



# Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG  
*Treasurer and Receiver General*

MICHAEL R. SWEENEY  
*Executive Director*

August 24, 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 July 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

July, 2017

## Comments / Observations

YTD amounts for July, 2017 (includes 7/1/17 – 7/29/17) have one (1) less day of activity \* than the YTD amounts for July, 2016 (7/1/16 – 7/30/16).

	<u>Statement of Operations</u>	<u>Adjusted (+1 day) **</u>
• Instant Games sales	down 2.7% / \$7.7M	up 0.7% / \$1.9M
• Draw Games + KENO sales***	down 14.1% / \$20.1M	down 11.1% / \$15.9M
• Total Revenues	down 6.5% / \$27.9M	down 3.3% / \$14.0M
• Prize Payout %	71.0% <i>(compared to 70.1% at July, 2016)</i>	71.0%
• Prizes (Paid)	down 5.4% / \$16.2M	down 2.1% / \$6.4M
• Agent Commissions %	down 6.6% / \$1.4M	down 3.3% / \$0.7M
• Agent Bonuses	down 8.3% / \$0.3M	down 5.2% / \$0.2M
• Administrative Expenses	down 2.6% / \$0.1M	up 0.7% / \$25K
• Net Profit	down 9.8% / \$9.9M	down 6.7% / \$6.7M

**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 July 2017, Fiscal Year 2017, the misalignment is one (-1) day.

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

21-Aug-17

	July, 2017	%	Year-to-Date FY2018	%	Period Close Sales Adj (+1 day)	Adjusted FY2018	%	Year-to-Date FY2017	%	\$ Change	Adjusted \$ Change	% Change	Adjusted % Change
<b>Revenues</b>													
Instant Games	278,529	69.3%	278,529	69.3%	9,604	288,133	69.3%	286,201	66.6%	-7,673	1,932	-2.7%	0.7%
MegaMillions	6,301	1.6%	6,301	1.6%	217	6,518	1.6%	14,520	3.4%	-8,219	-8,002	-56.6%	-55.1%
Powerball	7,387	1.8%	7,387	1.8%	255	7,641	1.8%	18,127	4.2%	-10,740	-10,485	-59.2%	-57.8%
Numbers Game	25,424	6.3%	25,424	6.3%	877	26,301	6.3%	26,312	6.1%	-888	-11	-3.4%	0.0%
Mass Cash	6,168	1.5%	6,168	1.5%	213	6,380	1.5%	6,436	1.5%	-268	-55	-4.2%	-0.9%
Keno	73,066	18.2%	73,066	18.2%	2,520	75,586	18.2%	70,463	16.4%	2,603	5,123	3.7%	7.3%
All or Nothing	913	0.2%	913	0.2%	31	944	0.2%	3,316	0.8%	-2,403	-2,372	-100.0%	100.0%
Lucky for Life	1,909	0.5%	1,909	0.5%	66	1,975	0.5%	2,009	0.5%	-100	-34	-5.0%	-1.7%
Charity Game Tickets	136	0.0%	136	0.0%	5	141	0.0%	158	0.0%	-21	-17	-13.6%	-10.6%
Beano Tax (2/5)	41	0.0%	41	0.0%	1	43	0.0%	41	0.0%	0	2	0.4%	3.8%
Pull Tabs	56	0.0%	56	0.0%	2	58	0.0%	58	0.0%	-2	0	-4.2%	-0.9%
License Fees	6	0.0%	6	0.0%	0	6	0.0%	6	0.0%	0	0	0.4%	3.9%
Bond Fees and Fines	164	0.0%	164	0.0%	6	170	0.0%	182	0.0%	-18	-12	-9.7%	-6.6%
Service Fees	446	0.1%	446	0.1%	15	461	0.1%	466	0.1%	-20	-4	-4.2%	-0.9%
Megabucks	1,618	0.4%	1,618	0.4%	56	1,674	0.4%	1,727	0.4%	-109	-53	-6.3%	-3.1%
Miscellaneous Income	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	34.5%	39.2%
Interest	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
<b>Subtotal Revenues</b>	<b>402,164</b>	<b>100.0%</b>	<b>402,164</b>	<b>100.0%</b>	<b>13,868</b>	<b>416,032</b>	<b>100.0%</b>	<b>430,022</b>	<b>100.0%</b>	<b>-27,858</b>	<b>-13,990</b>	<b>-6.5%</b>	<b>-3.3%</b>
<b>Subtotal Prizes</b>	<b>278,909</b>	<b>69.4%</b>	<b>285,401</b>	<b>71.0%</b>	<b>9,841</b>	<b>295,242</b>	<b>71.0%</b>	<b>301,621</b>	<b>70.1%</b>	<b>-16,221</b>	<b>-6,379</b>	<b>-5.4%</b>	<b>-2.1%</b>
<b>Operating Expenses</b>	<b>20,049</b>	<b>5.0%</b>	<b>20,049</b>	<b>5.0%</b>	<b>691</b>	<b>20,740</b>	<b>5.0%</b>	<b>21,438</b>	<b>5.0%</b>	<b>-1,409</b>	<b>-717</b>	<b>-6.6%</b>	<b>-3.3%</b>
Commissions	3,065	0.8%	3,065	0.8%	106	3,171	0.8%	3,343	0.8%	-278	-172	-8.3%	-5.2%
Bonuses	23,114	5.7%	23,114	5.7%	797	23,911	5.7%	24,801	5.8%	-1,687	-890	-6.8%	-3.6%
<b>Subtotal Operating Expenses</b>	<b>23,114</b>	<b>5.7%</b>	<b>23,114</b>	<b>5.7%</b>	<b>797</b>	<b>23,911</b>	<b>5.7%</b>	<b>24,801</b>	<b>5.8%</b>	<b>-1,687</b>	<b>-890</b>	<b>-6.8%</b>	<b>-3.6%</b>
<b>Operating Revenue</b>	<b>100,141</b>	<b>24.9%</b>	<b>93,649</b>	<b>23.3%</b>	<b>3,229</b>	<b>96,878</b>	<b>23.3%</b>	<b>103,599</b>	<b>24.1%</b>	<b>-9,950</b>	<b>-6,721</b>	<b>-9.6%</b>	<b>-6.5%</b>
<b>Administrative Expenses</b>	<b>1,866</b>	<b>0.5%</b>	<b>1,866</b>	<b>0.5%</b>	<b>64</b>	<b>1,930</b>	<b>0.5%</b>	<b>1,960</b>	<b>0.5%</b>	<b>-94</b>	<b>-30</b>	<b>-4.8%</b>	<b>-1.5%</b>
Salaries	124	0.0%	124	0.0%	4	128	0.0%	-11	0.0%	135	139	-1202.8%	-1240.8%
Equip Rental	5	0.0%	5	0.0%	0	5	0.0%	15	0.0%	-10	-10	-68.2%	-67.1%
Admin/Facilities	507	0.1%	507	0.1%	17	525	0.1%	846	0.2%	-339	-321	-40.0%	-38.0%
Facilities Rental	248	0.1%	248	0.1%	9	257	0.1%	236	0.1%	13	21	5.4%	9.0%
Telephone	1	0.0%	1	0.0%	0	1	0.0%	14	0.0%	-13	-13	-96.2%	-96.0%
Travel	0	0.0%	0	0.0%	0	0	0.0%	1	0.0%	-1	-1	-79.2%	-78.5%
Employee Benefits	26	0.0%	26	0.0%	1	27	0.0%	33	0.0%	-6	-5	-19.3%	-16.5%
Off/Other Equipment	-3	0.0%	-3	0.0%	0	-3	0.0%	-4	0.0%	1	1	-25.6%	-25.6%
Postage & Freight	64	0.0%	64	0.0%	2	66	0.0%	1	0.0%	63	66	8398.1%	8691.1%
Maintenance	461	0.1%	461	0.1%	16	477	0.1%	381	0.1%	81	96	21.2%	25.3%
Professional Services	45	0.0%	45	0.0%	2	47	0.0%	4	0.0%	41	42	962.4%	999.1%
Other	3	0.0%	3	0.0%	0	4	0.0%	6	0.0%	-2	-2	-38.0%	-35.8%
Vehicles	0	0.0%	0	0.0%	0	0	0.0%	-1	0.0%	1	1	-63.5%	-62.3%
Building Improvements	39	0.0%	39	0.0%	1	40	0.0%	0	0.0%	39	40	-9707.6%	-10038.9%
Prior Year Adjustment	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Estimated Pringe Benefit Alloc.	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>3,387</b>	<b>0.8%</b>	<b>3,387</b>	<b>0.8%</b>	<b>117</b>	<b>3,503</b>	<b>0.8%</b>	<b>3,479</b>	<b>0.8%</b>	<b>-92</b>	<b>25</b>	<b>-2.6%</b>	<b>0.7%</b>
<b>Net Profit Before Distributions</b>	<b>96,754</b>	<b>24.1%</b>	<b>90,262</b>	<b>22.4%</b>	<b>3,112</b>	<b>93,375</b>	<b>22.4%</b>	<b>100,121</b>	<b>23.3%</b>	<b>-9,858</b>	<b>-6,746</b>	<b>-9.8%</b>	<b>-6.7%</b>

Notes to Financial Statement:

1 Year to date amounts have been adjusted for prize accruals.

2 Year to date amounts for FY 2018 (7/1/17-7/29/17) include one (1) less day of activity over FY2017 (7/1/16-7/30/16). For comparative purposes, one (1) additional day of revenue in FY18 would total approximately \$13.9 million, increasing revenues to \$416.0 million, resulting in a (\$14.0) million or -3.3% change over FY17. One (1) additional day of revenue would increase net profit by approximately \$3.1 million to \$93.4 million, resulting in a (\$6.7) million or -6.7% change over FY17.