



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

February 23, 2018

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 January 2018.

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

January, 2018

Comments / Observations

YTD amounts for January, 2018 (includes 7/1/17 – 2/3/18) have one (1) less day of activity * than the YTD amounts for January, 2017 (7/1/16 – 2/4/17).

	<u>Statement of Operations</u>	<u>Adjusted (+1 day) **</u>
• Instant Games sales	down 0.7% / \$14.5M	down 0.2% / \$5.0M
• Draw Games + KENO sales***	up 7.1% / \$65.5M	up 7.6% / \$70.0M
• Total Revenues	up 1.7% / \$50.7M	up 2.1% / \$64.8M
• Prize Payout %	73.2% <i>(compared to 71.4% at January, 2017)</i>	73.2%
• Prizes (Paid)	up 4.2% / \$90.3M	up 4.7% / \$100.6M
• Agent Commissions %	up 1.6% / \$2.4M	up 2.1% / \$3.1M
• Agent Bonuses	up 1.4% / \$0.3M	up 1.9% / \$0.4M
• Administrative Expenses	up 10.0% / \$4.2M	up 10.5% / \$4.4M
• Net Profit	down 7.2% / \$46.5M	down 6.8% / \$43.8M

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 January 2018, Fiscal Year 2018, the misalignment is one (-1) day.

** See attached “Adjusted” MSLC Statement of Operations dated January, 2018

*** 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 All or Nothing.

Massachusetts State Lottery Commission
Statement of Operations
Lottery and Arts Lottery Funds
January, 2018
(S000's)

15-Feb-18

	January, 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
Revenues													
Instant Games	326,835	66.6%	2,073,340	67.5%	9,511	2,082,851	67.5%	2,087,878	69.2%	-14,538	-5,027	-0.7%	-0.2%
MegaMillions	11,055	2.3%	49,601	1.6%	228	49,828	1.6%	40,488	1.3%	9,113	9,340	22.5%	23.1%
Powerball	14,875	3.0%	90,762	3.0%	416	91,178	3.0%	67,220	2.2%	23,541	23,958	35.0%	35.6%
Numbers Game	29,667	6.0%	192,160	6.3%	881	193,041	6.3%	193,609	6.4%	-1,450	-568	-0.7%	-0.3%
Mass Cash	7,788	1.6%	48,356	1.6%	222	48,578	1.6%	47,136	1.6%	1,442	1,442	2.6%	3.1%
Keno	93,766	19.1%	574,465	18.7%	2,635	571,100	18.7%	532,194	17.6%	42,271	44,906	7.9%	8.9%
All or Nothing	844	0.2%	5,975	0.2%	27	6,003	0.2%	14,267	0.5%	-8,291	-8,264	-58.1%	-57.9%
Lucky for Life	2,324	0.5%	14,846	0.5%	68	14,914	0.5%	15,294	0.5%	-448	-380	-2.5%	-2.5%
Charity Game Tickets	142	0.0%	914	0.0%	4	918	0.0%	958	0.0%	-44	-40	-4.6%	-4.2%
Beano Tax (2/5)	36	0.0%	285	0.0%	1	286	0.0%	309	0.0%	-24	-23	-7.9%	-7.5%
Pull Tabs	68	0.0%	414	0.0%	2	416	0.0%	440	0.0%	-27	-25	-6.0%	-5.6%
License Fees	8	0.0%	63	0.0%	0	63	0.0%	68	0.0%	-5	-5	-7.9%	-7.5%
Bond Fees and Fines	204	0.0%	1,259	0.0%	6	1,265	0.0%	1,284	0.0%	-25	-19	-1.9%	-1.5%
Service Fees	528	0.1%	3,337	0.1%	15	3,353	0.1%	3,393	0.1%	-55	-40	-1.6%	-1.2%
MegaBooks	2,404	0.5%	14,115	0.5%	65	14,179	0.5%	14,606	0.5%	-492	-427	-3.4%	-2.9%
Miscellaneous Income	0	0.0%	12	0.0%	0	12	0.0%	15	0.0%	-3	-3	-23.0%	-22.6%
Interest	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Subtotal Revenues	490,545	100.0%	3,065,903	100.0%	14,082	3,083,985	100.0%	3,019,163	100.0%	50,740	64,822	1.7%	2.1%
Subtotal Prizes	373,314	76.1%	2,247,130	73.2%	10,308	2,257,438	73.2%	2,156,828	71.4%	90,302	100,610	4.2%	4.7%
Operating Expenses													
Commissions	74,427	5.0%	152,846	5.0%	701	153,547	5.0%	150,400	5.0%	2,446	3,147	1.6%	2.1%
Bonuses	3,824	0.8%	23,061	0.8%	106	23,167	0.8%	22,744	0.8%	317	423	1.4%	1.9%
Subtotal Operating Expenses	28,251	5.8%	175,907	5.7%	807	176,714	5.7%	173,144	5.7%	2,763	3,570	1.6%	2.1%
Operating Revenue	88,980	18.1%	646,866	21.1%	2,967	649,833	21.1%	689,191	22.8%	-42,325	-39,358	-6.1%	-5.7%
Administrative Expenses													
Salaries	2,658	0.5%	18,508	0.6%	85	18,593	0.6%	17,965	0.6%	543	628	3.0%	3.5%
Advertising	105	0.0%	1,863	0.1%	9	1,872	0.1%	1,103	0.0%	760	769	68.9%	69.7%
Equip Rental	8	0.0%	61	0.0%	0	61	0.0%	105	0.3%	-45	-45	-42.6%	-42.3%
Admin/Facilities	1,187	0.2%	13,020	0.4%	60	13,079	0.4%	9,808	0.3%	3,211	3,271	32.7%	33.4%
Facilities Rental	303	0.1%	2,025	0.1%	9	2,034	0.1%	2,004	0.1%	21	30	1.0%	1.5%
Telephone	578	0.1%	3,347	0.1%	15	3,362	0.1%	3,297	0.1%	50	66	1.5%	2.0%
Travel	1	0.0%	12	0.0%	0	13	0.0%	16	0.0%	-3	-3	-20.0%	-19.6%
Employee Benefits	116	0.0%	625	0.0%	3	628	0.0%	672	0.0%	-46	-43	-6.9%	-6.4%
Off/Other Equipment	82	0.0%	321	0.0%	1	323	0.0%	545	0.0%	-224	-223	-41.1%	-40.8%
Postage & Freight	551	0.1%	1,697	0.1%	8	1,704	0.1%	1,427	0.0%	270	278	18.9%	19.5%
Maintenance	80	0.0%	1,117	0.0%	5	1,122	0.0%	1,093	0.0%	23	29	2.1%	2.6%
Professional Services	2,022	0.4%	3,334	0.1%	15	3,350	0.1%	3,723	0.1%	-388	-373	-10.4%	-10.0%
Other	9	0.0%	32	0.0%	0	32	0.0%	26	0.0%	7	7	25.7%	26.3%
Vehicles	0	0.0%	69	0.0%	0	70	0.0%	-1	0.0%	71	71	-5593.1%	-5618.3%
Building Improvements	46	0.0%	284	0.0%	1	285	0.0%	285	0.0%	-2	0	-0.6%	-0.1%
Prior Year Adjustments	0	0.0%	0	0.0%	0	0	0.0%	26	0.0%	-26	-26	-98.9%	-98.9%
Estimated Prize Benefit Alloc.	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Subtotal Admin. Expenses	7,746	1.6%	46,316	1.5%	212	46,528	1.5%	42,094	1.4%	4,222	4,434	10.0%	10.5%
Net Profit Before Distributions	81,234	16.6%	600,550	19.6%	2,755	603,305	19.6%	647,097	21.4%	-46,547	-43,792	-7.2%	-6.8%

Notes to Financial Statements:

- 1 Year-to-Date amounts have been adjusted for price increases.
- 2 Year-to-Date amounts for FY 2018 (7/1/17-2/3/18) include one (1) less day of activity over FY2017 (7/1/16-2/4/17). For comparative purposes, one (1) additional day of revenue in FY18 would total approximately \$14.1 million, increasing revenues to \$3.084 billion, resulting in a \$64.8 million or 2.1% change over FY17. One (1) additional day of revenue would increase net profit by approximately \$2.8 million to \$603.3 million, resulting in a \$(43.8) million or (6.8%) 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).