



# Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG  
*Treasurer and Receiver General*

MICHAEL R. SWEENEY  
*Executive Director*

November 20, 2017

His Excellency Charlie Baker  
Governor, Commonwealth of Massachusetts  
State House  
Boston, MA 02133

Dear Governor Baker:

In compliance with the provisions of Chapter 10 Section 24 of the Massachusetts General Laws, attached please find the Statement of Operations for the Massachusetts State Lottery Commission for the month of October 2017.

Please note that we have changed the format of the Statement of Operations and included a summary report to provide a more representative description and comparison of the current fiscal year results over the prior fiscal year.

Sincerely,

Michael R. Sweeney  
Executive Director

cc: Deborah B. Goldberg  
Treasurer and Receiver General



*Supporting the 351 Cities and Towns of Massachusetts*

# Governor's Report MSLC Statement of Operations

October, 2017

## Comments / Observations

YTD amounts for October, 2017 (includes 7/1/17 – 10/28/17) have one (1) less day of activity \* than the YTD amounts for October, 2016 (7/1/16 – 10/29/16).

	<u>Statement of Operations</u>	<u>Adjusted (+1 day) **</u>
• Instant Games sales	up 0.4% / \$4.1M	up 1.2% / \$13.6M
• Draw Games + KENO sales***	up 4.2% / \$21.6M	up 5.1% / \$26.1M
• Total Revenues	up 1.6% / \$25.6M	up 2.4% / \$39.6M
• Prize Payout %	72.0% <i>(compared to 71.9% at October, 2016)</i>	72.0%
• Prizes (Paid)	<b>up 1.6% / \$19.5M</b>	<b>up 2.5% / \$29.6M</b>
• Agent Commissions %	<b>up 1.6% / \$1.3M</b>	<b>up 2.4% / \$2.0M</b>
• Agent Bonuses	down 1.4% / \$0.2M	down 0.6% / \$0.1M
• Administrative Expenses	<b>up 4.1% / \$1.0M</b>	<b>up 5.0% / \$1.2M</b>
• Net Profit	up 1.2% / \$4.0M	up 2.0% / \$6.9M

**Red – Reduces profit vs. prior year**

\*

**Black – Increases profit vs. prior year**

\* The Lottery operates on a weekly (not monthly) close schedule. There are 12 accounting periods in a fiscal year; eight (8) periods have 4 weeks and four (4) periods have five (5) weeks. Because the calendar changes each year, the accounting period for one year does not align with the comparable accounting period for the previous year. The amount of “misalignment” changes from year to year. For the month of October 2017, Fiscal Year 2017, the misalignment is one (-1) day.

\*\* See attached “Adjusted” MSLC Statement of Operations dated October, 2017

\*\*\* Draw Games + KENO sales was previously referred to as Online Game Sales. The change was made to provide a better description of what the games sales actually represent. Draw Games + KENO refers to games that have a drawing to select winning numbers. The Draw Games include The Numbers Game, Mega Millions, Powerball, Mass Cash, Lucky for Life and Megabucks. KENO also includes Jackpot Poker and All or Nothing.

Massachusetts State Lottery Commission  
Statement of Operations  
Lottery and Arts Lottery Funds  
October, 2017  
(\$'000's)

17-Nov-17

	October, 2017		Year-to-Date FY2018		Period Close Sales Adj (+1 day)		Adjusted Year-to-Date FY2018		Year-to-Date FY2017		\$ Change		Adjusted \$ Change		% Change		Adjusted % Change	
		%		%		%		%		%		%		%		%		%
<b>Revenues</b>																		
Instant Games	265,574	69.1%	1,140,896	68.0%	9,507	1.150,403	68.0%	1,136,811	68.8%	4,084	13,592	0.4%	1,206	1.2%	14,876	14.0%	1,206	1.2%
MegaMillions	3,057	0.8%	22,400	1.3%	187	22,586	1.3%	26,276	1.6%	-3,876	-3,690	-14.8%	-3,690	-14.0%	14,756	39.1%	14,756	39.1%
Powerball	6,204	1.6%	53,624	3.2%	447	54,071	3.2%	38,868	2.4%	14,756	15,203	0.1%	15,203	0.1%	-812	-0.8%	15,203	0.1%
Numbers Game	24,881	6.5%	105,570	6.3%	880	106,450	6.3%	106,382	6.4%	-812	678	0.3%	678	0.3%	354	1.4%	678	0.3%
Mass Cash	6,264	1.6%	26,321	1.6%	219	26,540	1.6%	25,967	1.6%	573	573	0.0%	573	0.0%	18,837	6.6%	18,837	6.6%
Keno	73,032	19.0%	305,860	18.2%	2,549	308,409	18.2%	287,023	17.4%	18,385	21,385	6.6%	21,385	7.5%	-7,260	-2.6%	21,385	7.5%
All or Nothing	699	0.2%	3,532	0.2%	29	3,561	0.2%	10,792	0.7%	-7,231	-7,231	100.0%	-7,231	100.0%	130	0.4%	130	0.4%
Lucky for Life	1,877	0.5%	8,113	0.5%	68	8,181	0.5%	8,243	0.5%	-62	-62	-1.6%	-62	-1.6%	-21	-0.3%	-21	-0.3%
Charity Game Tickets	130	0.0%	544	0.0%	5	549	0.0%	565	0.0%	-21	-16	-3.7%	-16	-2.9%	-21	-3.7%	-21	-3.7%
Beano Tax (2/5)	43	0.0%	174	0.0%	1	175	0.0%	183	0.0%	-9	-8	-5.0%	-8	-4.2%	-6	-2.4%	-6	-2.4%
License Fees	50	0.0%	229	0.0%	2	231	0.0%	235	0.0%	-4	-4	-2.4%	-4	-1.6%	-1	-0.4%	-1	-0.4%
Pull Tabs	20	0.0%	39	0.0%	0	39	0.0%	40	0.0%	-1	-1	-2.6%	-1	-2.6%	-35	-4.9%	-35	-4.9%
Bond Fees and Fines	163	0.0%	691	0.0%	6	697	0.0%	726	0.0%	-29	-29	-4.9%	-29	-4.1%	-31	-4.1%	-31	-4.1%
Service Fees	433	0.1%	1,854	0.1%	15	1,869	0.1%	1,885	0.1%	-16	-16	-1.7%	-16	-0.8%	-219	-3.0%	-219	-3.0%
Megabucks	1,639	0.4%	7,028	0.4%	59	7,086	0.4%	7,247	0.4%	-219	-161	-3.0%	-161	-2.2%	-2	-0.0%	-2	-0.0%
Miscellaneous Income	0	0.0%	5	0.0%	0	5	0.0%	6	0.0%	-2	-2	-26.8%	-2	-26.1%	0	0.0%	0	0.0%
Interest	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Subtotal Revenues</b>	<b>384,068</b>	<b>100.0%</b>	<b>1,676,879</b>	<b>100.0%</b>	<b>13,974</b>	<b>1,690,853</b>	<b>100.0%</b>	<b>1,651,253</b>	<b>100.0%</b>	<b>25,626</b>	<b>39,600</b>	<b>1.6%</b>	<b>39,600</b>	<b>2.4%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Subtotal Prizes</b>	<b>284,551</b>	<b>74.1%</b>	<b>1,207,552</b>	<b>72.0%</b>	<b>10,063</b>	<b>1,217,615</b>	<b>72.0%</b>	<b>1,188,034</b>	<b>71.9%</b>	<b>19,519</b>	<b>29,581</b>	<b>1.6%</b>	<b>29,581</b>	<b>2.5%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Operating Expenses</b>																		
Commissions	19,142	5.0%	83,575	5.0%	696	84,272	5.0%	82,262	5.0%	1,313	2,010	1.6%	2,010	2.4%	-173	-0.5%	-173	-0.5%
Bonuses	2,799	0.7%	12,343	0.7%	103	12,446	0.7%	12,516	0.8%	-173	-70	-1.4%	-70	-0.5%	1,140	1.2%	1,140	1.2%
<b>Subtotal Operating Expenses</b>	<b>21,941</b>	<b>5.7%</b>	<b>95,918</b>	<b>5.7%</b>	<b>799</b>	<b>96,718</b>	<b>5.7%</b>	<b>94,778</b>	<b>5.7%</b>	<b>1,140</b>	<b>1,940</b>	<b>1.2%</b>	<b>1,940</b>	<b>2.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Operating Revenue</b>	<b>77,576</b>	<b>20.2%</b>	<b>373,408</b>	<b>22.3%</b>	<b>3,112</b>	<b>376,520</b>	<b>22.3%</b>	<b>368,441</b>	<b>22.3%</b>	<b>4,967</b>	<b>8,079</b>	<b>1.3%</b>	<b>8,079</b>	<b>2.2%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Administrative Expenses</b>																		
Salaries	2,572	0.7%	10,794	0.6%	90	10,884	0.6%	10,612	0.6%	182	272	1.7%	272	2.6%	577	157.2%	577	157.2%
Advertising	128	0.0%	944	0.1%	8	952	0.1%	567	0.0%	-27	585	43.9%	585	43.9%	-27	-4.3%	-27	-4.3%
Equip Rental	9	0.0%	35	0.0%	0	35	0.0%	62	0.0%	-27	-27	-43.5%	-27	-43.5%	796	856	796	856
Admin/Facilities	1,039	0.3%	7,238	0.4%	60	7,298	0.4%	6,442	0.4%	856	856	12.4%	856	13.3%	48	4.3%	48	4.3%
Facilities Rental	288	0.1%	1,161	0.1%	10	1,170	0.1%	1,112	0.1%	58	58	5.2%	58	5.2%	-497	-23.0%	-497	-23.0%
Telephone	535	0.1%	1,662	0.1%	14	1,676	0.1%	2,159	0.1%	-483	-483	-17.3%	-483	-17.3%	302	19.0%	302	19.0%
Travel	3	0.0%	8	0.0%	0	8	0.0%	10	0.0%	-2	-2	-18.0%	-2	-17.3%	57	20.0%	57	20.0%
Employee Benefits	163	0.0%	360	0.0%	3	363	0.0%	362	0.0%	1	60	19.0%	60	19.0%	-77	-28.2%	-77	-28.2%
Off/Other Equipment	25	0.0%	197	0.0%	2	198	0.0%	274	0.0%	-77	-75	-27.6%	-75	-27.6%	516	347.3%	516	347.3%
Postage & Freight	109	0.0%	664	0.0%	6	670	0.0%	148	0.0%	84	521	11.6%	521	11.6%	84	10.7%	84	10.7%
Maintenance	98	0.0%	869	0.1%	7	876	0.1%	785	0.0%	91	91	38.8%	91	38.8%	-670	-38.9%	-670	-38.9%
Professional Services	304	0.1%	1,057	0.1%	9	1,066	0.1%	1,726	0.1%	-670	-661	-9.7%	-661	-9.7%	-1	-0.1%	-1	-0.1%
Other	0	0.0%	12	0.0%	0	12	0.0%	13	0.0%	-1	-1	-63.5%	-1	-63.5%	10	7.8%	10	7.8%
Vehicles	0	0.0%	0	0.0%	0	0	0.0%	-1	0.0%	1	1	6.9%	1	6.9%	5	100.0%	5	100.0%
Building Improvements	43	0.0%	158	0.0%	1	160	0.0%	148	0.0%	10	12	7.8%	12	7.8%	0	0.0%	0	0.0%
Prior Year Adjustments	0	0.0%	0	0.0%	0	0	0.0%	5	0.0%	-5	-5	100.0%	-5	100.0%	0	0.0%	0	0.0%
Fringe Benefit Alloc.	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Subtotal Admin. Expenses</b>	<b>5,317</b>	<b>1.4%</b>	<b>25,157</b>	<b>1.5%</b>	<b>210</b>	<b>25,366</b>	<b>1.5%</b>	<b>24,164</b>	<b>1.5%</b>	<b>993</b>	<b>1,202</b>	<b>4.1%</b>	<b>1,202</b>	<b>5.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Net Profit Before Distributions</b>	<b>72,259</b>	<b>18.8%</b>	<b>348,251</b>	<b>20.8%</b>	<b>2,902</b>	<b>351,153</b>	<b>20.8%</b>	<b>344,277</b>	<b>20.8%</b>	<b>3,975</b>	<b>6,877</b>	<b>1.2%</b>	<b>6,877</b>	<b>2.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>

Notes to Financial Statement:  
1 Year-to-Date amounts have been adjusted for prize accruals.  
2 Year-to-Date amounts for FY 2018 (7/1/17-10/28/17) include one (1) less day of activity over FY2017 (7/1/16-10/29/16). For comparative purposes, one (1) additional day of revenue in FY18 would total approximately \$14.0 million, increasing revenues to \$1.690 billion, resulting in a \$39.6 million or 2.4% change over FY17. One (1) additional day of revenue would increase net profit by approximately \$2.9 million to \$351.2 million, resulting in a \$6.9 million or 2.0% change over FY17.  
3 Administrative Expenses reflect the costs against the Lottery's General Fund Accounts appropriated in the annual budget (General Appropriation Act). The costs against these accounts are broken down by type of expenditures based upon the object classes and object codes contained in the Expenditure Classification Handbook used in all accounting for expenditures under the Massachusetts Management Accounting and Reporting System (MMARS).