPlay game portfolio by launching games with these play styles.	Percentage of sales increase for InstaPlay games.	Increase in InstaPlay game sales by 2%.
	Secondary Draw Games	PRIZE LEVELS Continued analysis to determine prize levels worthy of telling others about - chatter prizes, and focus on these when considering new games.	Percentage of sales increase for Secondary draw games.	Increase Secondary draw game sales by 2%.
		PROMOTIONS Create promotions to drive sales and participation in secondary, smaller jackpot games.	Percentage of sales increase and improvement in attention to secondary games will be tracked.	Increase in secondary draw game sales of 2% and increase in market share.
FY 2023 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
DIGITAL PRIZE FULFILLMENT	Prize Payment Cashing	Prize payment offered to players through the Idaho Lottery mobile app, which will allow winnings under \$600 to be deposited directly to them.	Use of the app will give immediate feedback concerning use.	Provide complete satisfaction to winners using the Lottery mobile app for cashing winning tickets (our internal goal is 100% satisfaction)
	No Fee Retailer Prize Payment Card	Convenience stores do not keep excess cash in the register drawer. Retailers have requested approval to pay winners with a free (to the player and to the Lottery), prepaid prize payment card in lieu of paying with cash.	Player must be given the opportunity to take their ticket elsewhere for payment if they do not wish to receive the prize payment card.	This is a retailer initiative. Our benchmark will be zero complaints received about the cashing process.
FY 2023 GOALS	AREA	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
GAME FACINGS AT RETAIL	Vending Machines	Increase vending machine placements at retail, to include additional atypical retail type placements to offer more tickets available for sale (facings) at retail.	There are currently 414 vending machines in the field.	Our goal is to have 460 vending machines in the field by 2024 fiscal year end.
	Holiday and Promotional Facings	Investigate adding specialized facings for seasonal or promotion specific opportunities.	This is a new effort and definitive measures are not in place yet.	Increased sales of 1% related to holiday games or promotions.

GROW COMMUNITY			
FY 2023 GOALS	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
Staff Community Ambassador Recruitment	Recruit and hire three Community Ambassadors to promote and deliver DO GOOD initiatives.	After complete turnover in these positions, we have successfully replaced them with new Ambassadors.	The target is to hire and keep all three Community Ambassadors as a long term part of Team Lottery.
Enhance VIP Engagement	Enhance communication and stickiness with potential and current VIP Club members using personalization, promotions and value.	Audit VIP Club and web statistics to determine time spent in the areas where enhancements are offered.	Increase player time spent in the VIP Club by 5%.
DO GOOD Portfolio Optimization	Evaluate the benefits of adding more value to existing programs.	Consistent review of <i>DO GOOD</i> programs to ensure we are offering what our schools, teachers need in terms of help.	Maintain and grow submissions for <i>DO GOOD</i> programs.
	Consider benefits of additional initiatives to benefit Music and Arts in classrooms.	As STEM programs evolve to consider music and art, we encourage the same in our classroom programs.	Still in formative stages, if implemented ensure 100% communication regarding changes to schools.
Develop Storytelling Skills for Team Lottery	Teach and practice clarifying our message, connecting with customers and our beneficiaries to grow our business and community support.	Strategy Team members will practice storytelling. They will, in turn, work to educate all of TEAM LOTTERY to tell our story.	Every Idaho Lottery employee should be able to tell their Lottery story in 60 to 120 seconds.

GROW PEOPLE			
FY 2023 GOALS	OBJECTIVES	PERFORMANCE MEASURES	PERFORMANCE TARGETS / BENCHMARKS
Document Processes for Succession	The Lottery has pivotal, long term employees who are reaching the Rule of 90 or retirement age over the next few years. Succession planning and documentation is imperative for a smooth transition.	Each Idaho Lottery employee will have a submitted succession document a requirement of their Performance Appraisal.	100% Idaho Lottery positions documented for succession plan.
Identify Next Generation of Leaders	As we work with our internal Strategy Teams, we will watch for those who will be the next leaders for the Lottery, coming up through the ranks.	Create succession and budget plans to ensure the best, most comprehensive coverage in pivotal positions.	Ensure 100% of pivotal positions are filled internally with interested, capable employees, as appropriate and qualified.
New to Team Preparedness and Onboarding	Because we have little turnover, we do not have a polished onboarding process. Our goal is to improve and perfect this process.	Confirm with new hires that the process is smooth and without hiccup.	100% new hire satisfaction related to onboarding.

COMPLIANCE

- Meet or exceed all industry standards for background checks
- Offer secure retailer only website for balancing and accounting
- Continuous process improvement to guarantee lowest costs for all processes
- Loss prevention classes available to all retail partners
- Investigate and prosecute all theft and fraud related to Lottery games
- Guard the honesty of charitable gaming
- Implement and monitor all mandated 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 games in the 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.

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

Performance Target

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Draw Sales					
Powerball	\$39,327,602	\$30,000,000	\$30,250,000	\$30,500,000	\$31,000,000
Mega Millions	28,705,381	16,500,000	17,250,000	17,500,000	18,000,000
Pick 3	2,312,996	2,375,000	2,400,000	2,425,000	2,450,000
Lotto America	3,658,903	2,700,000	2,750,000	2,800,000	2,850,000
Weekly Grand	1,508,348	1,775,000	1,800,000	1,825,000	1,850,000
Lucky for Life	5,203,880	5,250,000	5,325,000	5,375,000	5,425,000
Idaho Cash	1,765,723	2,000,000	2,025,000	2,050,000	2,075,000
Five Star Draw	2,404,680	2,200,000	2,225,000	2,250,000	2,300,000
2By2	55,709	-	-	-	-
Pick 4	1,063,305	1,100,000	1,125,000	1,150,000	1,175,000
Raffle	2,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Total Draw Sales	88,506,527	68,400,000	69,650,000	70,375,000	71,625,000
Scratch™ ticket sales	252,960,829	255,100,000	259,350,000	263,500,000	267,650,000
PullTab ticket sales	80,586,814	81,500,000	83,000,000	84,000,000	85,000,000
Total Sales	422,054,170	405,000,000	412,000,000	417,875,000	424,275,000
Other Revenue	842,130	730,000	740,000	750,000	760,000
Total Expenditures	339,663,031	326,025,000	331,660,000	336,390,000	341,540,000
Net Income	\$83,233,269	\$79,705,000	\$81,080,000	\$82,235,000	\$83,495,000
DIVIDEND ESTIMATE	\$82,000,000	\$79,000,000	\$80,500,000	\$81,500,000	\$82,500,000

Key External Factors

Big Jackpot Games

Powerball and *Mega Millions* have an outsized and unpredictable influence on Idaho Lottery sales performance and dividend contribution. Customer interest in these games increases considerably and quickly when the size of the advertised jackpots in these big Draw Games grow. Ticket sales increase significantly when advertised jackpots reach \$400,000,000 and higher. Transfers to our beneficiaries are positively impacted by these games since they represent the highest gross margin offerings in our game portfolio. Game prize matrix modeling (the random odds of winning a prize on each ticket) estimates advertised jackpots exceeding \$400 million are the statistical exception, not the rule. Hence, our future sales forecasts are always conservative, but when big jackpots do occur, the resulting increase in net revenues benefits the good causes we support.

General Conditions of the Economy

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

Succession Planning, Recruitment, Retention

Idaho's flourishing 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 unique business. Nearly 20% of the Lottery workforce is eligible to retire between 2023 and 2026. Recruitment and retention success is essential. The Idaho Lottery relies on 50 state employees to responsibly operate a \$400+ million enterprise that includes 1,200 private-sector points-of-distribution that has delivered over \$1.12 billion to our beneficiaries.

Other

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