



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

October 19, 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 September 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

September, 2017

Comments / Observations

YTD amounts for September, 2017 (includes 7/1/17 – 9/30/17) have one (1) less day of activity * than the YTD amounts for September, 2016 (7/1/16 – 10/1/16).

	<u>Statement of Operations</u>	<u>Adjusted (+1 day) **</u>
• Instant Games sales	up 0.5% / \$4.1M	up 1.6% / \$13.6M
• Draw Games + KENO sales***	up 4.2% / \$16.6M	up 5.3% / \$21.1M
• Total Revenues	up 1.6% / \$20.6M	up 2.7% / \$34.6M
• Prize Payout %	71.5% <i>(compared to 72.3% at September, 2016)</i>	71.5%
• Prizes (Paid)	up 0.5% / \$4.9M	up 1.6% / \$14.9M
• Agent Commissions %	up 1.7% / \$1.1M	up 2.8% / \$1.8M
• Agent Bonuses	down 3.3% / \$0.3M	down 2.2% / \$0.2M
• Administrative Expenses	up 33.8% / \$5.0M	up 35.3% / \$5.2M
• Net Profit	up 3.8% / \$10.0M	up 4.9% / \$13.0M

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

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

18-Oct-17

	September, 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	260,235	69.1%	875,322	67.7%	9,514	884,836	67.7%	871,266	68.5%	4,056	13,570	0.5%	1.6%
MegaMillions	3,478	0.9%	19,342	1.5%	210	19,553	1.5%	23,065	1.8%	-3,723	-3,512	-16.1%	-15.2%
Powertball	5,530	1.5%	47,420	3.7%	515	47,935	3.7%	32,894	2.6%	14,526	15,041	44.2%	45.7%
Numbers Game	24,539	6.5%	80,690	6.2%	877	81,567	6.2%	81,759	6.4%	-1,070	-193	-1.3%	-0.2%
Mass Cash	6,226	1.7%	20,057	1.6%	218	20,275	1.6%	20,017	1.6%	39	257	0.2%	1.3%
Keno	71,334	18.9%	232,828	18.0%	2,531	235,358	18.0%	219,119	17.2%	13,709	16,240	6.3%	7.4%
All or Nothing	784	0.2%	2,833	0.2%	31	2,863	0.2%	9,463	0.7%	-6,631	-6,600	100.0%	100.0%
Lucky for Life	1,892	0.5%	6,236	0.5%	68	6,304	0.5%	6,322	0.5%	-86	-18	-1.4%	-0.3%
Charity Game Tickets	154	0.0%	414	0.0%	5	419	0.0%	421	0.0%	-7	-2	-1.6%	-0.5%
Beano Tax (2/5)	43	0.0%	130	0.0%	1	132	0.0%	138	0.0%	-8	-6	-5.5%	-4.5%
Pull Tabs	50	0.0%	179	0.0%	2	181	0.0%	176	0.0%	3	4	1.4%	2.5%
Licenses Fees	8	0.0%	19	0.0%	0	19	0.0%	24	0.0%	-5	-5	-22.0%	-21.2%
Bond Fees and Fines	161	0.0%	528	0.0%	6	534	0.0%	552	0.0%	-24	-18	-4.3%	-3.3%
Service Fees	433	0.1%	1,421	0.1%	15	1,436	0.1%	1,447	0.1%	-26	-11	-1.8%	-0.8%
Mega bucks	1,649	0.4%	5,389	0.4%	59	5,447	0.4%	5,542	0.4%	-154	-95	-2.8%	-1.7%
Miscellaneous Income	0	0.0%	4	0.0%	0	4	0.0%	6	0.0%	-2	-2	-28.0%	-27.2%
Interest	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Subtotal Revenues	376,517	100.0%	1,292,811	100.0%	14,052	1,306,863	100.0%	1,272,215	100.0%	20,596	34,648	1.6%	2.7%
Subtotal Prizes	268,338	71.3%	924,197	71.5%	10,046	934,243	71.5%	919,332	72.3%	4,865	14,911	0.5%	1.6%
Operating Expenses													
Commissions	18,755	5.0%	64,433	5.0%	700	65,134	5.0%	63,379	5.0%	1,054	1,754	1.7%	2.8%
Bonuses	2,794	0.7%	9,544	0.7%	104	9,648	0.7%	9,865	0.8%	-321	-217	-3.3%	-2.2%
Subtotal Operating Expenses	21,550	5.7%	73,978	5.7%	804	74,782	5.7%	73,245	5.8%	733	1,537	1.0%	2.1%
Operating Revenue	86,629	23.0%	294,636	22.8%	3,203	297,839	22.8%	279,638	22.0%	14,998	18,201	5.4%	6.5%
Administrative Expenses													
Salaries	3,838	1.0%	8,222	0.6%	89	8,312	0.6%	6,899	0.5%	1,323	1,413	19.2%	20.5%
Advertising	372	0.1%	816	0.1%	9	824	0.1%	133	0.0%	680	689	502.9%	509.4%
Equip Rental	9	0.0%	26	0.0%	0	26	0.0%	46	0.0%	-20	-19	-43.0%	-42.4%
Admin./Facilities	3,594	1.0%	6,198	0.5%	67	6,266	0.5%	3,864	0.3%	2,334	2,401	60.4%	62.1%
Facilities Rental	313	0.1%	873	0.1%	9	882	0.1%	818	0.1%	55	65	6.7%	7.9%
Telephone	553	0.1%	1,127	0.1%	12	1,139	0.1%	1,126	0.1%	1	13	-0.1%	1.2%
Travel	3	0.0%	5	0.0%	0	5	0.0%	6	0.0%	-1	-1	-19.7%	-18.9%
Employee Benefits	56	0.0%	196	0.0%	2	199	0.0%	214	0.0%	-17	-15	-8.0%	-7.0%
Off/Other Equipment	25	0.0%	171	0.0%	2	173	0.0%	110	0.0%	61	63	56.0%	57.7%
Postage & Freight	245	0.1%	555	0.0%	6	561	0.0%	422	0.0%	422	428	317.2%	321.8%
Maintenance	135	0.0%	771	0.1%	8	780	0.1%	648	0.1%	123	132	19.0%	20.3%
Professional Services	601	0.2%	753	0.1%	8	761	0.1%	706	0.1%	47	55	6.6%	7.8%
Other	2	0.0%	12	0.0%	0	12	0.0%	13	0.0%	-1	-1	-8.3%	-7.3%
Vehicles	0	0.0%	0	0.0%	0	0	0.0%	-1	0.0%	1	1	-63.5%	-63.2%
Building Improvements	41	0.0%	115	0.0%	1	116	0.0%	110	0.0%	5	6	4.3%	5.5%
Prior Year Adjustment	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
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	9,787	2.6%	19,840	1.5%	216	20,055	1.5%	14,826	1.2%	5,013	5,229	33.8%	35.3%
Net Profit Before Distributions	76,842	20.4%	274,796	21.3%	2,987	277,783	21.3%	264,811	20.8%	9,985	12,972	3.8%	4.9%

Notes to Financial Statement:

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

2 Year to date amounts for FY2018 (7/1/17-9/30/17) include one (1) less day of activity over FY2017 (7/1/16-10/1/16). For comparative purposes, one (1) additional day of revenue in FY18 would total approximately \$14.1 million, increasing revenues to \$1.307 billion, resulting in a \$34.6 million or 2.7% change over FY17. One (1) additional day of revenue would increase net profit by approximately \$3.0 million to \$277.8 million, resulting in a \$13.0 million or 4.9% change over FY17.