



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

March 16, 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 February 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

February, 2017

Comments / Observations

YTD amounts for February, 2017 (includes 7/1/16 – 3/4/17) have five (5) more days of activity * than the YTD amounts for February, 2016 (7/1/15 – 2/27/16).

	<u>Statement of Operations</u>	<u>Adjusted (-5 days) **</u>
• Instant Games sales	down 0.6% / \$14.9M	down 2.6% / \$62.4M
• Draw Games + KENO sales***	down 1.6% / \$17.2M	down 3.6% / \$38.5M
• Total Revenues	down 0.9% / \$32.1M	down 2.9% / \$101.1M
• Prize Payout %	71.6% <i>(compared to 72.9% at February, 2016)</i>	71.6%
• Prizes (Paid)	down 2.7% / \$66.6M	down 4.6% / \$116.0M
• Agent Commissions %	down 0.9% / \$1.5M	down 2.9% / \$4.9M
• Agent Bonuses	up 0.3% / \$0.1M	down 1.7% / \$0.4M
• Administrative Expenses	down 2.9% / \$1.4M	down 4.9% / \$2.4M
• Net Profit	up 5.5% / \$37.4M	up 3.3% / \$22.8M

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 February 2017, Fiscal Year 2017, the misalignment is five (+5) days.

** See attached “Adjusted” MSLC Statement of Operations dated February, 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
February, 2017
(\$000's)

15-Mar-17

	February, 2017	%	Year-to-Date FY2017	%	Period Close Sales Adj (5 days)	Year-to-Date FY2017	Adjusted	%	Year-to-Date FY2016	%	\$ Change	Adjusted	% Change	Adjusted	% Change
Revenues															
Instant Games	261,561	66.9%	2,349,439	68.9%	47,559	2,301,879	68.9%	2,364,295	68.7%	-14,856	-62,415	-0.6%	-2,66%		
MegaMillions	3,441	0.9%	43,929	1.3%	889	43,039	1.3%	41,187	1.2%	2,742	1,853	6.7%	4.5%		
Powerball	15,949	4.1%	83,170	2.4%	1,684	81,486	2.4%	134,363	3.9%	-51,193	-52,877	-38.1%	-39.4%		
Numbers Game	24,766	6.3%	218,375	6.4%	4,421	213,955	6.4%	216,079	6.3%	2,296	-2,124	1.1%	-1.0%		
Mass Cash	5,985	1.5%	53,121	1.6%	1,075	52,045	1.6%	51,949	1.5%	1,172	96	2.3%	0.2%		
Keno	73,078	18.7%	605,272	17.8%	12,252	593,019	17.8%	589,558	17.1%	15,714	3,462	2.7%	0.6%		
Jackpot Poker	0	0.0%	2	0.0%	0	2	0.0%	1,492	0.0%	-1,489	-1,489	-99.8%	-99.8%		
All or Nothing	1,060	0.3%	15,327	0.4%	310	15,017	0.4%	0	0.0%	15,327	15,017	100.0%	100.0%		
Lucky for Life	1,894	0.5%	17,188	0.5%	348	16,840	0.5%	-1,118	0.0%	-1,118	-1,466	-6.1%	-8.0%		
Charity Game Tickets	96	0.0%	1,054	0.0%	21	1,033	0.0%	1,086	0.0%	-32	-53	-2.9%	-4.9%		
Beano Tax (2/5)	35	0.0%	345	0.0%	7	338	0.0%	375	0.0%	-31	-38	-8.2%	-10.1%		
Pull Tabs	56	0.0%	496	0.0%	10	486	0.0%	442	0.0%	54	44	12.3%	10.0%		
License Fees	0	0.0%	68	0.0%	1	67	0.0%	82	0.0%	-14	-15	-16.7%	-18.4%		
Bond Fees and Fines	160	0.0%	1,444	0.0%	29	1,415	0.0%	1,453	0.0%	-9	-38	-0.6%	-2.6%		
Service Fees	431	0.1%	3,824	0.1%	77	3,747	0.1%	3,763	0.1%	61	-16	1.6%	-0.4%		
Megabucks	2,262	0.6%	16,868	0.5%	341	16,527	0.5%	17,539	0.5%	-671	-1,013	-3.8%	-5.8%		
Miscellaneous Income	8	0.0%	24	0.0%	0	23	0.0%	26	0.0%	-2	-3	-9.2%	-11.1%		
Interest	0	0.0%	0	0.0%	0	0	0.0%	1	0.0%	-1	-1	100.0%	100.0%		
Subtotal Revenues	390,782	100.0%	3,409,945	100.0%	69,027	3,340,918	100.0%	3,441,995	100.0%	-32,050	-101,077	-0.9%	-2.9%		
Subtotal Prizes	286,508	73.3%	2,443,220	71.6%	49,458	2,393,762	71.6%	2,509,812	72.9%	-66,592	-116,049	-2.7%	-4.6%		
Operating Expenses															
Commissions	19,477	5.0%	169,877	5.0%	3,439	166,439	5.0%	171,384	5.0%	-1,506	-4,945	-0.9%	-2.9%		
Bonuses	2,854	0.7%	25,598	0.8%	518	25,079	0.8%	25,520	0.7%	77	-441	0.3%	-1.7%		
Subtotal Operating Expenses	22,331	5.7%	195,475	5.7%	3,957	191,518	5.7%	196,904	5.7%	-1,429	-5,386	-0.7%	-2.7%		
Operating Revenue	81,943	21.0%	771,250	22.6%	15,612	755,638	22.6%	735,279	21.4%	35,971	20,358	4.9%	2.8%		
Administrative Expenses															
Salaries	2,512	0.6%	20,477	0.6%	415	20,063	0.6%	20,578	0.6%	-101	-515	-0.5%	-2.5%		
Advertising	119	0.0%	1,222	0.0%	25	1,198	0.0%	1,425	0.0%	-202	-227	-14.2%	-15.9%		
Equip Rental	13	0.0%	119	0.0%	2	116	0.0%	143	0.0%	-24	-26	-16.7%	-18.4%		
Admin/Facilities	1,096	0.3%	10,904	0.3%	221	10,683	0.3%	9,645	0.3%	1,259	1,039	13.1%	10.8%		
Facilities Rental	342	0.1%	2,346	0.1%	47	2,299	0.1%	2,226	0.1%	110	63	4.9%	2.8%		
Telephone	536	0.1%	3,833	0.1%	78	3,755	0.1%	5,050	0.1%	-1,218	-1,295	-24.1%	-25.6%		
Travel	2	0.0%	17	0.0%	0	17	0.0%	16	0.0%	2	1	10.9%	8.7%		
Employee Benefits	76	0.0%	747	0.0%	15	732	0.0%	782	0.0%	-35	-50	-4.5%	-6.4%		
Off/Other Equipment	10	0.0%	555	0.0%	11	544	0.0%	583	0.0%	-28	-39	-4.8%	-6.7%		
Postage & Freight	244	0.1%	1,671	0.0%	34	1,637	0.0%	2,055	0.1%	-384	-418	-18.7%	-20.3%		
Maintenance	90	0.0%	1,183	0.0%	24	1,159	0.0%	924	0.0%	259	235	28.0%	25.5%		
Professional Services	310	0.1%	4,033	0.1%	82	3,951	0.1%	5,134	0.1%	-1,102	-1,183	-21.5%	-23.0%		
Other	4	0.0%	30	0.0%	1	29	0.0%	46	0.0%	-16	-16	-34.8%	-36.1%		
Vehicles	0	0.0%	-1	0.0%	0	-1	0.0%	2	0.0%	-4	-4	-151.8%	-150.7%		
Building Improvements	48	0.0%	334	0.0%	7	327	0.0%	310	0.0%	23	16	7.5%	5.3%		
Prior Year Adjustment	0	0.0%	26	0.0%	1	26	0.0%	8	0.0%	18	18	228.1%	221.4%		
Estimated Fringe Benefit Alloc.	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%		
Subtotal Admin. Expenses	5,402	1.4%	47,496	1.4%	961	46,535	1.4%	48,937	1.4%	-1,441	-2,402	-2.9%	-4.9%		
Net Profit Before Distributions	76,541	19.6%	723,754	21.2%	14,651	709,103	21.2%	686,342	19.9%	37,412	22,761	5.5%	3.3%		

Notes to Financial Statement:

1 Year to date amounts have been adjusted for prize accruals.
2 Year to date amounts for FY 2017 (7/1/16-3/4/17) include an additional five (5) days of activity over FY2016 (7/1/15-2/27/16). For comparative purposes, five (5) fewer days of revenue in FY17 would total approximately \$69.0 million, decreasing revenues to \$3,340 billion, resulting in a (\$101.1) million or -2.9% change over FY16. Five (5) fewer days of revenue would decrease net profit by approximately \$14.7 million to \$709.1 million, resulting in a \$22.8 million or 3.3% change over FY16.