

# **Massachusetts State Lottery Commission Meeting**

## *Executive Director's Report*

**Delivered by Paul R. Sternburg**

**July 24, 2012**



# Lottery Sales Update

- It is a great pleasure to report that fiscal year 2012 marks a highpoint in our 40-year history as we produced a record-breaking year all around for the Lottery.
- Overall sales for July 1, 2011 through June 30, 2012 rang in at \$4.740 billion, topping the previous sales record of \$4.709 billion set in FY08 by \$31 million. More importantly, the Lottery is returning an unprecedented \$981 million in net profit to the Commonwealth in FY12 – a full \$87 million higher than the \$894 million initially projected for the year and \$30 million higher than the previous profit record of \$951 million set in FY06.
- Strong sales in June 2012 capped off the Lottery's banner year with overall sales for the month ringing in \$17 million higher than June 2011 results.
- The prize payout for the month was 74.8 percent, as compared to 72.73 percent in June 2011. The increase raised our overall prize payout for the year from 71.45 percent to 71.65 percent.

# Lottery Sales Update

- The sales increase in June 2012 was largely driven by a \$13 million bump in the Instant Ticket portfolio. Also contributing to the strong month was a \$3 million increase in Powerball sales due to a higher jackpot offering than last year, along with the ticket price increase to \$2; a \$2 million increase in Mass Cash sales; a \$1 million increase in KENO sales; and, \$4 million in new sales brought in from Lucky for Life, which debuted in March 2012.
- There are four games in the portfolio that experienced sales decreases in June. Mega Millions sales were down \$2 million due to smaller jackpot offerings as compared to last June; sales for The Numbers Game declined \$1 million due to continued cannibalization following Mass Cash's expansion to a nightly schedule; Megabucks sales were down \$1 million due to last year's higher jackpot offering; and, Cash WinFall sales were down \$2 million because there have been no ticket sales since the game officially ended on January 23.
- Over the coming weeks, we will be performing audit work on these year-end figures and look forward to sharing our finalized financial statement in early September.

# August 2012 Instant Ticket Release

## Lucky Stars

Price Point: \$1

Top Prize: \$10,000

## Bank On It

Price Point: \$2

Top Prize: \$50,000

## Aces & 8's

Price Point: \$2

Top Prize: \$50,000

## Jumbo Bucks

Price Point: \$5

Top Prize: \$1 million



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# June 2012 Instant Ticket Sales

**7-11-21**

Price Point: \$1

37 Day Sales: \$4,597,324

**\$50,000 Grant**

Price Point: \$2

37 Day Sales: \$11,530,180

**Red White & Blue 7's**

Price Point: \$2

37 Day Sales: \$10,629,804

**Double Platinum Payday**

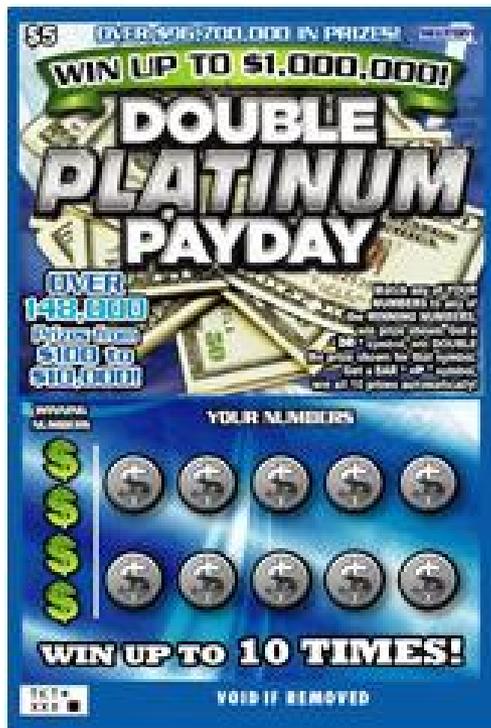
Price Point: \$5

37 Day Sales: \$21,040,470



**INSTANT  
GAMES**

# Double Platinum Payday Recall

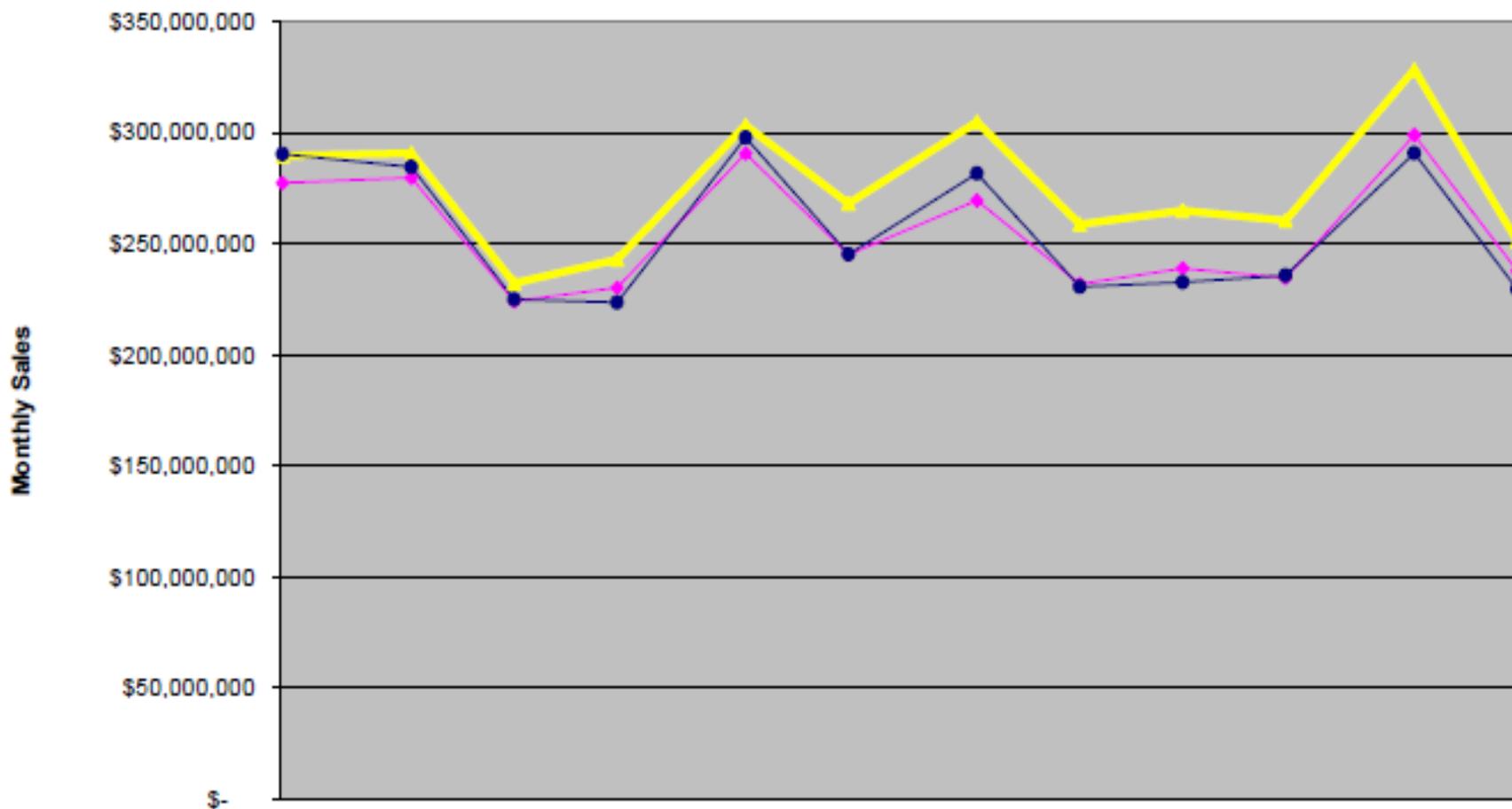


- On July 16, the Lottery announced a recall of the \$5 “Double Platinum Payday” instant game after identifying quality control errors that were made by the ticket vendor during the printing process, including distributing duplicate tickets and incorrectly bundling the game cards.
- The errors could lead to potential accounting issues for the Lottery and its retailers selling the game. According to G-Tech Corporation, the game manufacturer, the problems which occurred during the cutting and packaging of the tickets, led to an incorrect number of tickets inserted into several books within the 25.2 million ticket print run, leaving some books with two additional tickets and others short two tickets.
- The errors also produced an instance of at least one duplicate book of tickets being printed and shipped to a retailer – a quality control issue that severely limits the Lottery’s ability to reach projected revenues, as well as serving as an inconvenience to players who may win a prize on a duplicate ticket with an extended claims process.

# Double Platinum Payday Recall

- We were able to identify issues within the game through our internal control system and after weighing potential implications took immediate action, terminating sales of the game to ensure the continued security and integrity of our operations and to protect the interest of our retail partners and our players.
- Terminating the game involves immediately ceasing ticket sales at Lottery retailers and retrieving all unsold inventory of the game. All licensed Lottery retailers statewide began receiving electronic messages via their in-store sales terminal that the game will be blocked from further activation and directing stores to remove the game from their shelves.
- There are 6,808 retail locations statewide that were carrying “Double Platinum Payday.” Lottery staff will collect and conduct an inventory of all books, then arrange for their secured destruction.
- Approximately 30 percent of the game had been distributed to retailers since the game was released on June 12, 2012. The game generated \$21,040,470 in sales over a 37-day period in the market.
- All prizes for tickets already sold will be paid. Players with winning tickets in hand will be able to claim prizes for the game through Fall 2013 (date TBD).

## Instant Game Monthly Sales YTD 2010 thru 2012

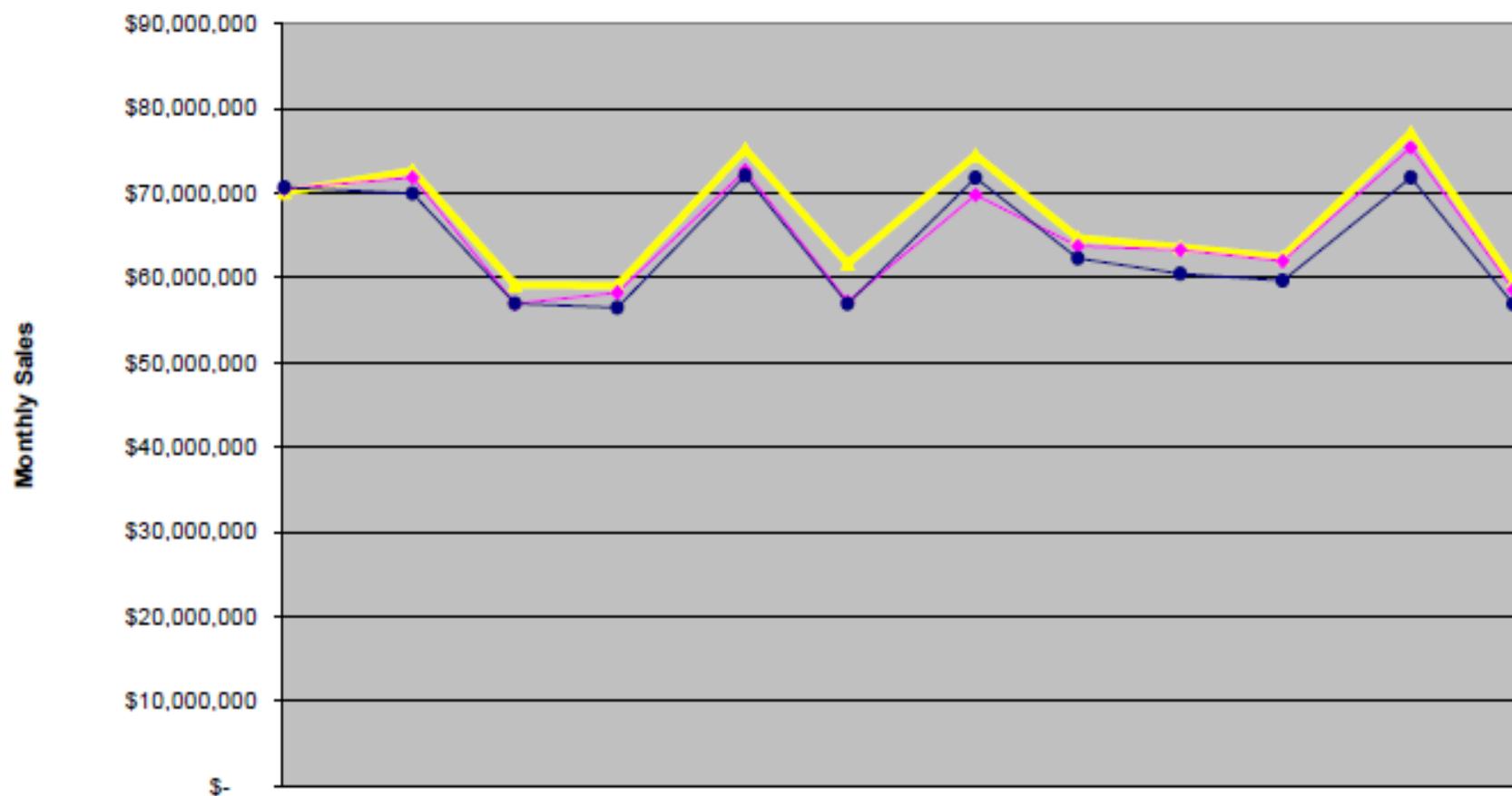


	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$289,540,	\$290,742,	\$232,227,	\$242,861,	\$303,379,	\$268,100,	\$304,922,	\$258,796,	\$265,035,	\$260,486,	\$328,476,	\$251,119,
2011 Monthly Sales	\$277,436,	\$279,756,	\$224,154,	\$230,266,	\$290,680,	\$245,104,	\$269,511,	\$231,842,	\$238,933,	\$234,649,	\$298,916,	\$237,818,
2010 Monthly Sales	\$290,351,	\$284,599,	\$225,028,	\$223,532,	\$297,786,	\$245,199,	\$281,620,	\$230,670,	\$232,736,	\$235,776,	\$290,738,	\$229,453,

Month Ending



## Keno Game Monthly Sales YTD 2010 thru 2012

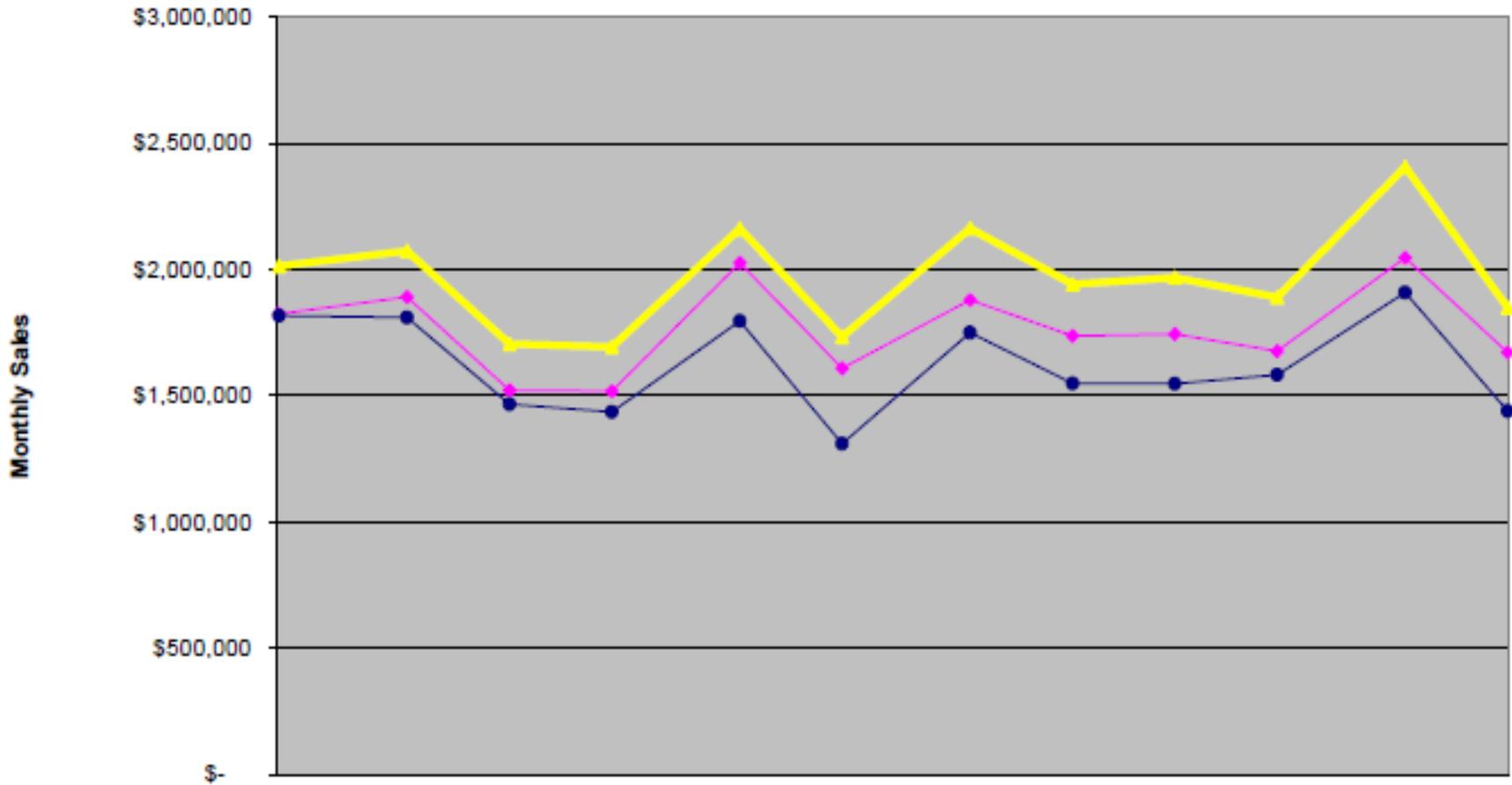


	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$70,087,6	\$72,637,5	\$59,167,1	\$59,077,6	\$75,178,8	\$61,681,4	\$74,466,6	\$64,684,1	\$63,579,0	\$62,438,5	\$77,066,7	\$59,496,4
2011 Monthly Sales	\$70,481,8	\$71,819,3	\$56,939,6	\$58,222,8	\$72,659,9	\$57,173,9	\$69,753,9	\$63,723,3	\$63,268,0	\$61,946,2	\$75,374,5	\$58,609,8
2010 Monthly Sales	\$70,642,3	\$69,959,8	\$56,950,5	\$56,451,7	\$72,043,3	\$56,913,4	\$71,790,4	\$62,282,3	\$60,463,7	\$59,646,0	\$71,815,3	\$56,906,3

Month Ending



## Race Game Monthly Sales YTD 2010 thru 2012

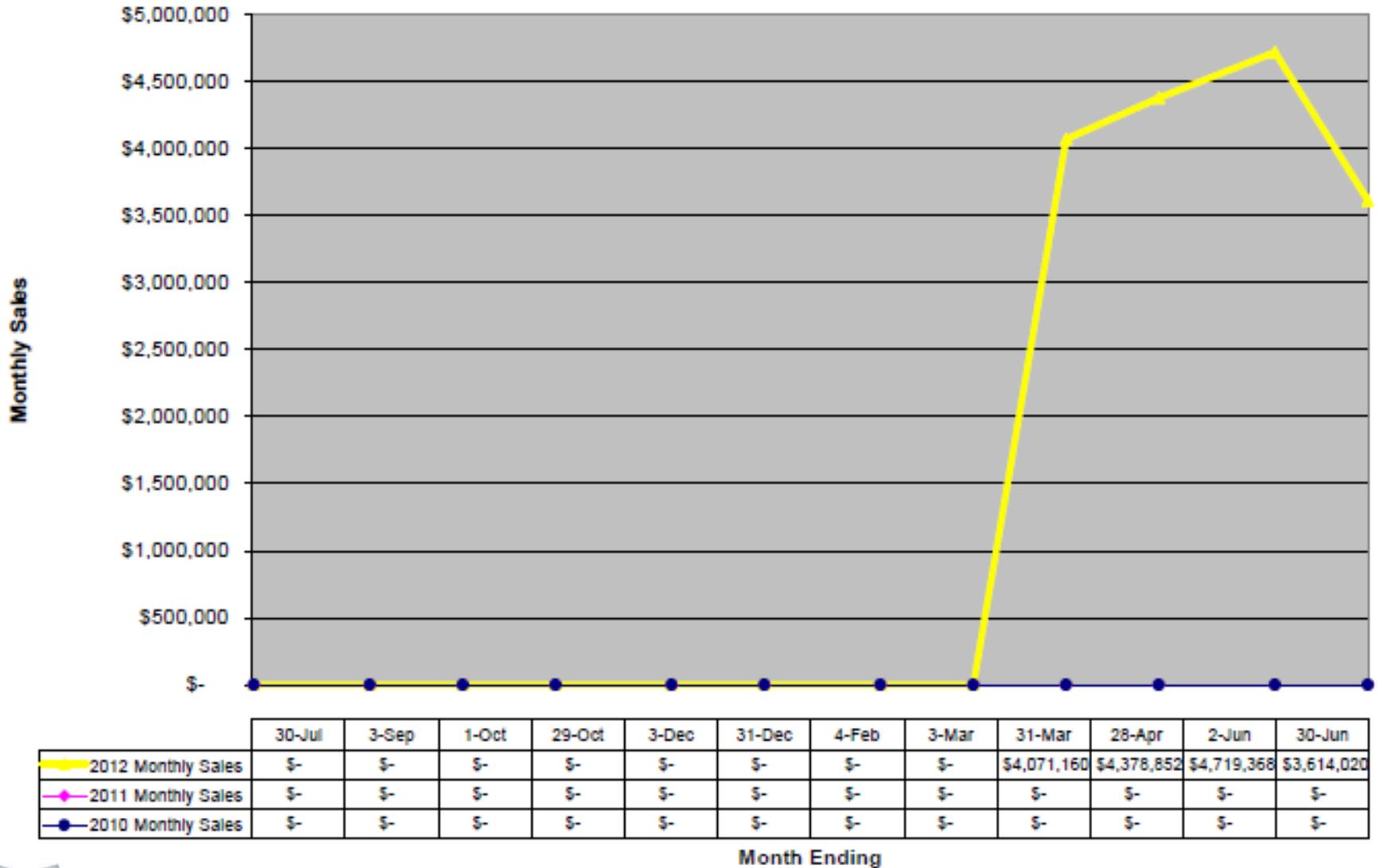


	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$2,012,693	\$2,072,780	\$1,704,618	\$1,693,344	\$2,160,773	\$1,733,166	\$2,162,232	\$1,941,576	\$1,966,920	\$1,889,649	\$2,406,140	\$1,847,873
2011 Monthly Sales	\$1,823,068	\$1,890,989	\$1,520,639	\$1,517,425	\$2,026,063	\$1,608,235	\$1,878,607	\$1,736,019	\$1,744,067	\$1,676,092	\$2,045,327	\$1,671,117
2010 Monthly Sales	\$1,816,897	\$1,809,525	\$1,465,347	\$1,434,933	\$1,794,758	\$1,309,946	\$1,749,829	\$1,547,939	\$1,546,623	\$1,582,824	\$1,908,279	\$1,439,126

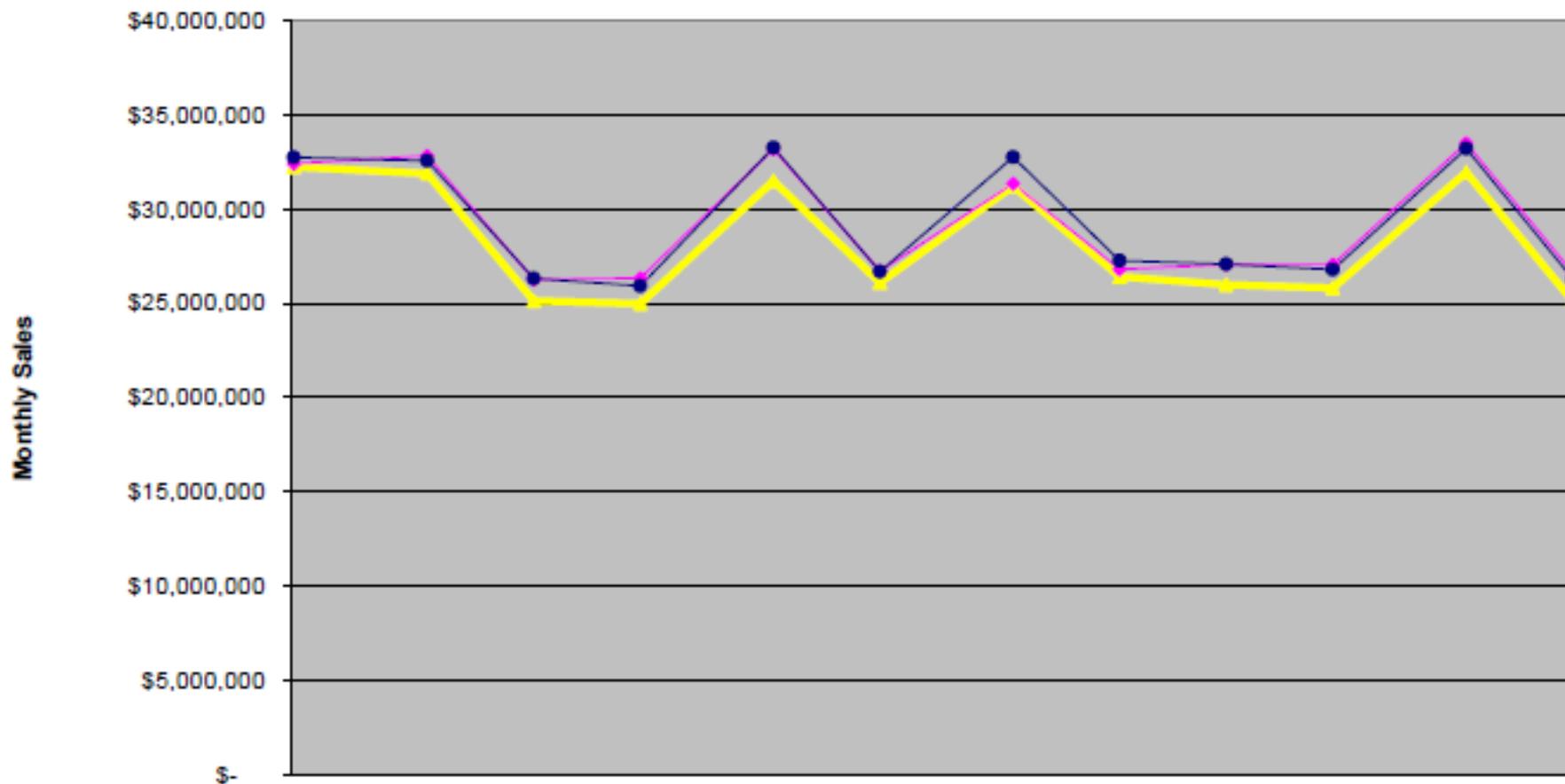
Month Ending



## Lucky For Life Game Monthly Sales YTD 2010 thru 2012



## Numbers Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$32,241,2	\$31,896,9	\$25,134,5	\$24,989,8	\$31,502,6	\$26,103,8	\$31,223,0	\$26,412,9	\$25,986,0	\$25,821,5	\$31,954,3	\$25,122,6
2011 Monthly Sales	\$32,410,2	\$32,843,6	\$26,268,5	\$26,342,7	\$33,189,6	\$26,725,0	\$31,355,8	\$26,812,9	\$27,063,0	\$27,070,7	\$33,498,3	\$26,620,6
2010 Monthly Sales	\$32,746,4	\$32,575,2	\$26,319,7	\$25,935,2	\$33,272,3	\$26,680,6	\$32,764,6	\$27,275,7	\$27,076,6	\$26,805,3	\$33,217,8	\$26,306,6

Month Ending

# Numbers Game Second Chance Promotion

To help boost Numbers Game sales, we will be holding a second chance promotion from August 5 -18, giving players a chance to win \$730 – the cost of playing the Mid-Day and Evening Numbers Game every day for a year.



**Play FREE for One Year!**

**THE NUMBERS GAME**

**NON-WINNING TICKETS HAVE A SECOND CHANCE TO WIN \$730!**

Purchase a 4-digit NUMBERS GAME ticket worth \$1 or more from August 5 through August 18, 2012 and match the “Play Free” 4-digit number (in the exact order) posted on [www.masslottery.com](http://www.masslottery.com) the day after your ticket's game has been drawn and win \$730.\* Mid-Day or Evening NUMBERS GAME tickets are eligible to win.

Each day, starting on August 6 after 10:00 a.m., a 4-digit number will be posted. This “Play Free” 4-digit number will differ from the previous day's winning numbers. If the ticket you purchased for the previous day's Mid-Day or Evening drawing has the exact same number, you win \$730.\* (“Play Free” winning numbers drawn Saturday and Sunday will be posted on Monday.)

You must present the original NUMBERS GAME ticket(s) to one of the six Massachusetts Lottery offices to claim your prize(s), or call 781-849-5610 and request to have a claim form be mailed to you. Prizes must be claimed within 30 days of the “Play Free for One Year” drawing.

You must be 18 years or older to play the Massachusetts Lottery. To claim a prize you must present valid photo identification and proof of a Social Security number. Your prize will be mailed to you in approximately two weeks.

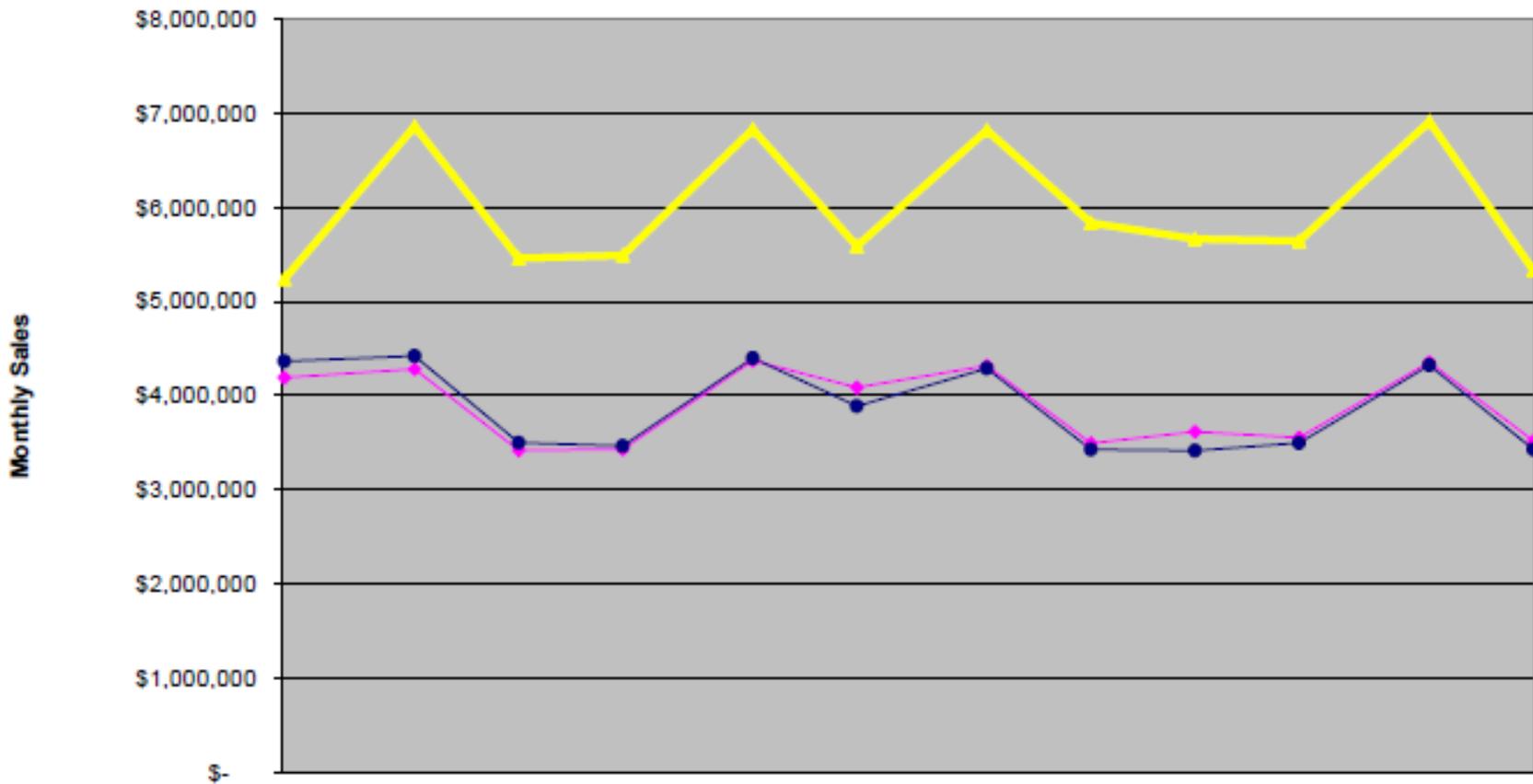
\*The cost to play The NUMBERS GAME twice a day for one year is \$730.

**THE LOTTERY**  
masslottery.com

Follow the Lottery @MAStateLottery

**Play FREE for One Year!**

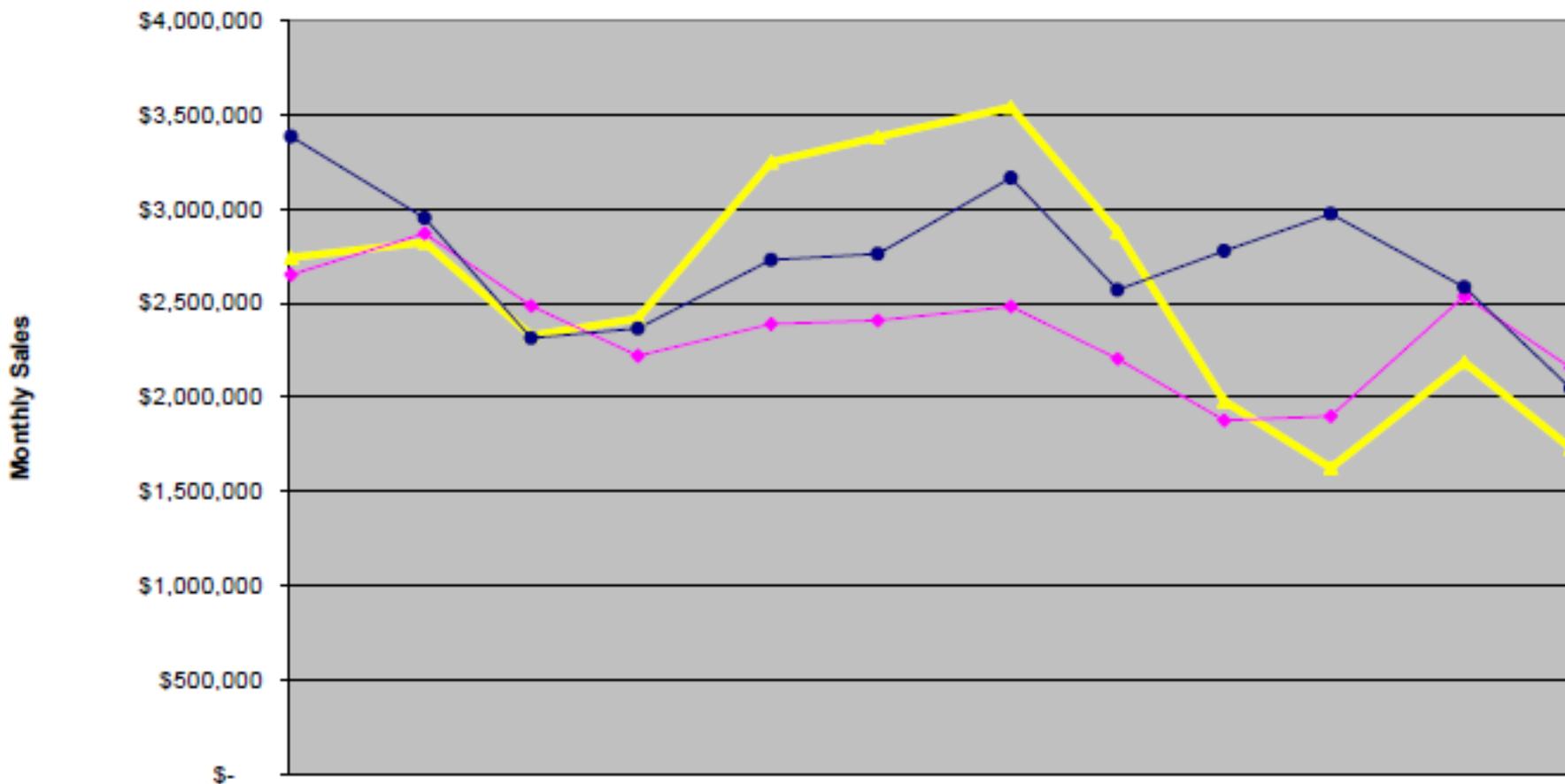
### MassCash Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$5,238,18	\$6,861,99	\$5,461,31	\$5,491,04	\$6,829,97	\$5,588,97	\$6,820,34	\$5,835,39	\$5,665,63	\$5,644,27	\$6,913,18	\$5,330,34
2011 Monthly Sales	\$4,192,05	\$4,285,39	\$3,420,09	\$3,431,26	\$4,373,52	\$4,089,22	\$4,317,54	\$3,495,77	\$3,618,71	\$3,555,49	\$4,356,49	\$3,519,58
2010 Monthly Sales	\$4,365,82	\$4,421,48	\$3,502,77	\$3,468,43	\$4,399,49	\$3,890,10	\$4,289,56	\$3,428,16	\$3,417,70	\$3,498,16	\$4,324,13	\$3,430,09

Month Ending

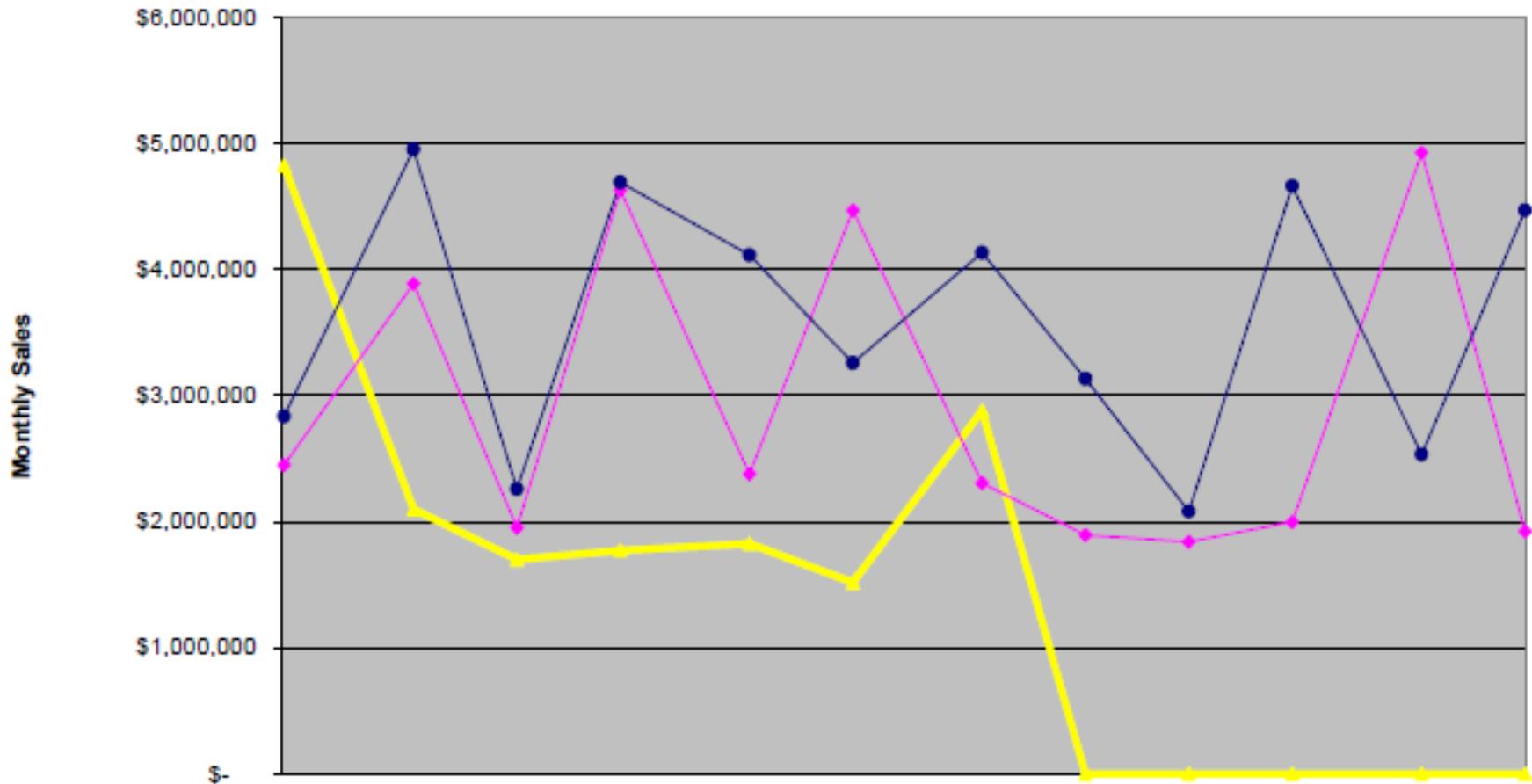
## Megabucks Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$2,742,54	\$2,823,96	\$2,327,30	\$2,418,91	\$3,249,65	\$3,381,26	\$3,540,27	\$2,879,33	\$1,980,57	\$1,626,69	\$2,186,47	\$1,730,30
2011 Monthly Sales	\$2,652,16	\$2,871,26	\$2,485,10	\$2,220,81	\$2,389,82	\$2,409,01	\$2,481,93	\$2,205,10	\$1,878,50	\$1,900,64	\$2,538,47	\$2,155,68
2010 Monthly Sales	\$3,384,86	\$2,953,18	\$2,316,10	\$2,366,33	\$2,730,66	\$2,761,50	\$3,165,61	\$2,570,28	\$2,776,85	\$2,974,05	\$2,584,90	\$2,047,96

Month Ending

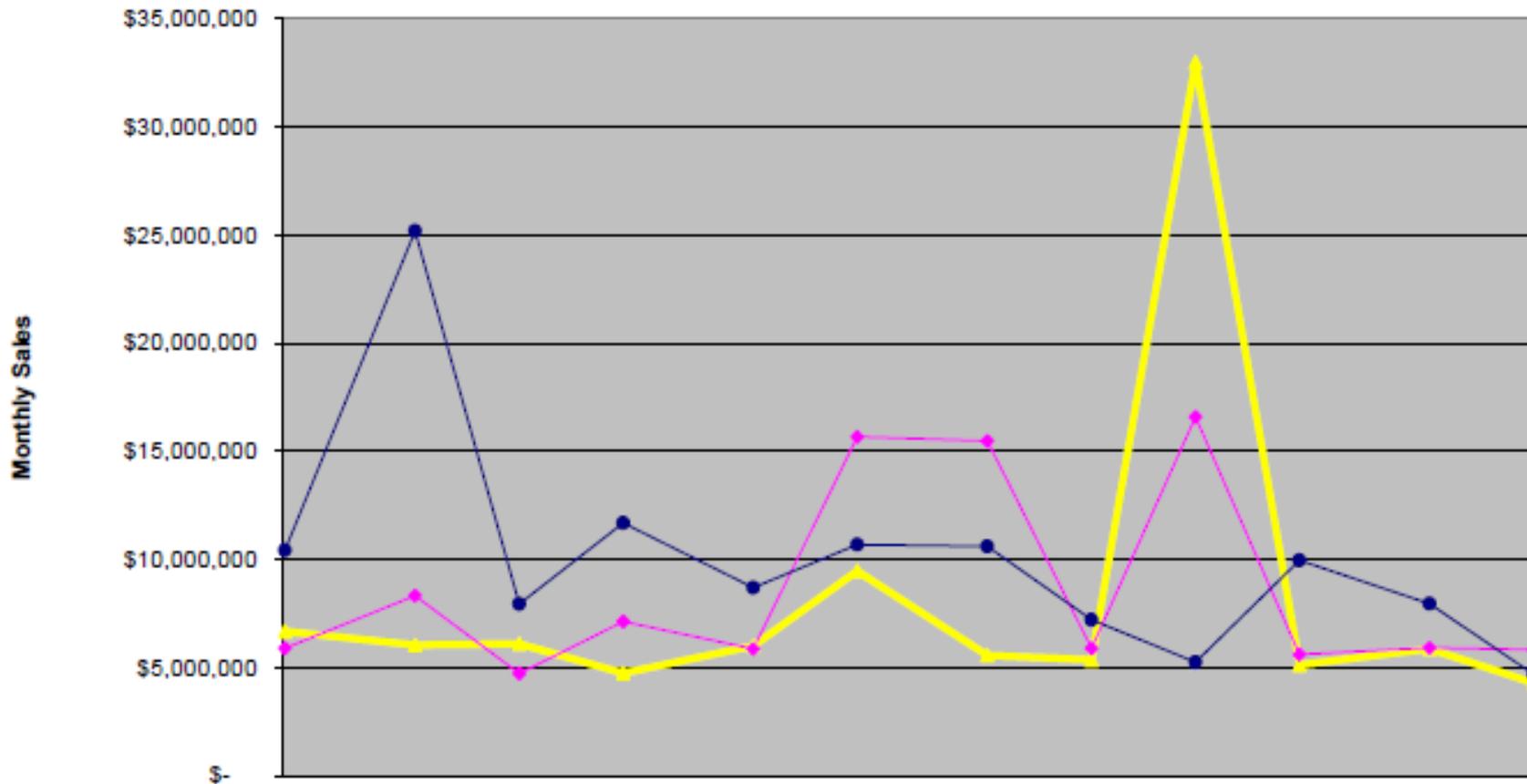
## Cash WinFall Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$4,825,78	\$2,100,83	\$1,700,76	\$1,772,78	\$1,826,47	\$1,518,63	\$2,881,20	\$-	\$-	\$-	\$-	\$-
2011 Monthly Sales	\$2,452,19	\$3,889,32	\$1,954,27	\$4,633,49	\$2,379,76	\$4,470,73	\$2,306,71	\$1,894,62	\$1,841,41	\$1,999,70	\$4,927,08	\$1,924,32
2010 Monthly Sales	\$2,836,67	\$4,955,38	\$2,258,66	\$4,694,36	\$4,116,50	\$3,260,30	\$4,135,01	\$3,135,55	\$2,081,67	\$4,665,28	\$2,535,02	\$4,472,72

Month Ending

## Mega Millions Game Monthly Sales YTD 2010 thru 2012

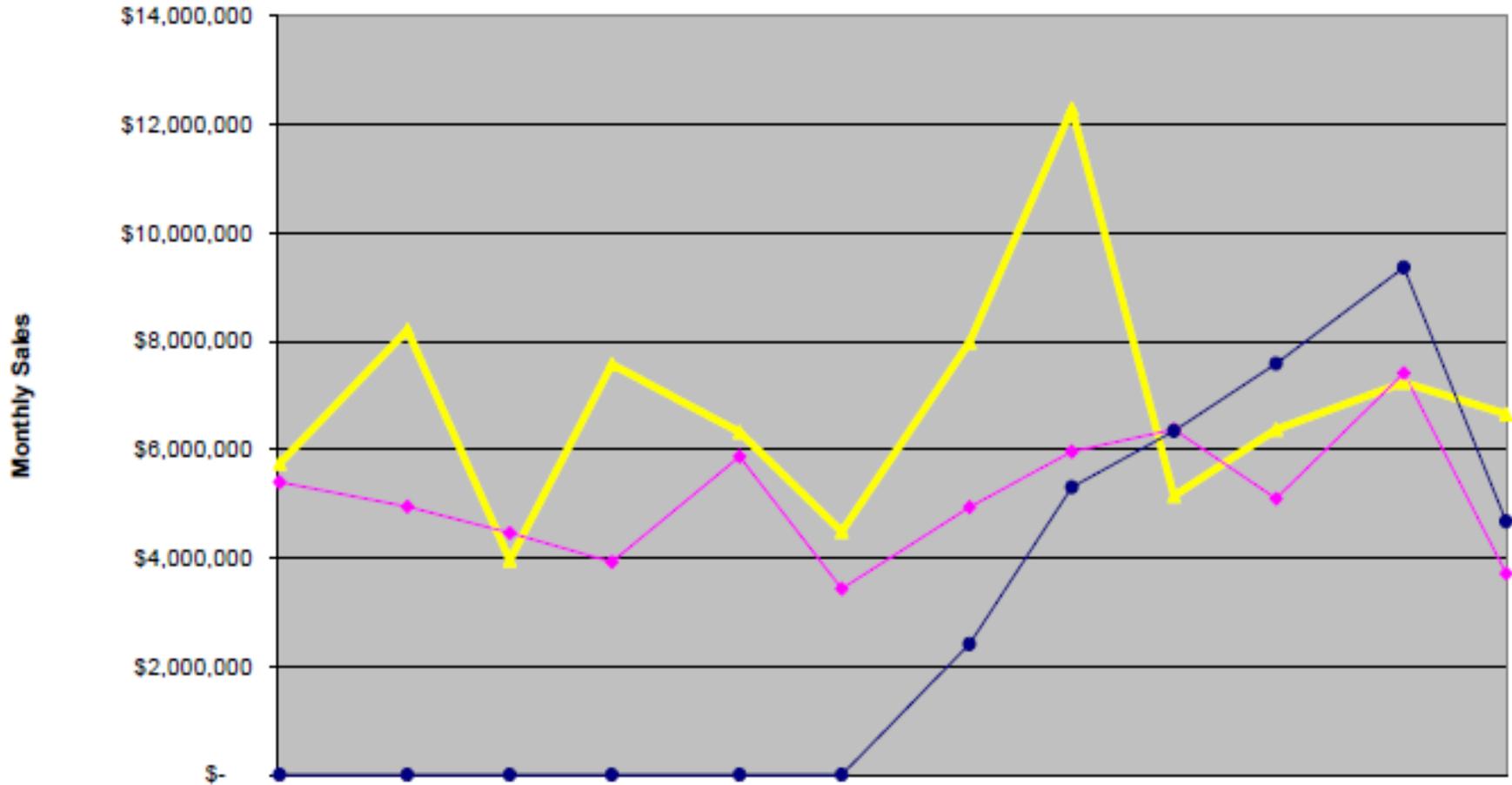


	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$6,665,583	\$6,044,294	\$6,093,254	\$4,732,239	\$5,999,489	\$9,455,586	\$5,561,441	\$5,356,677	\$32,974,06	\$5,113,305	\$5,867,252	\$4,288,693
2011 Monthly Sales	\$5,883,069	\$8,310,970	\$4,721,634	\$7,127,421	\$5,863,271	\$15,659,85	\$15,471,33	\$5,890,784	\$16,576,58	\$5,595,416	\$5,916,940	\$5,824,818
2010 Monthly Sales	\$10,418,66	\$25,167,56	\$7,936,388	\$11,679,24	\$8,689,758	\$10,675,46	\$10,591,24	\$7,211,225	\$5,249,310	\$9,954,180	\$7,945,979	\$4,673,863

Month Ending



## Powerball Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$5,740,306	\$8,203,762	\$3,960,797	\$7,572,365	\$6,321,130	\$4,483,881	\$7,978,580	\$12,278,930	\$5,144,580	\$6,370,478	\$7,234,375	\$6,655,330
2011 Monthly Sales	\$5,395,080	\$4,948,365	\$4,464,904	\$3,923,359	\$5,870,310	\$3,433,022	\$4,937,356	\$5,963,943	\$6,366,434	\$5,096,333	\$7,405,291	\$3,714,064
2010 Monthly Sales	\$-	\$-	\$-	\$-	\$-	\$-	\$2,412,639	\$5,304,136	\$6,340,930	\$7,580,697	\$9,356,699	\$4,672,170

Month Ending

# Powerball Jackpot Awareness Ads

On Wednesday, July 18, the Lottery engaged Boston.com for a Jackpot Awareness campaign to promote Powerball's \$100 million jackpot.

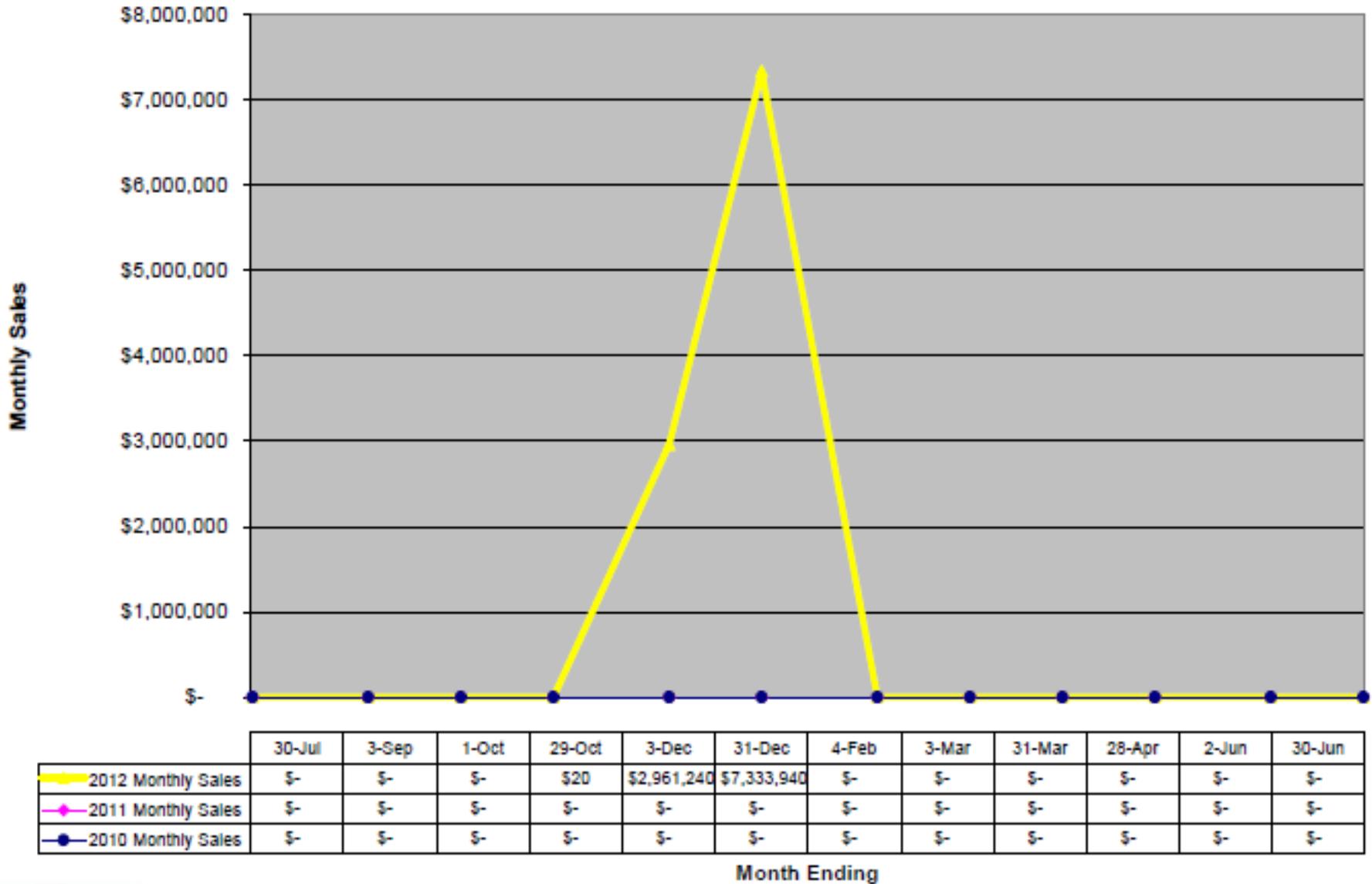
For a \$3,500 investment, the Lottery received a series of rotating ads (3,900 total impressions) from 7am-7pm.

Powerball sales for that day were \$420,000 -- \$18,000 higher than sales for April's near \$100 million jackpot and \$70,000 higher than December 2011's \$105 million jackpot.

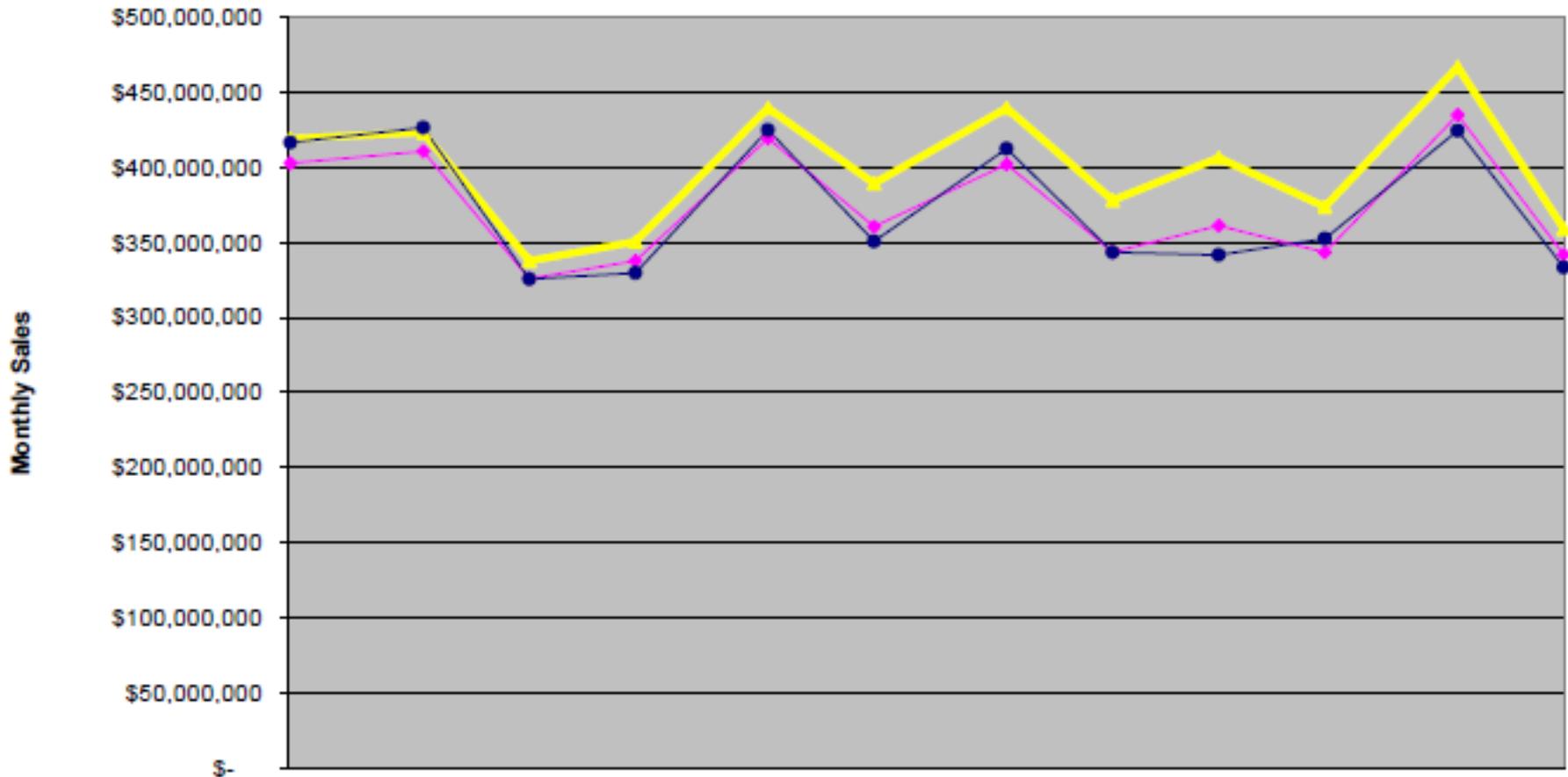
The screenshot shows the BostonGlobe.com website interface. At the top, there's a KAYAK banner for Las Vegas hotel deals. The main navigation bar includes sections like TODAY'S GLOBE, NEWS, YOUR TOWN, BUSINESS, SPORTS, LIFESTYLE, A&E, THINGS TO DO, TRAVEL, CARS, JOBS, REAL ESTATE, and WEEKLY ADS. A featured job listing for Jared at The Galleria Of Jewelry is visible. The main content area includes a 'Making the most of little spaces' article, a 'Brown raises 60 percent of large donations in Mass.' article, and a 'Syrian defense minister killed in blast' article. A 'Mom-to-be CEO rivets working world' article is also present. At the bottom, there's a 'SPORTS' section with a 'Youkilis blast lifts White Sox' article. The Powerball advertisement is prominently displayed on the right side of the page.



## Online Raffle Game Monthly Sales YTD 2010 thru 2012



## All Game Monthly Sales YTD 2010 thru 2012



	30-Jul	3-Sep	1-Oct	29-Oct	3-Dec	31-Dec	4-Feb	3-Mar	31-Mar	28-Apr	2-Jun	30-Jun
2012 Monthly Sales	\$419,094,	\$423,385,	\$337,777,	\$350,610,	\$439,409,	\$389,381,	\$439,555,	\$378,185,	\$406,403,	\$373,769,	\$466,824,	\$359,205,
2011 Monthly Sales	\$402,726,	\$410,615,	\$325,929,	\$337,685,	\$419,433,	\$360,673,	\$402,014,	\$343,565,	\$361,290,	\$343,489,	\$434,978,	\$341,858,
2010 Monthly Sales	\$416,563,	\$426,442,	\$325,778,	\$329,562,	\$424,833,	\$350,691,	\$412,519,	\$343,425,	\$341,690,	\$352,483,	\$424,426,	\$333,402,

Month Ending

# MSLC Revenue Results

June FY12 vs. June FY11

(\$ millions)

	Payout %	FY12	% of Total	FY11	% of Total	\$ Change	% Change
Instant Tickets	69.9% to 80.4%	\$251	69.9%	\$238	69.6%	\$13	5.6%
MegaMillions	50%	4	1.2%	6	1.7%	-2	-25.9%
Powerball	50%	7	1.9%	4	1.1%	3	81.1%
Keno	70%	60	16.6%	59	17.1%	1	1.5%
Mass Cash	55%	5	1.5%	4	1.0%	2	51.4%
Race Game	70%	2	0.5%	2	0.5%	0	11.8%
Cash WinFall	60%	0	0.0%	2	0.6%	-2	-100.0%
Numbers Game	63%	25	7.0%	27	7.8%	-2	-5.6%
Megabucks	55%	2	0.5%	2	0.6%	-1	-22.7%
Raffle Game	50%	0	0.0%	0	0.0%	0	100.0%
Lucky For Life	60%	4	1.0%	0	0.0%	4	100.0%
<b>Total</b>		<b>\$359</b>	<b>100.0%</b>	<b>\$342</b>	<b>100.0%</b>	<b>\$17</b>	<b>5.1%</b>

Instant Tickets	\$251	69.9%	\$238	69.6%	\$13	5.6%
Online Games	108	30.1%	104	30.4%	4	3.9%
<b>Total</b>	<b>\$359</b>	<b>100.0%</b>	<b>\$342</b>	<b>100.0%</b>	<b>\$17</b>	<b>5.1%</b>

Month 6/3/12-6/30/12

28 days

Month 6/5/11-7/2/11

28 days

## MSLC Revenue Results

FY12 vs. FY11

(\$ millions)

	<u>Payout %</u>	<u>FY12</u>	<u>% of Total</u>	<u>FY11</u>	<u>% of Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Instant Tickets	69.9% to 80.4%	\$3,296	68.9%	\$3,059	68.2%	\$237	7.7%
MegaMillions	50%	98	2.1%	103	2.3%	-5	-4.5%
Powerball	50%	82	1.7%	62	1.4%	20	33.2%
Keno	70%	800	16.7%	780	17.4%	20	2.5%
Mass Cash	55%	72	1.5%	47	1.0%	25	53.5%
Race Game	70%	24	0.5%	21	0.5%	3	11.8%
Cash WinFall	60%	17	0.3%	35	0.8%	-18	-52.2%
Numbers Game	63%	338	7.1%	350	7.8%	-12	-3.4%
Megabucks	55%	31	0.6%	28	0.6%	3	9.6%
Raffle Game	50%	10	0.2%	0	0.0%	10	100.0%
Lucky For Life	60%	17	0.4%	0	0.0%	17	100.0%
<b>Total</b>		<b>\$4,784</b>	<b>100.0%</b>	<b>\$4,484</b>	<b>100.0%</b>	<b>\$300</b>	<b>6.7%</b>

Instant Tickets	\$3,296	68.9%	\$3,059	68.2%	\$237	7.7%
Online Games	1,488	31.1%	1,425	31.8%	63	4.4%
<b>Total</b>	<b>\$4,784</b>	<b>100.0%</b>	<b>\$4,484</b>	<b>100.0%</b>	<b>\$300</b>	<b>6.7%</b>

Year 6/26/11-6/30/12

366 days

Year 6/27/10-7/2/11

365 days

# Update on Other Initiatives

## **Charitable Gaming:**

Under its enabling legislation, the Gaming Commission must file a report on charitable gaming, raffles and bazaars (*i.e.*, “casino nights”) by July 31<sup>st</sup>. Over the course of the last two months, the Lottery has met with representatives from both the Gaming Commission and the Attorney General’s Office to discuss who should assume responsibilities for these activities, and whether, from a public policy standpoint, centralization of these responsibilities makes best sense. The Lottery currently has oversight responsibilities for bingo games held around the Commonwealth (which generate \$38,815,684 in gross revenues), sells charitable gaming tickets to charities, and has additional, but more limited, responsibilities relating to bazaars and raffles. The Gaming Commission continues to work with the Lottery and the AG as it finalizes its report and recommended course of action.

## **Tribal –State Compact:**

The Treasury and Lottery met with the Governor’s Office to advance the Lottery’s position on behalf of the Commonwealth’s cities and towns in connection with negotiations with the Mashpee Wampanoag Tribe and a tribal gaming compact. A compact was signed by the Governor and the Tribe on July 12th and now awaits legislative approval. The compact as signed includes favorable provisions relating to the Lottery’s existing games as well as potential online products.

Thank you for the opportunity to share this information. We look forward to your feedback and to further discussion on these figures, as well as other Lottery initiatives.

