



2018-2019 —
**ANNUAL
REPORT**



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CONTRIBUTIONS TO EDUCATION

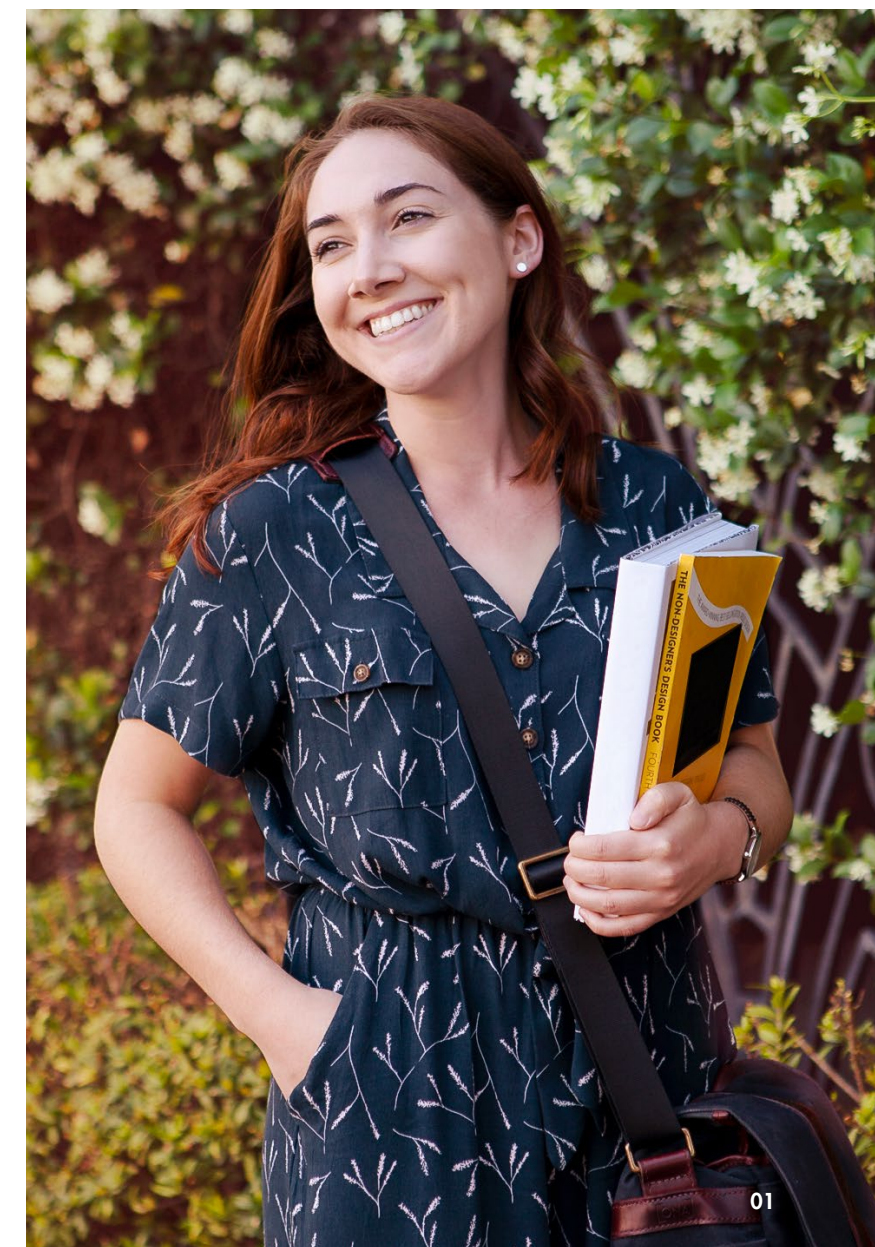
Building Brighter Futures for Florida Families

This year, the Florida Lottery celebrated 31 years of enhancing education funding to make a difference in the lives of Florida families and students. Fiscal year 2018-19 marked another milestone year as the Lottery contributed more than \$1.9 billion to the state's Educational Enhancement Trust Fund (EETF), bringing the total amount generated for education to more than \$35 billion. Additionally, fiscal year 2018-19 marked the seventeenth consecutive year the Lottery contributed more than \$1 billion to the state's EETF.

The impact of the Lottery flows from community to community in all of Florida's 67 counties, and at every level from K-12 to state colleges and universities.

The Florida Lottery is proud to be the primary funding source for the Bright Futures Scholarship Program. Since its inception in 1997, Bright Futures has remained committed to assisting Florida's best and brightest as they pursue their academic goals at state colleges and universities. To date, more than \$6.2 billion in Lottery funds has helped more than 840,000 students pursue their academic goals by attending one of Florida's colleges or universities.

The Florida Lottery is honored to play a role in helping the students of our state build a foundation to achieve their dreams. Every time someone plays the Florida Lottery, it's a win for education.





MESSAGE FROM THE **SECRETARY**

Dear Colleagues and Friends,

I am pleased to present the Florida Lottery's fiscal year 2018-19 Annual Report.

In keeping with our mission of maximizing revenues for the enhancement of public education in Florida, we are extremely proud to have celebrated another record year for education contributions. This year, the revenue generated for education reached an unprecedented \$1.9 billion, marking the 17th consecutive year that the Florida Lottery has contributed more than \$1 billion to Florida's education system and enabling us to surpass \$35 billion in total education contributions since 1988.

These remarkable contributions were made possible thanks to our \$7.15 billion record-breaking sales year.

Under the leadership of Governor DeSantis and the Florida Legislature, and with the continued support of our players, dedicated retail partners, and employees, the future looks bright for the Florida Lottery and Florida's students and schools.

With all good wishes,

PRODUCT **DEVELOPMENT**

Terminal Games

In August 2018, the evening draw time for the PICK Daily Games™ was changed from 7:57 p.m. to 9:45 p.m. ET. This allows players more time to purchase tickets for the evening draw. As a result, first quarter sales, which are typically the lowest of the four quarters for PICK games, were the highest ever in fiscal year 2018-19, up 0.5% over the previous highest quarter and up 6.4% over the previous highest first quarter sales. The Lottery encouraged FLORIDA LOTTO® and POWERBALL® players to take advantage of the later draw time and play PICK games while they were purchasing their other tickets by offering 50% off coupons. More than 800,000 coupons were redeemed during the limited-time promotion.

Three new Fast Play™ games were launched in October 2018, including the first \$5 game, BREAK THE BANK, which had a \$50,000 top prize and brought in sales of over \$6.5 million, the highest of any Fast Play game since the premier game, CORNHOLE CASH™. The three October games, combined, made over \$12.5 million in sales. Three more games were launched in late April 2019 and had accumulated over \$5.5 million in sales by the end of the fiscal year.

In late January of 2019, the Lottery introduced JACKPOT TRIPLE PLAY with Combo™, a new jackpot game to replace LUCKY MONEY™. Players get three sets of numbers for \$1, giving them three chances to win! Plus, players can add Combo for \$1 more, for the chance to win additional prizes by combining their matches from all three sets of numbers. This new game ended the year with over \$32 million in sales.

Several limited-time promotions were offered during the fiscal year to generate awareness and encourage play of Terminal games during non-jackpot periods. These promotions included Super Grouper, Bonus Cash Fridays, Fast Play Replay, and Lotto Cash. Lotto Cash set a Florida Lottery record for the most participants of any promotion in recent history, exceeding the previous record by 110%!



More than 294,000 players entered more than 2.15 million tickets. This is also the highest number of tickets entered for a single terminal game promotion since recording began in 2014. Providing players with a balanced mix of games that included both jackpot and non-jackpot driven games, as well as limited-time offerings, allowed the Lottery to attain Terminal game sales of more than \$2.2 billion. Terminal game sales alone contributed more than \$934.3 million in revenue to education.



Scratch-Off

The Lottery launched 38 new Scratch-Off games with a variety of themes, colors, play styles, top prizes, and price points to appeal to Florida's unique and diverse population. With a broad product mix appealing to a wide audience and a marketing strategy focused on maximizing revenue for education, Scratch-Off sales saw a significant increase of more than \$285 million compared to the previous year, or over a six percent increase.

In July, the Lottery introduced the MONOPOLY™ JACKPOT family of games at the \$1, \$2, \$5, and \$10 price points, which accounted for over \$388.6 million in sales and contributed more than \$72 million in contributions to the EETF. The Lottery introduced an addition to the MONOPOLY JACKPOT family, \$20 MONOPOLY JACKPOT in September. In fiscal year 2018-19, \$20 MONOPOLY JACKPOT produced more than \$233.3 million in sales and contributed more than \$43 million to the EETF. The MONOPOLY JACKPOT family of Scratch-Off games were supported by the MONOPOLY JACKPOT Second Chance Promotion that provided players an opportunity to enter their non-winning tickets for a chance to win up to \$20,000.

The Lottery introduced a \$20 game, \$5,000,000 GOLD RUSH CLASSIC, in October and followed it with a family of GOLD RUSH CLASSIC games at the \$1, \$2, \$5 and \$10 price points in mid-January. The GOLD RUSH CLASSIC family accounted for more than \$864.6 million in Scratch-Off sales and generated more than \$160.2 million in revenue for education. The GOLD RUSH CLASSIC family of Scratch-Off games was supported by the GOLD RUSH

CLASSIC Second Chance Promotion that provided players an opportunity to enter their non-winning tickets for a chance to win up to \$30,000. The successful second chance promotion showed excellent engagement with an average of 46,500 unique players per drawing.

In April, the Lottery launched a highly successful \$10 game, \$50, \$100 AND \$500 BLOWOUT!. It averaged over \$13.4 million in sales per week in the 12 weeks remaining in the fiscal year, the highest average weekly sales in that time frame for a \$10 game. During those 12 weeks, it accounted for over \$161.5 million in sales and generated more than \$29.9 million for the EETF.

The Lottery achieved its ninth consecutive year of record-breaking Scratch-Off sales, with sales surpassing \$4.9 billion and over \$914 million in transfers to education. In addition, the Lottery also set a new industry record for the highest all-time single week of Scratch-Off sales at \$126.2 million and \$23.3 million in transfers to the EETF. Additionally, when compared to just two weeks of Scratch-Off sales above \$100 million in fiscal year 2017-18, Florida had 14 weeks of Scratch-Off sales above \$100 million in fiscal year 2018-19. The increase in Scratch-Off sales, which was a direct result of strategic marketing and distribution initiatives implemented by the Lottery, contributed approximately \$50 million in additional transfers to education when compared to fiscal year 2017-18.

ENHANCING BUSINESS PARTNERSHIPS

Sales & Contributions

Together with our corporate and retail partners, the Florida Lottery once again broke a previously held record in ticket sales and further increased contributions to education in Florida. The agency's fiscal year sales of \$7.15 billion surpassed the previous year's sales by more than \$450 million, or 6.7%. In terms of sales, the Florida Lottery would rank in the prestigious Fortune 500 list ahead of prominent companies.

Scratch-off sales increased by \$285 million, or 6.1%, while Draw game sales increased by more than \$164 million, or 8%. Most importantly, this increase in sales directly resulted in higher contributions to the EETF, with a net total of \$1.9 billion in contributions for the fiscal year.



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Terminal game sales alone contributed more than \$934.3 million in revenue to education.

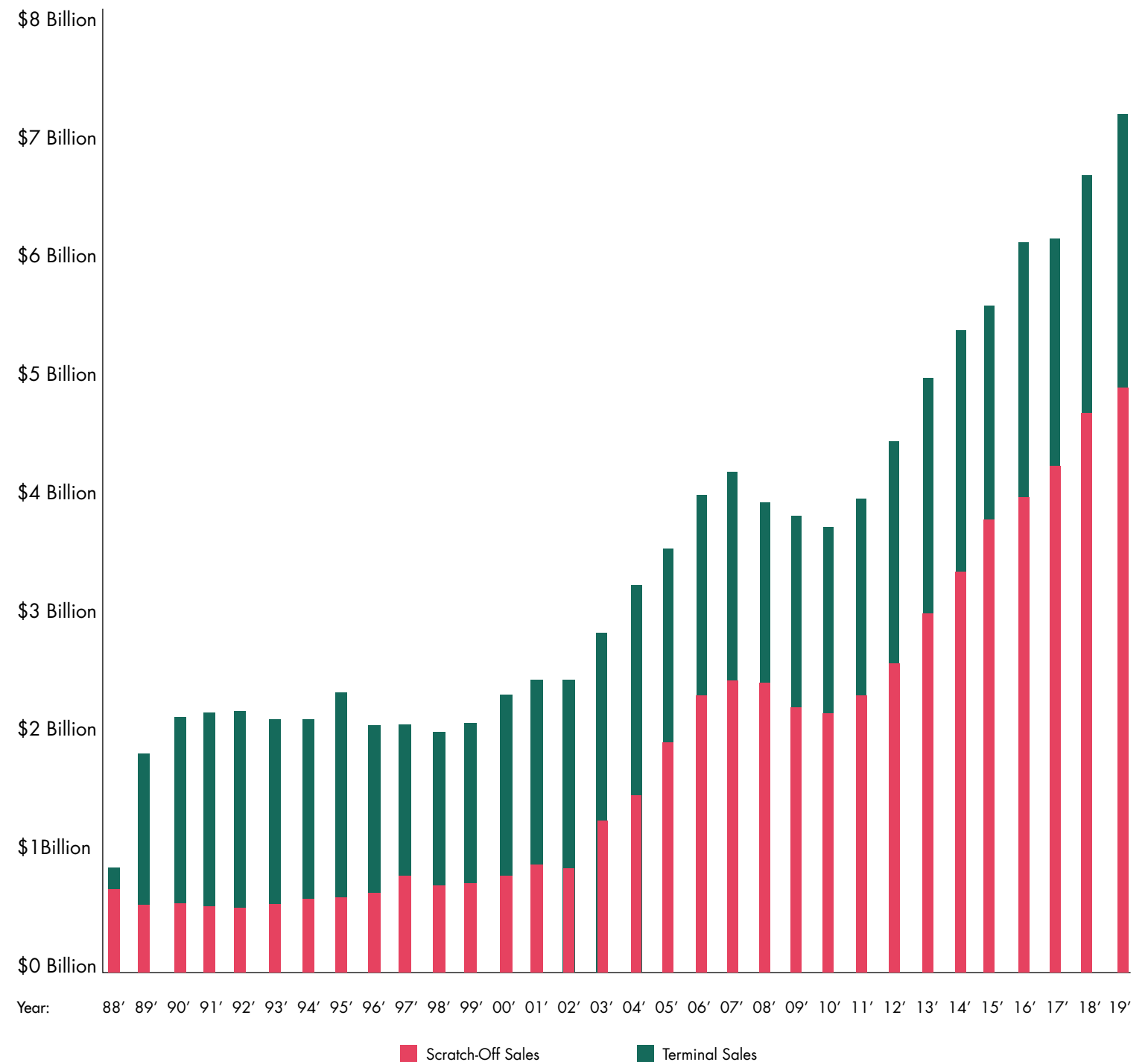
Record-Breaking Achievements

- In fiscal year 2018-19, the Sales Division set a record for Scratch-Off ticket sales of \$126 million in one week. Additionally, when compared to ten weeks of Scratch-Off sales above \$100 million in fiscal year 2017-18, Florida had 14 weeks of Scratch-Off sales above \$100 million in fiscal year 2018-19.
- In fiscal year 2018-19, the Lottery achieved its 8th consecutive year of record sales with annual sales surpassing \$ 7.15 billion.
- Annual Scratch-Off sales have grown by over \$2.8 billion since fiscal year 2009-10 resulting in over \$6 billion in contributions to education.

Retailer Recruitment

A new retailer recruitment plan was implemented in January 2018, that resulted in 362 new retailers submitting applications; 248 of which are minority-owned businesses.

HISTORICAL SALES



Lottery District Office Successes

Three of the Lottery's nine sales districts individually exceeded \$1 billion in sales for the year, while all nine sales districts exceeded their annual sales goals. Sales for the district offices of Miami, Tampa, and Orlando respectively reached \$1.524 billion, \$1.275 billion, and \$1.227 billion. The Miami district alone would classify as number 16 among other state lottery rankings!

The sales team continued to look for merchandising opportunities in stores and added more than 39,000 new Scratch-Off ticket dispenser facings (bins) this fiscal year. Additional facings allowed players to access different Scratch-Off games at any given time throughout the year. With these

Corporate Growth

During fiscal year 2018-19, Lottery Corporate Account Sales were up 8.52% overall, with Scratch-Off sales up 7.52%. The Corporate Sales team continued to aggressively pursue sales opportunities through merchandising and marketing efforts that support the agency's goals. Collaborating with chain partners led to a significant increase in Scratch-Off facings and dispenser presentations, an improvement in overall Lottery presence, and an increase in the level of partnership opportunities. Execution of customized retailer promotions and in-store advertising supported brand and agency goals, resulting in product awareness and incremental sales. The strategic focus and partnerships resulted in overall corporate account sales growth that exceeded statewide results.

Corporate Accounts experienced new store growth with several top 25 chain partners expanding and adding store-fronts. RaceTrac, 7-Eleven, Publix, and Walmart all experienced significant store growth impacting a variety of trade channels. The prior years' pilot of Lottery sales in Walmart Supercenters was approved for further expansion statewide and activities commenced in June 2019. Lottery products are now carried in 17 Walmart Supercenters across the state, impacting six of nine Lottery Districts, with an aggressive roll-out plan that continued in to the new fiscal year. The Lottery was also able to move forward with our Publix dispenser upgrade project, which added eight new facings and enhanced Scratch-Off game visibility through the use of a custom dispenser. Over 100 new dispensers were added in December 2018, resulting in 832 incremental facings statewide.

additional facings, retailers were able to keep games fully stocked while keeping players satisfied and their stores busy.

The Lottery continues to use LED jackpot signs and other attractive, eye-catching materials. These promotional tools successfully attracted Lottery players into stores where they could more closely examine and purchase both Lottery and non-Lottery products.

Record sales also benefited players who visited Lottery Headquarters and district offices throughout the state. During fiscal year 2018-19, sales resulted in 407,516 claims being processed at Headquarters and district offices, which provided more than \$2.75 million in state-owed debt collection.



Strong corporate relationships were exemplified by invitations from corporate partner 7-Eleven to attend their vendor trade show/sales rallies around the state. The "invite only" events are a great opportunity to speak directly with franchisee owners, store managers, and corporate staff in a trade show setting, highlighting key initiatives and business drivers. The Florida Lottery was able to attend in the first, second, and fourth quarters of the fiscal year. Our participation led directly to 7-Eleven's commitment to include Responsible Gaming training in their training curriculum, among other business gains.



WINNERS

CHANGING LIVES, ONE TICKET AT A TIME

Over the past 31 years, the Florida Lottery is proud to make the dreams of our players a reality, while also benefiting Florida's students and schools. During fiscal year 2018-19, the Lottery shared in the excitement of 186 winners who became millionaires. Win or lose, Floridians can be proud knowing the purchase of every Lottery ticket benefits students and schools statewide.

Scratch-Off Games

Florida Lottery Scratch-Off games created 123 new millionaires, awarded more than \$3.5 billion in prizes, and had more than 89,000 winners of \$600 or more this year.

Terminal Games

Lottery Terminal games accounted for over \$1 billion in prizes, including 63 players who won \$1 million or more.

Promotions

In addition to traditional Scratch-Off and Terminal game prizes, Lottery players had other chances to win prizes ranging from free tickets, to college and professional sporting tickets and merchandise. These opportunities were available through a variety of promotional, second chance, and social media giveaway opportunities that renew excitement among loyal Lottery players while also appealing to a younger demographic.

ORGANIZATIONAL STRUCTURE

As required by subsection 24.105(4), Florida Statutes, the following information reflects the organizational structure of the Florida Lottery as of June 30, 2019.

Office of the Secretary directs the operations of the Florida Lottery and is responsible for the effective management of the Lottery in accordance with directives identified in statutes and corresponding rules, policies and procedures.

Office of the General Counsel provides consultation, direction and representation in all legal matters affecting the Lottery.

Office of the Inspector General assists the Secretary with internal control systems necessary to ensure the fiscal accountability and integrity of the Lottery. The division is responsible for performing financial, compliance, and performance audits of the Lottery, and preparing audit reports of said findings and investigations.

Office of the Chief of Staff assists the Secretary in providing excellence in customer service, overall organization, direction, and coordination, both in day-to-day activities and in long-range planning.

- **Legislative Affairs** coordinates the Lottery's implementation of statutory changes, budget and proviso language directives.
- **Communications** promotes awareness and understanding of the state's use of Lottery money to provide enhancements to education in Florida. Provides public relations support for new game launches, promotions and events, and coordinates all Lottery activities with the news media, including spokesperson interviews, media inquiries, news conferences, press releases and the Lottery's social media efforts.
 - **Customer Service** serves as the Lottery's direct liaison to players, responding to inquiries regarding games and various

other facets of operations with the goal of exceeding customers' expectations.

- **Security** provides security services for the Lottery, including protection of buildings and facilities, investigative activities and game draws. In addition, the Division of Security conducts background investigations for vendors, retailers and employees; manages the department's safety awareness program and the Lottery's Continuity of Operations Plan (COOP).
 - **Investigations and Operations** monitors the physical security of all Lottery facilities and investigates security breaches. This unit also investigates problem claims and allegations of potential illegal activity, and is responsible for managing the draw process.
 - **Intelligence and Administrative Support** conducts background investigations on potential vendors, contractors, retailers and employees, and provides analytical support for other criminal investigations. This section provides maintenance and hardware support for the Integrated Security System and manages the agency's loss prevention program, which aids retailers in reducing ticket theft and informs the general public of Lottery-related scams and other fraudulent activity.
 - **Information Security Management (ISM)** develops and coordinates information security infrastructure and programs to provide protection and ensure integrity for the department's computers, data and networks.

- **Human Resources** provides strategic leadership relative to employee recruitment, retention and training. The division administers a comprehensive human resources program including recruitment, selection, performance management, payroll, training, benefits, classification and pay, and attendance and leave.
- **Information Resources** provides strategic and automated solutions to fulfill the Lottery's business needs through efficient and effective development and deployment of the Lottery's information technology resources, including optimizing the sale of Lottery tickets and ultimately enhancing contributions to education. Operations consists of the following units:
 - **Software and Data Services** automates and improves the Lottery's business processes by building information applications that enable and optimize the development of new Lottery products, payment of winners, electronic payment by retailers, retailer incentive programs and other mission-critical initiatives.
 - **Software Quality Assurance** is responsible for researching gaming system functional requirements and performing user acceptance testing on all gaming system software prior to implementation.
 - **Systems and Operations Services** maintains a secure, power redundant data center environment, provides telecommunications systems and services, and provides desktop computing and technology infrastructure services for the Lottery. This unit also maintains the Lottery's Information Technology Disaster Recovery plan.
 - **Games Administration** manages all retailer accounting and systems related to game transactions, including ticket inventory. The unit coordinates all terminal gaming functions for Lottery Draw games, including closing games for draws, entering the winning numbers into the gaming system, and setting the games to pay winners. Games Administration serves as the system coordinator and liaison to all Lottery retailers.

Office of the Deputy Secretary of Administration

assists the Secretary by managing support services, procurement, retailer contracting and financial management strategies.

- **Support Services** provides the day-to-day operational services including facilities management, fleet management, property/inventory control, warehousing operations, records management and mail operations. The unit oversees janitorial and other administrative contracted services.
- **Procurement** provides strategic service in the acquisition of commodities and contractual services necessary in the operation of the Florida Lottery. Procurement manages and administers the contract management process as well as provides resources in the monitoring of contract deliverables.
- **Retailer Contracting** evaluates and approves retailer applications, entering into contracts with retailers that will best serve the public interest and provide adequate and convenient availability of Lottery tickets. The unit directly supports the Lottery's efforts in the recruitment and retention of retailers. Through its application and contract renewal process, this unit evaluates the integrity and financial responsibility of all Lottery retailers. The unit is also responsible for collection efforts by tracking retailer payment delinquencies and coordinating financial reviews of retailers, as necessary.
- **Finance and Budget** oversees the development and monitoring of the department's budget, all financial reporting, disbursements and monitoring of cash flows.
 - **Budget** prepares the annual legislative budget request and any necessary budget amendments for the Lottery, monitors expenditures to ensure budgetary compliance, and coordinates the development of the Lottery's long-range program plan.
 - **Finance** is responsible for making payments to vendors in accordance with subsection 215.422, Florida Statutes; receipting and investing funds to maximize earnings to education and producing statutorily required monthly financial reports and annual financial statements.

- **Claims Processing** processes the prize payments of tickets submitted to Lottery headquarters, assists district offices with the payment of prizes presented at those offices, and coordinates all withholding and reporting requirements with the Internal Revenue Service.

Office of the Deputy Secretary of Product

& Sales assists the Secretary by increasing sales statewide through effective product development and research, along with the implementation of a strong sales strategy.

- **Corporate Sales** is responsible for the growth and development of the Lottery's corporate business. The unit serves as a liaison between Lottery and main corporate offices of retailers statewide.
- **District Offices** manage the sale, promotion and redemption of Lottery products through a statewide network of more than 13,000 Lottery retailers. In addition to the office management staff, each of the nine district offices employs a staff of sales representatives who assist in the promotion and sale of Lottery products at the retail level.
- **Product** provides direction, oversight and evaluation of daily business functions related to Research, Product Development and Business Development with the primary focus of managing programs aimed at increasing Lottery sales and transfers to the EETF.
 - **Research** initiates and oversees consumer market studies primarily contracted through the Lottery's research vendor of record. The unit's projects center on consumer, retailer, retail environment and advertising campaign analysis. The unit also provides valuable data used to determine products to be developed, revenue forecasting and overall program effectiveness.

- **Product Development** provides direction and oversight in the creation, design, development and management of Lottery Draw and Scratch-Off products.

Chief of Brand Management oversees all areas relating to the promotion and sale of Lottery products, community outreach and partnerships, marketing, graphics, and brand operations.

- **Advertising** drives sales by supporting product launches and bringing awareness to Lottery products and contributions to education. In addition to traditional radio and television media buys in the General, Hispanic and Haitian markets, the Lottery advertises on static and digital billboards, on social media, and has a presence on nightly Draw television carrier stations.
- **Community Outreach** drives the growth of the Lottery beyond its core business, focusing on opportunities that have a shared value around education. Cultivating these types of relationships provides a platform that allows the Lottery to share its story around supporting education throughout the state. Responsibilities also include identifying, evaluating, negotiating, and implementing new and diverse partnerships that reach the entire state of Florida.
- **Graphics** provides overall art design and direction for the Lottery. They are responsible for the development, production and implementation for all point of sale materials for in-store game promotions, which includes more than 20 promotions every year. Additionally, the Graphics department oversees quality control for Scratch-Off ticket design, logo usage, publications, promotional items and Lottery presentations.
- **Brand Operations** is responsible for the oversight of the Draw Studio, brand contracts and any special projects. This team also oversees the Lottery's Responsible Gaming program.

FINANCIAL REPORT

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Operating Revenues:		
Ticket sales	\$ 7,151,236	\$ 6,700,811
Bad debt expense	(1,041)	(1,158)
Terminal & retailer fees and miscellaneous	7,688	8,222
Total Operating Revenues	7,157,883	6,707,875
Operating Expenses:		
Prizes	4,638,488	4,394,400
Retailer commissions	398,162	373,819
Vendor fees	103,210	95,517
Other expenses	82,195	81,201
Total Operating Expenses	5,222,055	4,994,937
Income from Operations	1,935,828	1,762,938
Total Non-operating Revenues (Expenses), Net	27,554	(10,156)
Income Before Operating Transfers	1,963,382	1,752,782
Total Transfers to EETF	(1,927,054)	(1,758,329)
Change in Net Position	36,328	(5,547)
Net Position, Beginning Restated	48,235	53,782
Net Position, End of Year	\$ 84,563	\$ 48,235