Massachusetts State Lottery Commission Meeting

Executive Director's Report

Delivered by Paul R. Sternburg

January 29, 2013

Lottery Sales Update

- Lottery sales were down $4 million for the month of December. This is the first month in fiscal year 2013 that sales have not surpassed those in fiscal year 2012. The prize payout for the month was 74.9 percent, as compared to 68.5 percent for December 2011, a 6.4 percent increase. This increase in our prize expense for the month caused our overall net profit to drop $13 million compared to FY12's record setting figures. Lottery net profit is now $9 million behind FY12 through December.

- Games experiencing sales increases were our Instant Ticket portfolio, which was up $5 million; Powerball, which was up $1 million due to higher a higher jackpot; and Keno, which was up $2 million. Additionally, we were able to bring in $3 million in new sales with the regional Lucky for Life game, which debuted in March 2012, and $1 million in new sales from the $10 Super 50/50 raffle.

- The decrease in December sales can be attributed to a $5 million drop in Mega Millions sales due to a much larger jackpot in December of 2011; a $1 million decrease in Megabucks due to a smaller jackpot offering in FY13; a $2 million decrease in Cash WinFall, which has not generated sales since the game officially ended in January 2012; and, a $7 million decrease in our online raffle game, a $20 game which we did not offer this year.

- While last year's raffle accounted for $7 million in sales during December 2011, the game essentially broke even. This year's raffle offering, the Super 50/50 Raffle, was able to turn a profit of approximately $1 million despite a far lower dollar amount sold. We continue to have a strong year, with overall sales up $83 million for the first half of FY 13.

Holiday 10 Week Sales Recap

Weekly All Game (Instant & Online) Sales for 10 Week Holiday Stretch

	7-Nov	14-Nov	21-Nov	28-Nov	1-Dec	8-Dec	15-Dec	22-Dec	29-Dec	5-Jan	TOTAL 10 WEEK
	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	WEEK 6	WEEK 7	WEEK 8	WEEK 9	WEEK 10	Holiday Sales Period
FY13	$87,223,664	$91,011,198	$91,445,057	$94,737,450	$106,916,779	$93,671,782	$89,401,103	$96,384,050	$100,719,826	$96,776,192	$948,287,101
FY12	$84,650,452	$88,641,811	$89,309,828	$86,805,528	$90,001,938	$92,698,408	$91,977,902	$100,168,431	$104,536,408	$94,240,930	$923,031,636
FY11	$85,648,898	$84,945,888	$83,278,827	$81,666,754	$83,892,745	$85,228,290	$86,647,991	$91,938,305	$96,858,605	$97,869,123	$877,975,426
FY10	$84,327,139	$86,431,103	$83,513,751	$83,058,631	$87,502,631	$86,520,081	$86,219,522	$86,379,820	$91,571,868	$86,232,473	$861,757,019
FY09	$84,327,485	$85,651,402	$81,732,782	$81,266,259	$87,350,801	$89,683,023	$81,082,938	$87,315,072	$89,726,413	$83,711,686	$851,847,861

FY13 = $25.25 million, or 2.7% year over year sales increase

FY13 Holiday Advertising Production	$357,429.91
FY13 Holiday Advertising Media	$1,229,063.43
Total FY13 Holiday Advertising Investment	$1,586,493.34
FY13 Return on Advertising Investment	$5,051,093 or $4.52/ $1 spent

Impact of Weather on Sales

As discussed in previous meetings, weather plays a factor in the Lottery's sales performance. When weather is mild, it leads to higher levels of play and during inclement bouts of weather, sales activity is suppressed.

Snowstorms have a particularly damaging impact on sales as demonstrated during our most recent KENO Second Chance promotion. Between December 28 and New Year's Eve, the Lottery offered every non-winning KENO, KENO Bonus and KENO to Go ticket purchased during the promotional period a chance to win a second chance to win $2012.

We ran the same promotion during New Year's Eve weekend in 2011, except the prize was $2011. KENO sales during this year's promotion were $268,049, or 3 percent, less than sales in 2011.

KENO sales for the first two days of this year's promotion were 26 percent higher than the previous year's sales; however, sales fell behind following snowfall on December 29-30.

- 2011 KENO sales for the four days totaled $10,279,629
- 2012 KENO sales for the four days totaled $10,011,580

January 2013 Instant Ticket Release Sales

5X The Cash

Price Point: $1

3 Week Sales: $2,115,660

10X The Cash

Price Point: $2

3 Week Sales: $7,400,526

20X The Cash

Price Point: $5

3 Week Sales: $14,009,400

50X The Cash

Price Point: $10

3 Week Sales: $18,818,390

INSTANT GAMES

Advertising Impact: FY13 vs. FY12 Instant Tickets

January 2013 Instant Games: 3 week sales totals

$10	50X The Cash	$18,818,390
$5	20X The Cash	$14,009,400
$2	10X The Cash	$ 7,400,526
$1	5X The Cash	$ 2,115,660
TOTAL SALES:		**$42,343,976**

Advertising Investment: $150,450 (Radio - :10 & :15 spots running statewide 1/8 – 2/3; BostonHerald.com homepage dropdown ad running once a week for 3 week period)

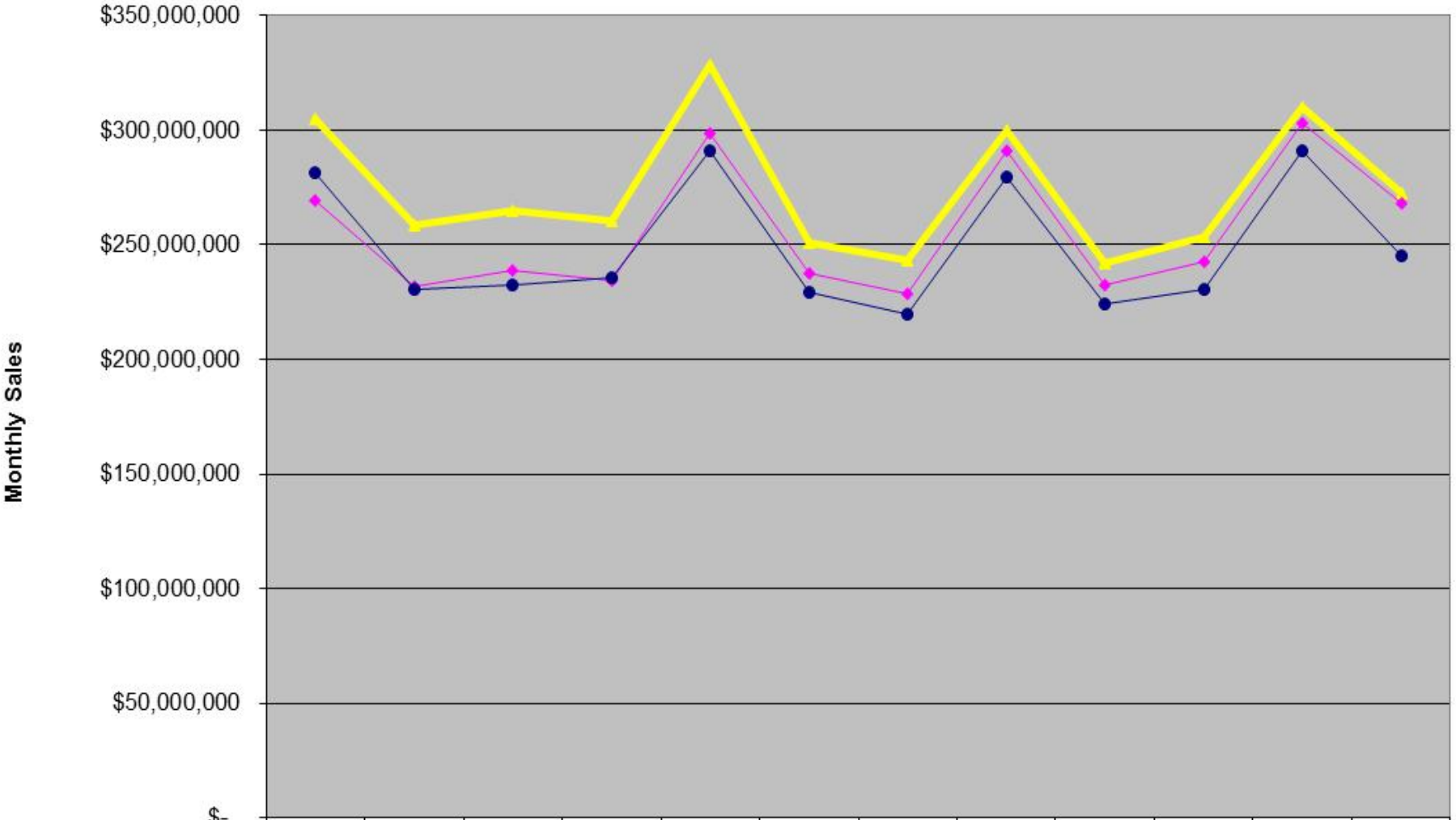
January 2012 Instant Games: 3 week sales totals

$5	Sizzling 7's	$12,438,610
$2	Money, Money, Money	$ 3,813,406
$2	Shamrock Tripler	$ 2,284,568
$1	In the Chips	$ 1,496,033
TOTAL SALES:		**$20,032,617**

Advertising Investment: $0

INSTANT GAMES

Instant Game Monthly Sales
January 10 thru December 12

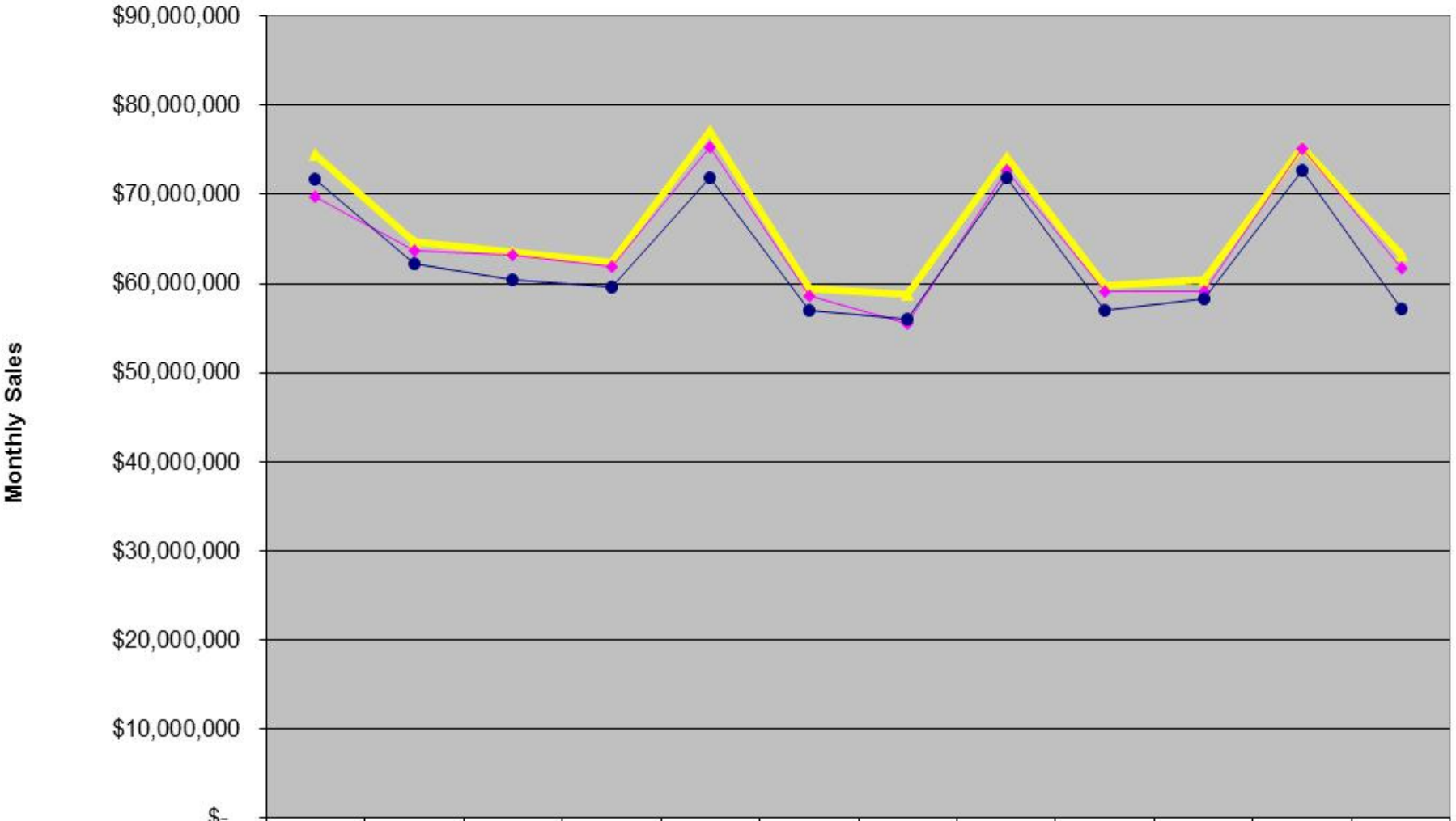


	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$304,922,07	$258,796,18	$265,035,53	$260,486,09	$328,476,22	$251,119,38	$242,954,61	$299,867,08	$242,270,66	$253,282,06	$310,008,68	$272,829,60
Jan11-Dec11 Monthly Sales	$269,511,06	$231,842,54	$238,933,61	$234,649,19	$298,916,07	$237,818,40	$228,848,53	$290,742,92	$232,227,72	$242,861,84	$303,379,35	$268,100,44
Jan10-Dec10 Monthly Sales	$281,620,02	$230,670,56	$232,736,74	$235,776,65	$290,738,59	$229,453,15	$219,634,23	$279,756,65	$224,154,31	$230,266,51	$290,680,77	$245,104,18

Month Ending

INSTANT GAMES

KENO Game Monthly Sales
January 10 thru December 12



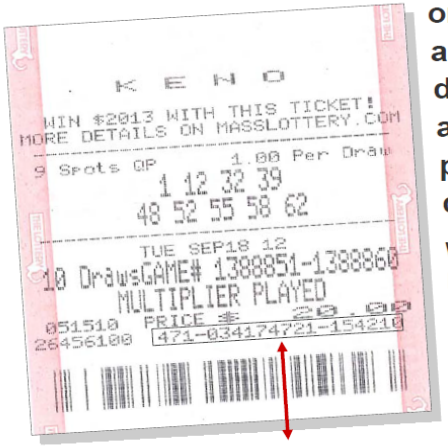
	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$74,466,681	$64,684,172	$63,579,007	$62,438,549	$77,066,745	$59,496,498	$58,834,238	$74,168,553	$59,776,650	$60,406,576	$75,360,152	$63,209,606
Jan11-Dec11 Monthly Sales	$69,753,994	$63,723,343	$63,268,022	$61,946,220	$75,374,599	$58,609,862	$55,511,595	$72,637,541	$59,167,172	$59,077,681	$75,178,823	$61,681,424
Jan10-Dec10 Monthly Sales	$71,790,468	$62,282,300	$60,463,763	$59,646,060	$71,815,309	$56,906,312	$56,082,403	$71,819,357	$56,939,601	$58,222,815	$72,659,946	$57,173,914

Month Ending

“It’s Time to Play” KENO Second Chance Promotion

PLAY KENO FOR A SECOND CHANCE TO WIN $2,013!

Starting February 3 through February 16, 2013, the Lottery will randomly pick two KENO tickets sold from each of the previous day’s non-winning tickets. Both tickets will each win $2,013. There will be 28 winning tickets in all. The $2,013 winning ticket numbers will be posted each day on masslottery.com after 10 a.m. Winning ticket numbers drawn for Friday, Saturday and Sunday dates will be posted on the next business day.



ticket number

Winning ticket holders must claim their prizes by March 15, 2013, at a Lottery regional office. Winning tickets must be claimed with proper identification.

THE LOTTERY masslottery.com

KENO

Attention KENO Agents!

SECRET SHOPPER PROMOTION

Win $100, and a Chance to Win an Extra $1,000!

Feb. 3 through Feb. 16, 2013

Starting Feb. 3 through Feb. 16, 2013, 200 KENO SALES Agents (with monitors) will be visited by a Lottery Secret Shopper. If any of your employees are wearing KENO tee-shirts or “It’s Time to Play” stickers and you have the poster (shown below) displayed, your business will win $100.

If any employee (not the business owner) is wearing a KENO tee-shirt or a “It’s Time to Play” sticker, that employee will win $100.

Once all the claim forms for the businesses and clerks who have won $100 each have been entered in to the Lottery’s system, from these, 10 Agents and 10 clerks will be randomly chosen to win an **extra $1,000** each! These Agents will also win an 18” neon-like KENO wall clock.

Agent prizes will be credited to their accounts. Employees’ prizes will be mailed to the addresses given by them on their claim forms in approximately three weeks.

poster

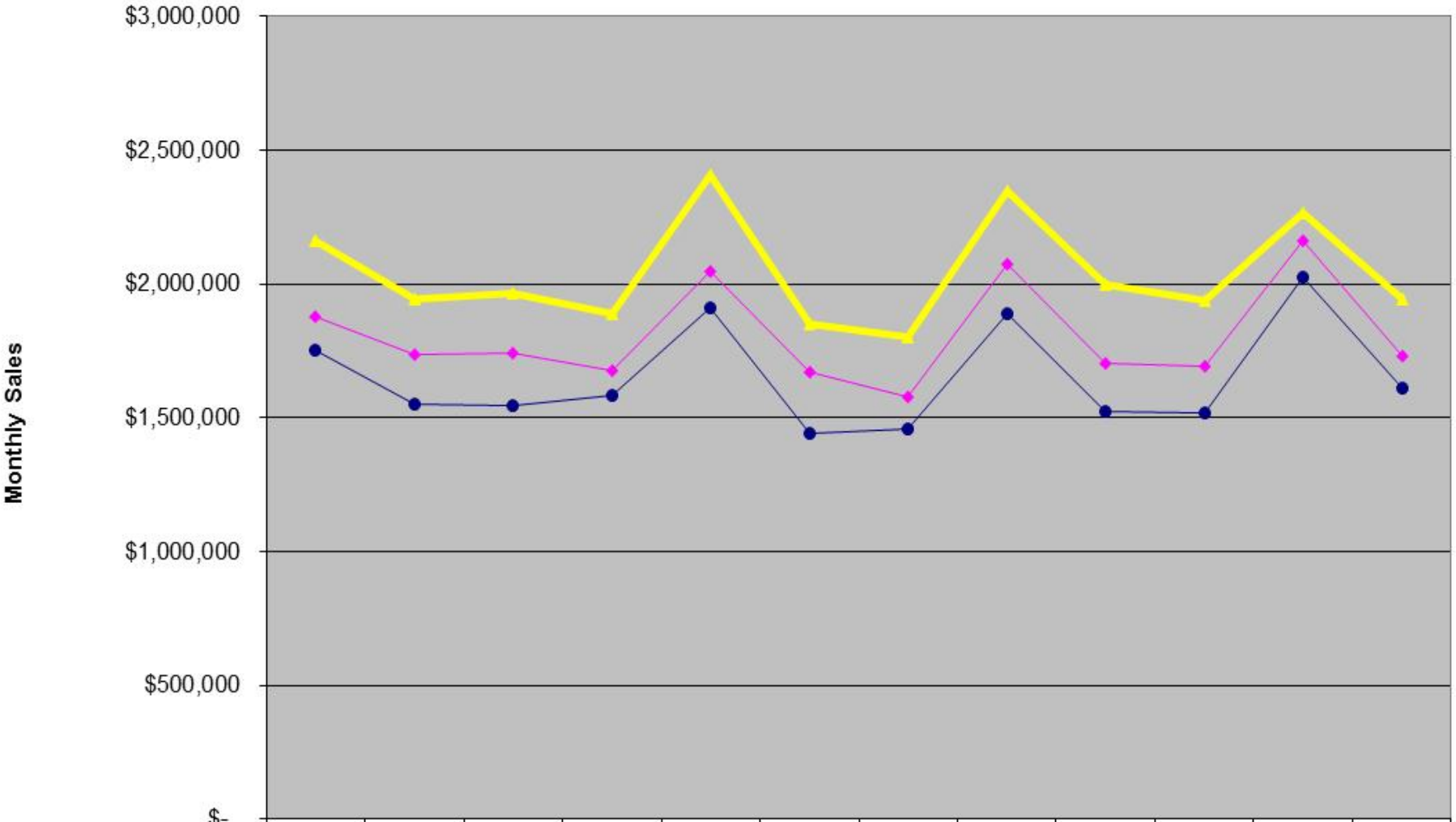
During this promotion, the Lottery will also be offering KENO players a second chance to win $2,013!

In addition to the “It’s Time to Play” tee-shirts, there will be other promotional items for you to use and give to your Lottery players.

available as 3” and 5” stickers

THE LOTTERY masslottery.com

Race Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$2,162,232	$1,941,576	$1,966,920	$1,889,649	$2,406,140	$1,847,873	$1,802,060	$2,345,349	$1,999,691	$1,938,989	$2,263,830	$1,941,072
Jan11-Dec11 Monthly Sales	$1,878,607	$1,736,019	$1,744,067	$1,676,092	$2,045,327	$1,671,117	$1,578,823	$2,072,780	$1,704,618	$1,693,344	$2,160,773	$1,733,166
Jan10-Dec10 Monthly Sales	$1,749,829	$1,547,939	$1,546,623	$1,582,824	$1,908,279	$1,439,126	$1,458,654	$1,890,989	$1,520,639	$1,517,425	$2,026,063	$1,608,235

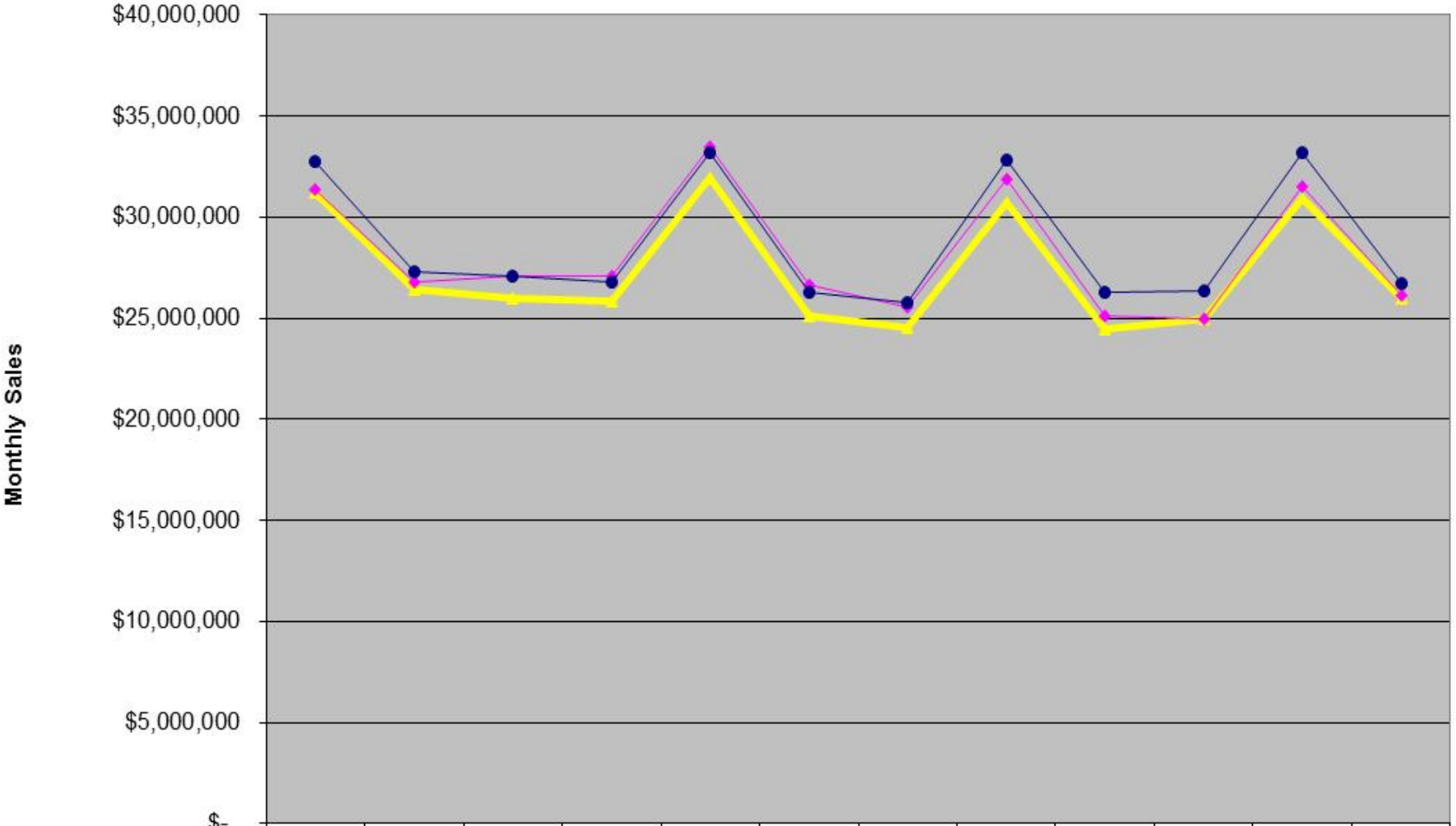
Month Ending

Lucky For Life Game Monthly Sales
January 10 thru December 12

	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$-	$-	$4,071,160	$4,378,852	$4,719,368	$3,614,020	$3,574,962	$4,303,958	$3,456,766	$3,171,370	$3,682,934	$3,074,782
Jan11-Dec11 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Jan10-Dec10 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-

Month Ending

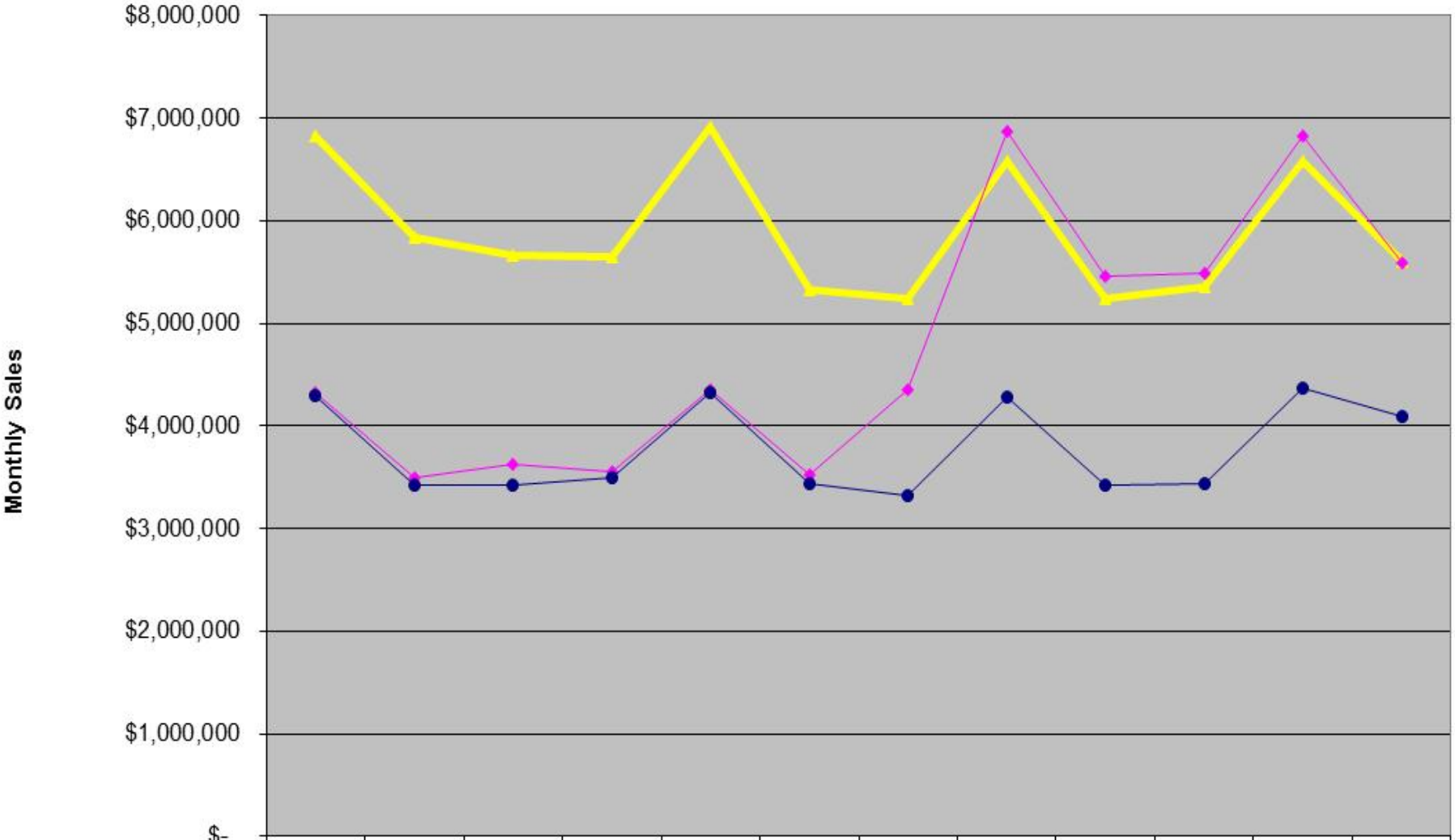
Numbers Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$31,223,074	$26,412,960	$25,986,016	$25,821,532	$31,954,317	$25,122,691	$24,550,515	$30,735,573	$24,467,660	$24,978,979	$30,897,851	$25,954,498
Jan11-Dec11 Monthly Sales	$31,355,851	$26,812,928	$27,063,003	$27,070,774	$33,498,382	$26,620,647	$25,548,523	$31,896,957	$25,134,513	$24,989,841	$31,502,648	$26,103,834
Jan10-Dec10 Monthly Sales	$32,764,621	$27,275,789	$27,076,648	$26,805,374	$33,217,899	$26,306,650	$25,780,080	$32,843,654	$26,268,575	$26,342,732	$33,189,633	$26,725,004

THE NUMBERS GAME

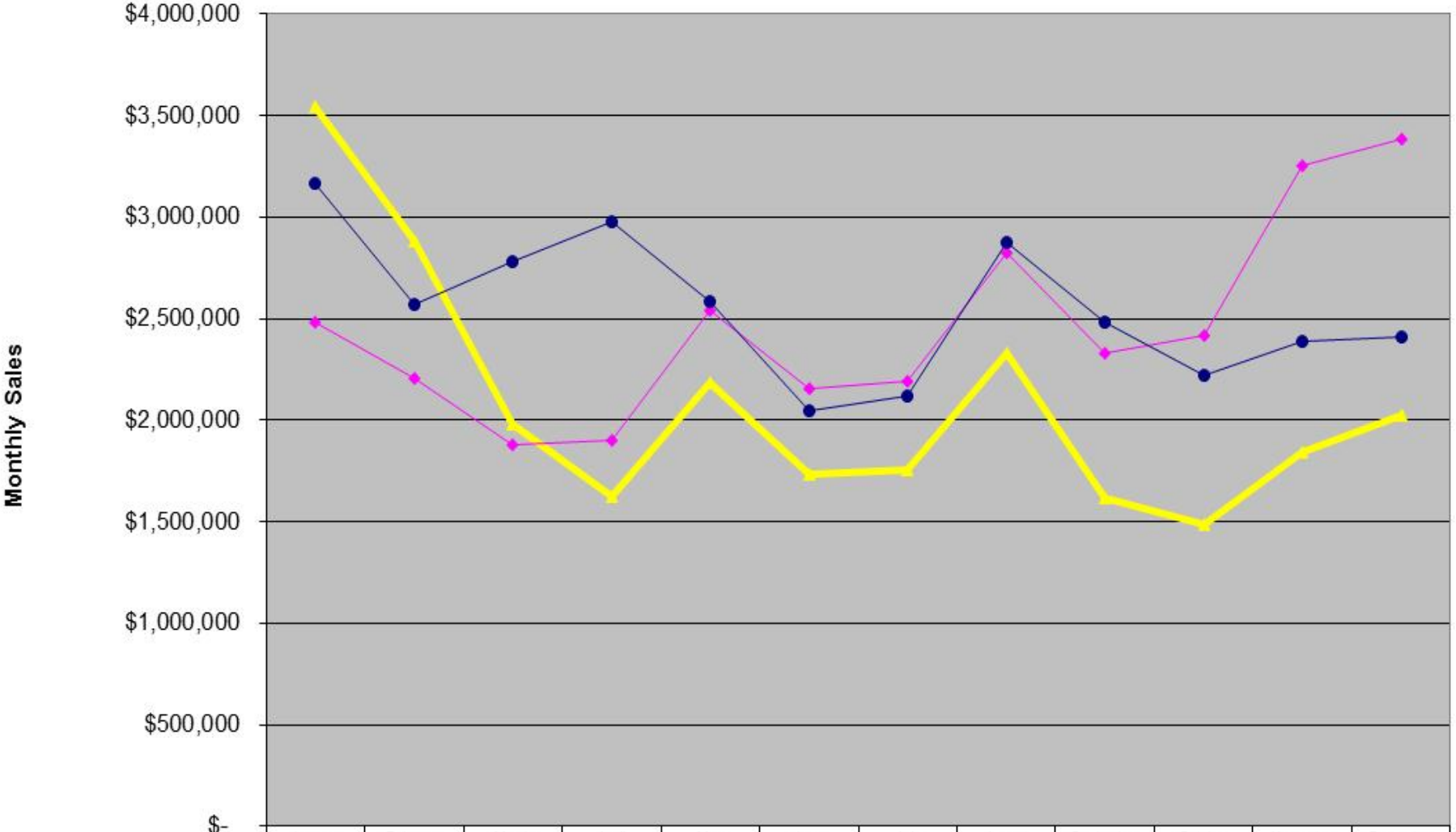
Mass Cash Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$6,820,344	$5,835,398	$5,665,639	$5,644,277	$6,913,184	$5,330,344	$5,240,615	$6,578,888	$5,246,274	$5,354,883	$6,585,156	$5,598,851
Jan11-Dec11 Monthly Sales	$4,317,543	$3,495,779	$3,618,711	$3,555,492	$4,356,496	$3,519,588	$4,354,434	$6,861,992	$5,461,313	$5,491,049	$6,829,977	$5,588,976
Jan10-Dec10 Monthly Sales	$4,289,568	$3,428,168	$3,417,708	$3,498,166	$4,324,139	$3,430,092	$3,325,644	$4,285,392	$3,420,098	$3,431,267	$4,373,524	$4,089,223

Month Ending

Megabucks Game Monthly Sales
January 10 thru December 12

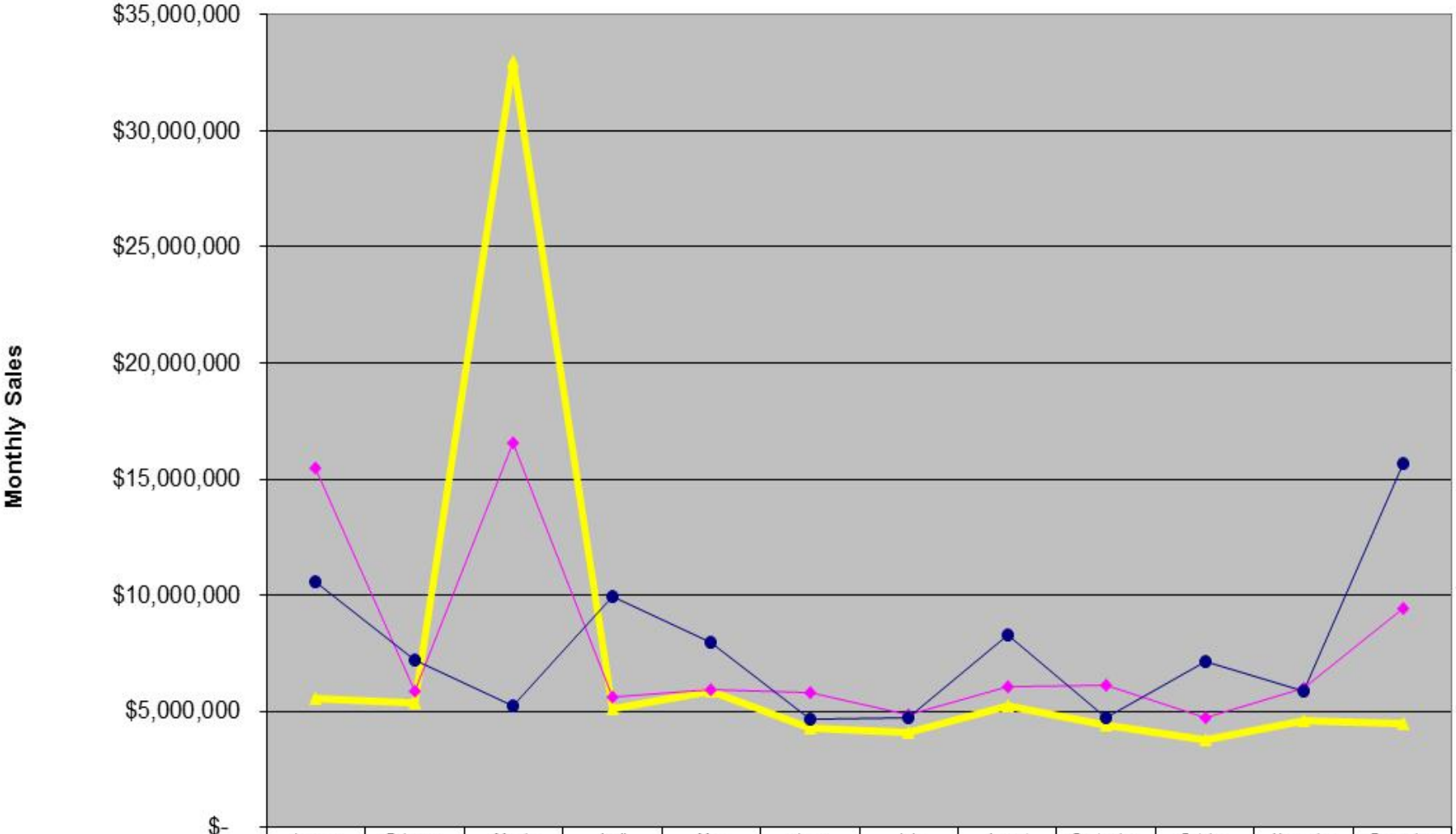


	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$3,540,270	$2,879,330	$1,980,570	$1,626,691	$2,186,470	$1,730,305	$1,754,484	$2,330,748	$1,616,040	$1,482,273	$1,843,099	$2,023,565
Jan11-Dec11 Monthly Sales	$2,481,937	$2,205,105	$1,878,503	$1,900,644	$2,538,472	$2,155,685	$2,194,423	$2,823,960	$2,327,303	$2,418,913	$3,249,651	$3,381,264
Jan10-Dec10 Monthly Sales	$3,165,619	$2,570,280	$2,776,858	$2,974,056	$2,584,907	$2,047,968	$2,120,276	$2,871,261	$2,485,109	$2,220,819	$2,389,826	$2,409,018

Month Ending

MEGA BUCKS DOUBLER

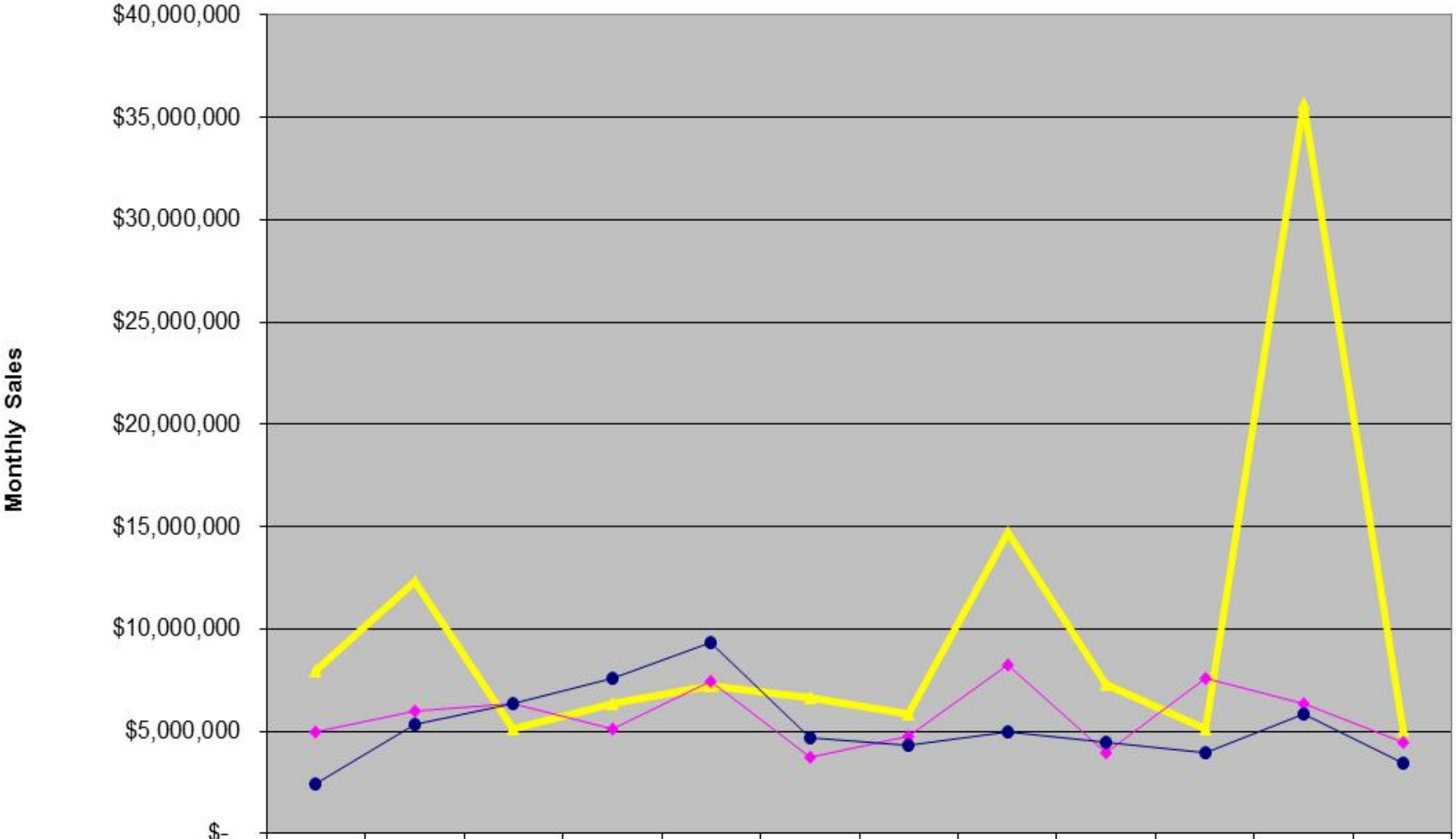
Mega Millions Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$5,561,441	$5,356,677	$32,974,064	$5,113,305	$5,867,252	$4,288,693	$4,070,293	$5,214,203	$4,408,529	$3,798,620	$4,622,314	$4,464,771
Jan11-Dec11 Monthly Sales	$15,471,338	$5,890,784	$16,576,585	$5,595,416	$5,916,940	$5,824,818	$4,881,039	$6,044,294	$6,093,254	$4,732,239	$5,999,489	$9,455,586
Jan10-Dec10 Monthly Sales	$10,591,247	$7,211,225	$5,249,310	$9,954,180	$7,945,979	$4,673,863	$4,738,152	$8,310,970	$4,721,634	$7,127,421	$5,863,271	$15,659,859

Month Ending

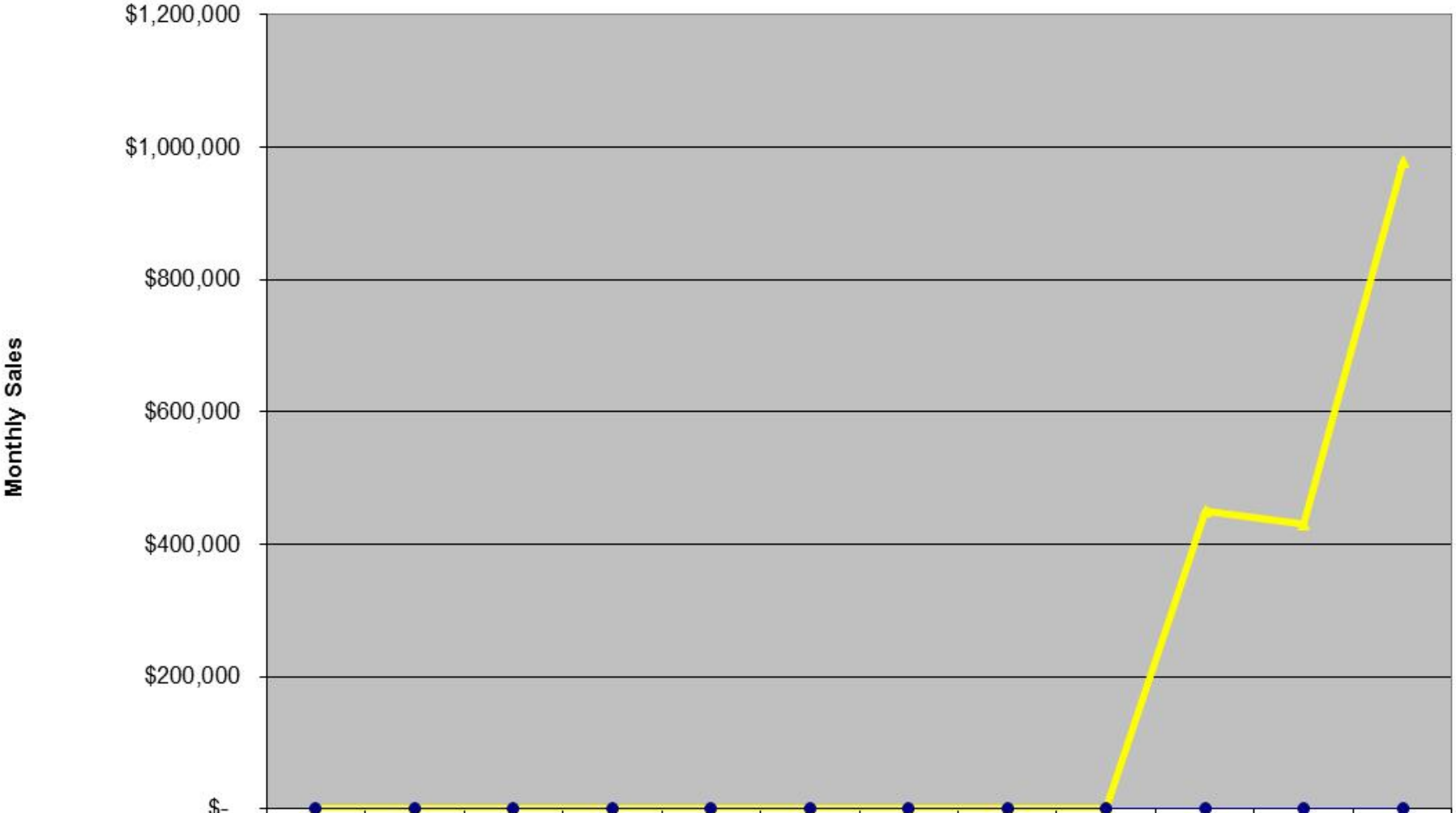
Powerball Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$7,978,580	$12,278,938	$5,144,580	$6,370,478	$7,234,375	$6,655,330	$5,871,261	$14,703,908	$7,305,907	$5,143,446	$35,640,312	$5,066,533
Jan11-Dec11 Monthly Sales	$4,937,356	$5,963,943	$6,366,434	$5,096,333	$7,405,291	$3,714,064	$4,759,451	$8,203,762	$3,960,797	$7,572,365	$6,321,130	$4,483,881
Jan10-Dec10 Monthly Sales	$2,412,639	$5,304,136	$6,340,930	$7,580,697	$9,356,699	$4,672,170	$4,325,348	$4,948,365	$4,464,904	$3,923,359	$5,870,310	$3,433,022

Month Ending

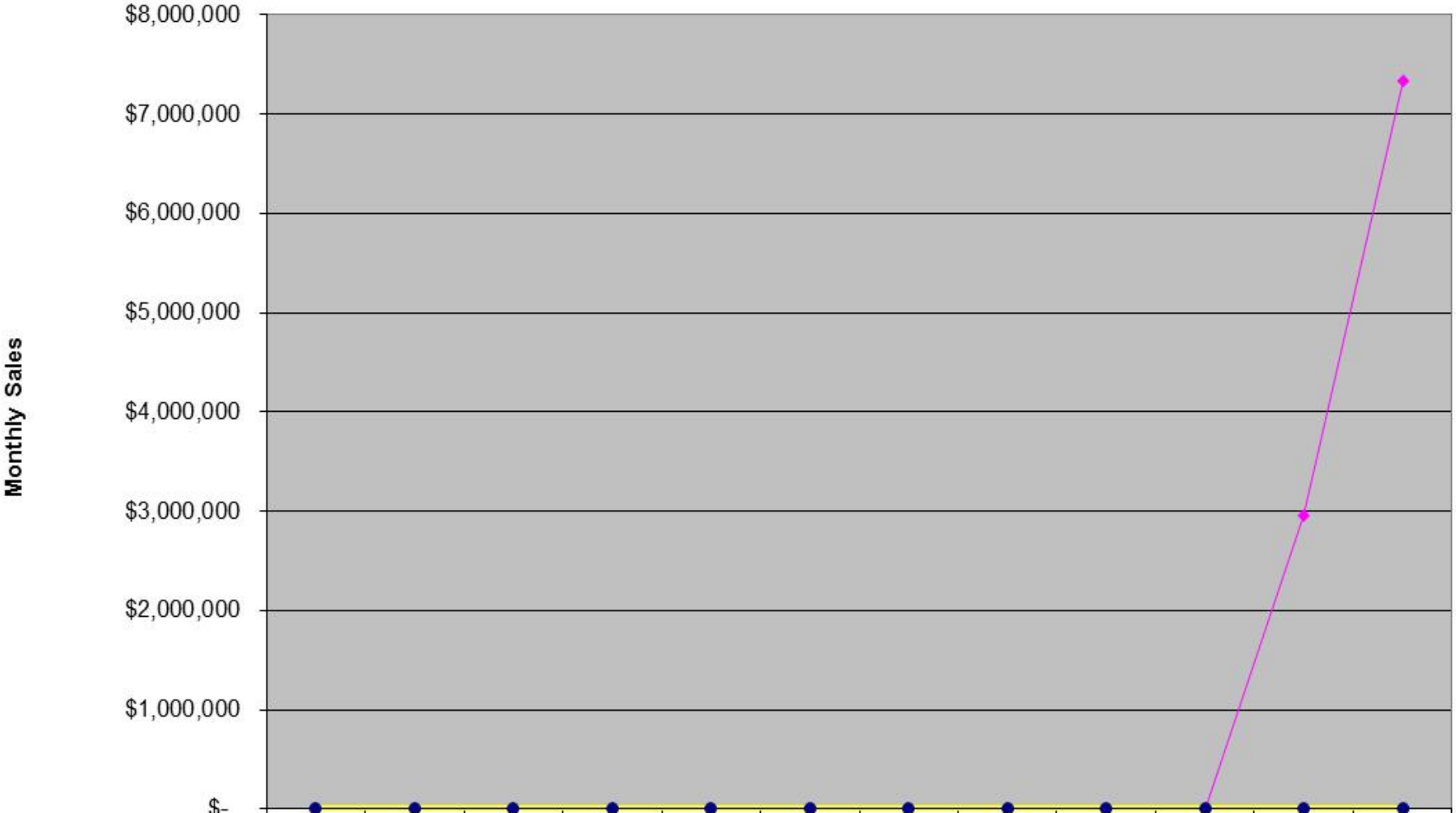
Super 50-50 Raffle Game Monthly Sales
October 12 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$449,110	$429,820	$977,930
Jan11-Dec11 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Jan10-Dec10 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-

Month Ending

Online Raffle Game Monthly Sales
November 11 thru December 11

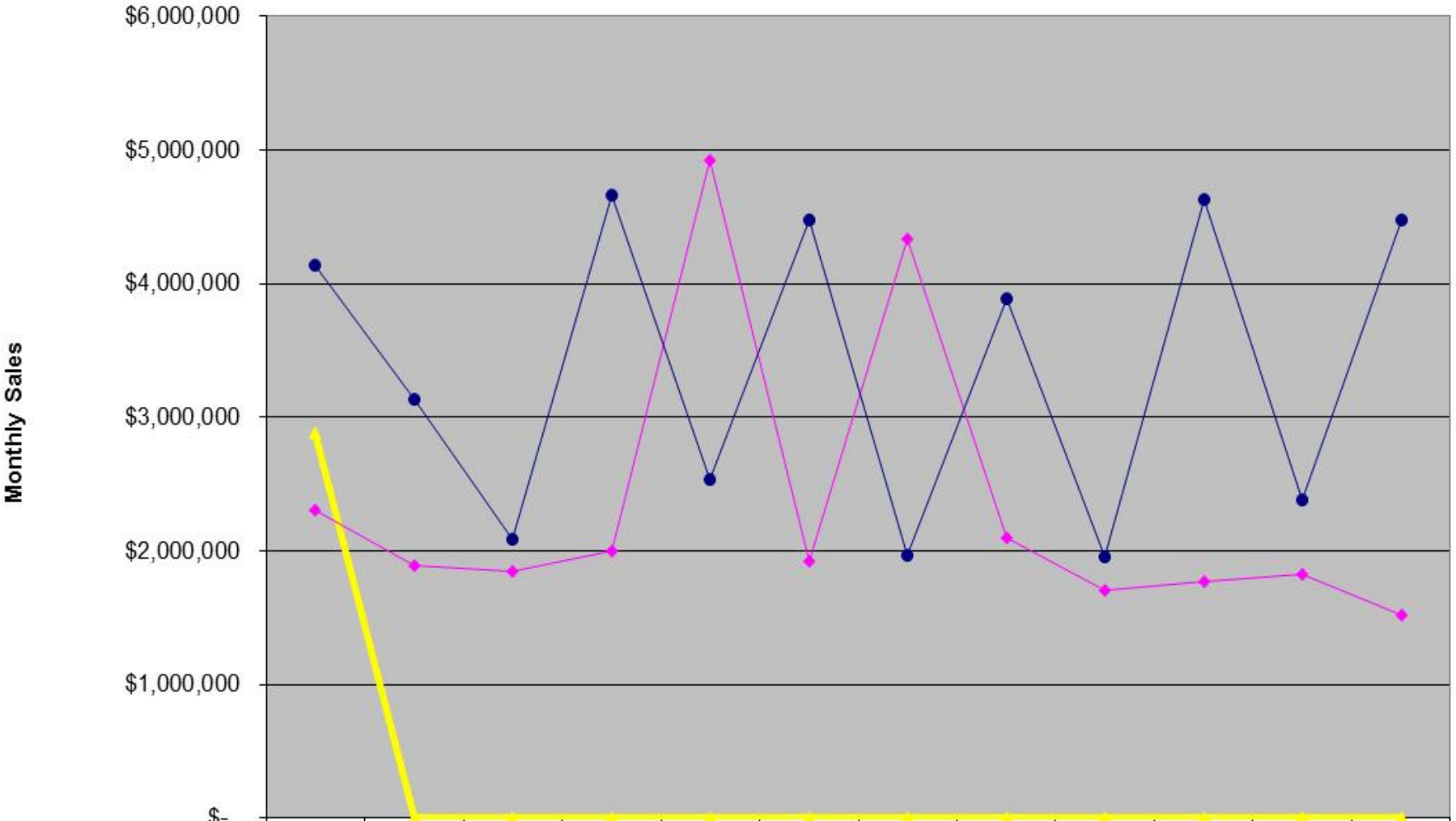


	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Jan11-Dec11 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$2,961,240	$7,333,940
Jan10-Dec10 Monthly Sales	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-

Month Ending

MASSACHUSETT$ $10 MILLION RAFFLE

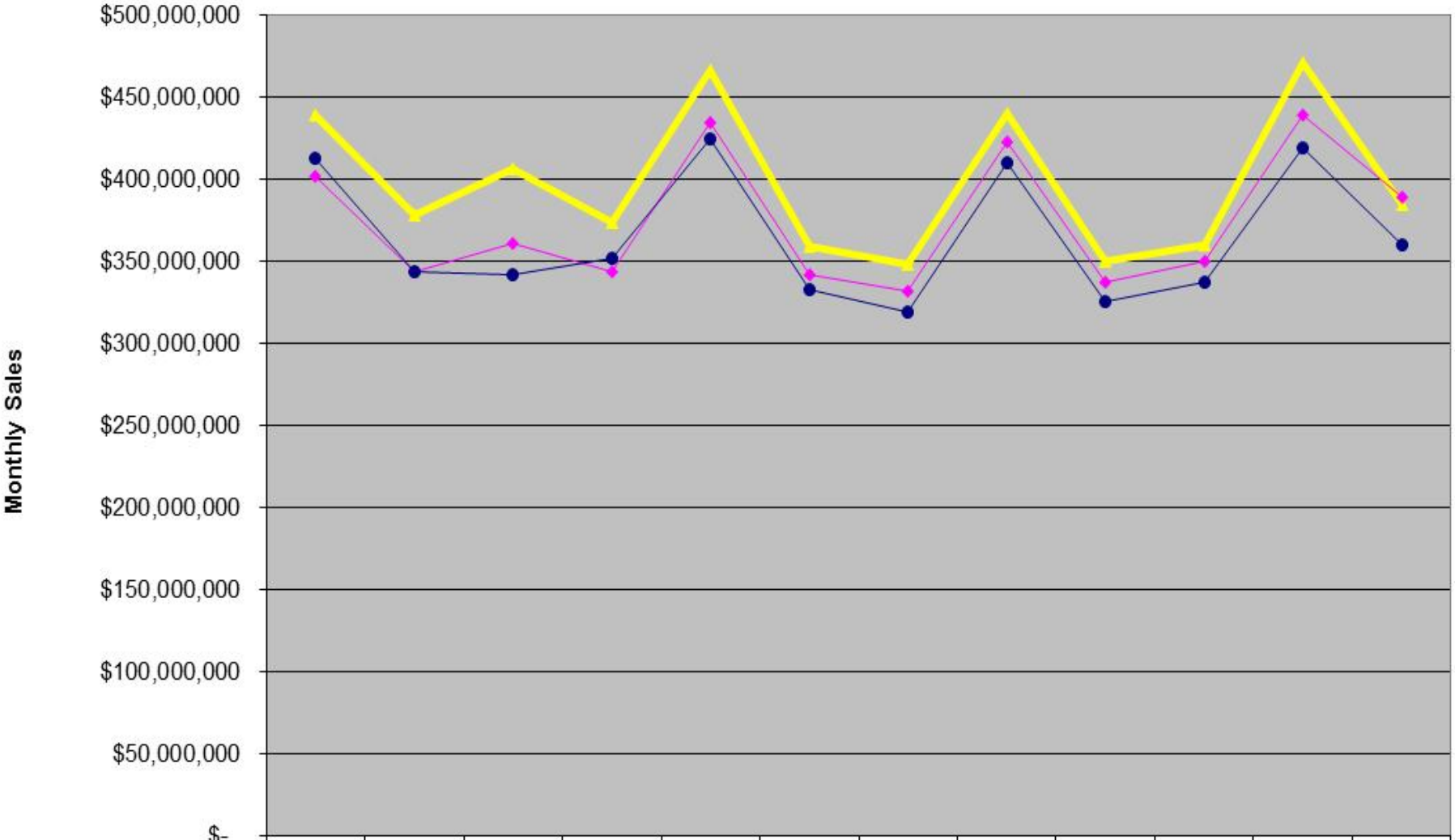
Cash Winfall Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$2,881,202	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Jan11-Dec11 Monthly Sales	$2,306,710	$1,894,620	$1,841,414	$1,999,702	$4,927,088	$1,924,326	$4,329,200	$2,100,832	$1,700,768	$1,772,788	$1,826,476	$1,518,634
Jan10-Dec10 Monthly Sales	$4,135,018	$3,135,552	$2,081,670	$4,665,288	$2,535,026	$4,472,720	$1,961,846	$3,889,326	$1,954,272	$4,633,496	$2,379,763	$4,470,730

Month Ending

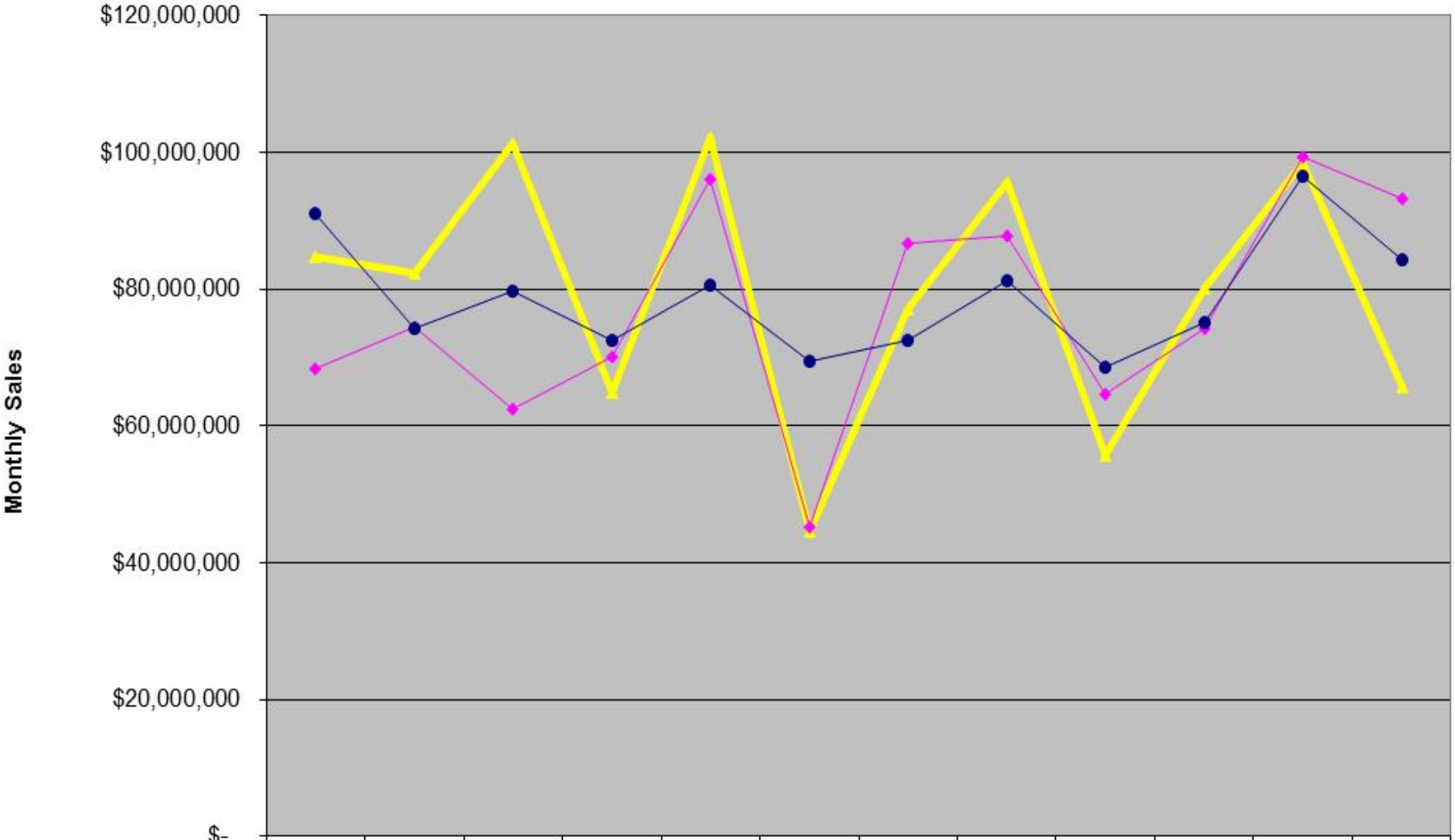
All Game Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$439,555,90	$378,185,23	$406,403,48	$373,769,43	$466,824,07	$359,205,13	$348,653,04	$440,248,26	$350,548,19	$360,006,31	$471,334,14	$385,141,21
Jan11-Dec11 Monthly Sales	$402,014,40	$343,565,06	$361,290,35	$343,489,86	$434,978,67	$341,858,51	$332,006,02	$423,385,04	$337,777,46	$350,610,08	$439,409,55	$389,381,14
Jan10-Dec10 Monthly Sales	$412,519,03	$343,425,95	$341,690,25	$352,483,29	$424,426,83	$333,402,05	$319,426,64	$410,615,96	$325,929,14	$337,685,84	$419,433,11	$360,673,19

Month Ending

Net Profit Monthly Sales
January 10 thru December 12



	January	February	March	April	May	June	July	August	September	October	November	December
Jan12-Dec12 Monthly Sales	$84,691,278	$82,308,062	$101,260,15	$64,761,884	$102,125,17	$44,615,500	$77,166,925	$95,717,106	$55,661,146	$80,090,803	$98,530,009	$65,816,994
Jan11-Dec11 Monthly Sales	$68,451,086	$74,453,739	$82,358,850	$70,068,974	$96,061,179	$45,144,893	$86,577,862	$87,865,153	$64,635,311	$74,241,696	$99,423,933	$93,223,593
Jan10-Dec10 Monthly Sales	$91,013,172	$74,327,054	$79,642,387	$72,512,247	$80,526,096	$69,536,040	$72,478,314	$81,224,432	$68,594,914	$75,070,321	$96,430,121	$84,170,140

Month Ending

MSLC Revenue Results

December FY13 vs. FY12

($ millions)

Through December 29, 2012

	FY13	% of Total	FY12	% of Total	$ Change	% Change
Instant Tickets	$273	70.8%	$268	68.9%	$5	1.8%
MegaMillions	4	1.2%	9	2.4%	-5	-52.8%
Powerball	5	1.3%	4	1.2%	1	13.8%
Keno	63	16.4%	62	15.8%	2	2.5%
Mass Cash	6	1.5%	6	1.4%	0	0.2%
Race Game	2	0.5%	2	0.4%	0	11.8%
Lucky For Life	3	0.8%	0	0.0%	3	100.0%
Cash WinFall	0	0.0%	2	0.4%	-2	-100.0%
Numbers Game	26	6.7%	26	6.7%	0	-0.6%
Online Raffle	0	0.0%	7	1.9%	-7	-100.0%
Super 50-50 Raffle	1	0.3%	0	0.0%	1	100.0%
Megabucks	2	0.5%	3	0.9%	-1	-41.2%
Total	$385	100.0%	$389	100.0%	-$4	-1.1%

Instant Tickets	$273	70.8%	$268	68.9%	$5	1.8%
Online Games	112	29.2%	121	31.1%	-9	-7.4%
Total	$385	100.0%	$389	100.0%	-$4	-1.1%

MSLC Revenue Results

Year-to-Date FY13 vs. FY12

($ millions)

Through December 29, 2012

	FY13	% of Total	FY12	% of Total	$ Change	% Change
Instant Tickets	$1,621	68.8%	$1,566	68.9%	$55	3.5%
MegaMillions	27	1.1%	37	1.6%	-11	-28.5%
Powerball	74	3.1%	35	1.6%	38	108.8%
Keno	392	16.6%	383	16.9%	9	2.2%
Mass Cash	35	1.5%	35	1.5%	0	0.0%
Race Game	12	0.5%	11	0.5%	1	12.4%
Lucky For Life	21	0.9%	0	0.0%	21	100.0%
Cash WinFall	0	0.0%	13	0.6%	-13	-100.0%
Numbers Game	162	6.9%	165	7.3%	-4	-2.2%
Online Raffle	0	0.0%	10	0.5%	-10	0.0%
Super 50-50 Raffle	2	0.1%	0	0.0%	2	100.0%
Megabucks	11	0.5%	16	0.7%	-5	-32.3%
Total	$2,356	100.0%	$2,273	100.0%	$83	3.7%

Instant Tickets	$1,621	68.8%	$1,566	68.9%	$55	3.5%
Online Games	735	31.2%	706	31.1%	28	4.0%
Total	$2,356	100.0%	$2,273	100.0%	$83	3.7%

Building Lease Renewals

Operations will be working on the following building lease renewals this year:

- **New Bedford**: Lease ends September 30, 2013. This is a DCAM standard 5 year renewal. Beginning date of lease was October 1, 2008. The building is a total of 16,994 sq. ft. comprised of a mix of office and warehouse space. Current rate is $12.05 per sq. ft. DCAM's strategy is to seek a rate reduction and settle for no increase for the next 5 years. There is Legislative approval in place that will allow the Lottery to extend an additional 5 years until September 30, 2023.
- **Springfield:** Lease ends May 31, 2014. This is the end of a second 5 year extension from the original 5 years. The building is a total of 6,127 sq. ft. comprised of a mix of office and warehouse space. The current rate is $11.88 per sq. ft. As with New Bedford, there is Legislative approval to renew another 5 years.
- **Braintree:** Lease is at the end of a second 5 year extension which expires on January 31, 2015. The Lottery must seek Legislative approval to renew. An internal meeting was held reviewing all of the unique systems that have been put in place over the last 20 years to ensure reliable business functions to guarantee a successful operation of the magnitude of a Fortune 500 company.
  Next steps:

  - DCAM will conduct a market analysis of current local real estate economic conditions for a building with similar characteristics.
  - A DCAM Form 1 will be initiated which summarizes pertinent building data.
  - Estimated pricing is being sought to determine costs to replicate all the business functions, consider construction costs, relocation costs, etc.
  - A second internal meeting will be scheduled along with DCAM to review preliminary data and strategize how best to proceed; seek approval to renew, acquisition of building, or go out to bid. This should be completed by end of February.

Data Network RFR

- MIS and Operations are in the planning stages of developing an RFR for the data network that manages/support the Lottery's "online" wagering operation (the statewide terminal system currently in place).

- We have Commission approval to operate under the current contract with Verizon until December 31, 2013. The contract has available an additional two years until December 31, 2015.

- The Departments held an initial RFR meeting on January 24 to begin the process of replacing this contract. The timeline to select a vendor is by November 2013, so that we can seek Commission approval in December. At that time, we can also present a plan to convert all 7,400+ agents.

Lottery Reform Scorecard

Governance

- The Lottery, as required by a recent amendment to its enabling legislation (G.L. c. 10, § 26A), will be posting on its website the monthly Executive Director's Reports presented to the Commission, along with the Revenue Letters submitted to Legislative/Administration leadership, as part of the Lottery's Performance Management and Innovation Initiative.

- The Lottery will commence its online ethics trainings as required by statute over the next month. This training follows extensive training required to implement the Self-Serve Time and Attendance Program for improved, online time recordkeeping.

Operations

- The Lottery has completed distribution of its newly adopted Manual for Sales Agents to the Lottery's 7,400+ partners/retailers.

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.