



LOTTERY TURNS 10

HOW WE GREW TO BE A \$2 BILLION BUSINESS



Kim Griffin Jr.

CHAIRMAN
NORTH CAROLINA LOTTERY COMMISSION

Alice Garland

EXECUTIVE DIRECTOR
NORTH CAROLINA EDUCATION LOTTERY



LOTTERY TIMELINE

APRIL 2009



OCTOBER 2006



MARCH 2006

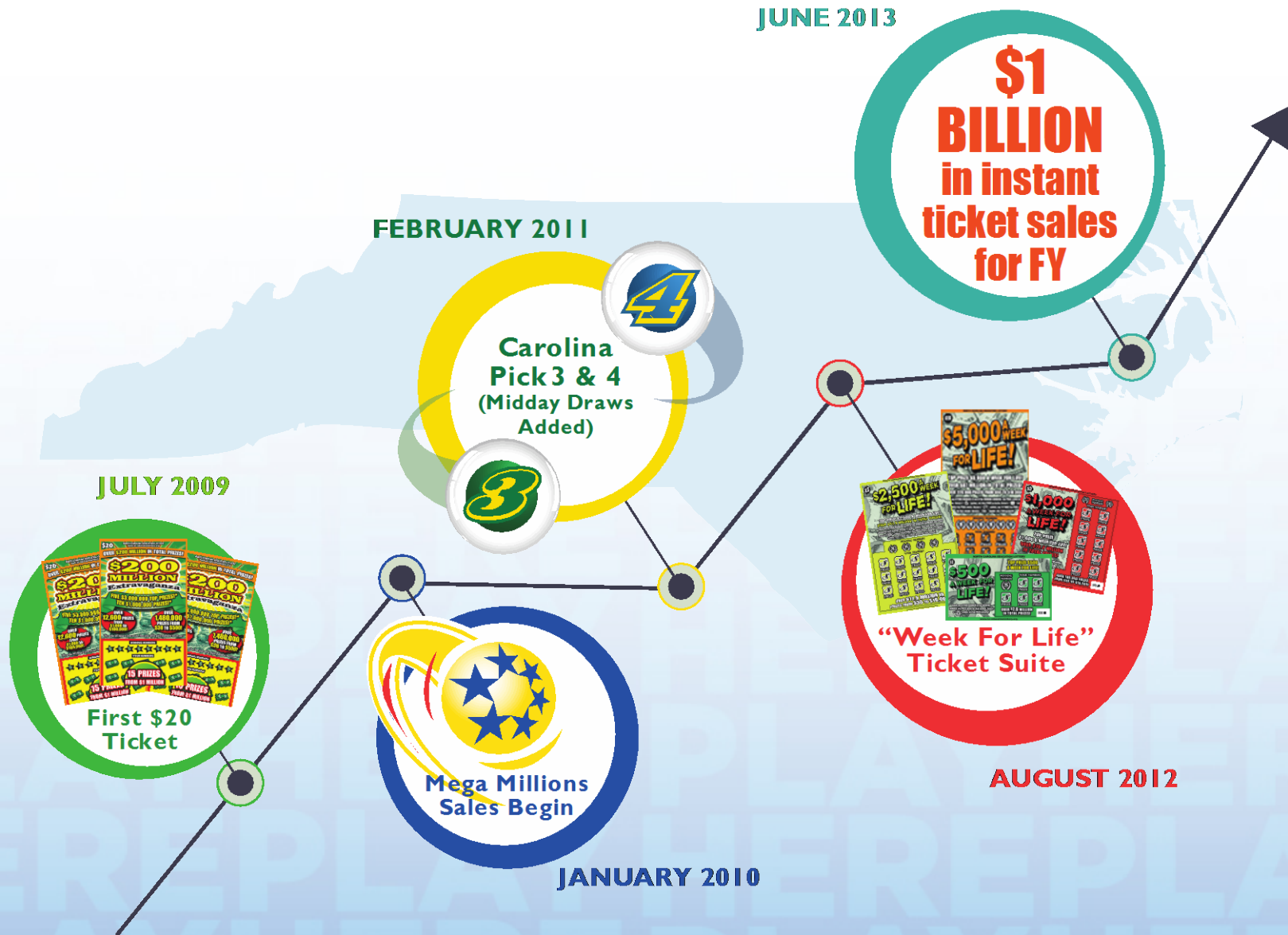


MAY 2006

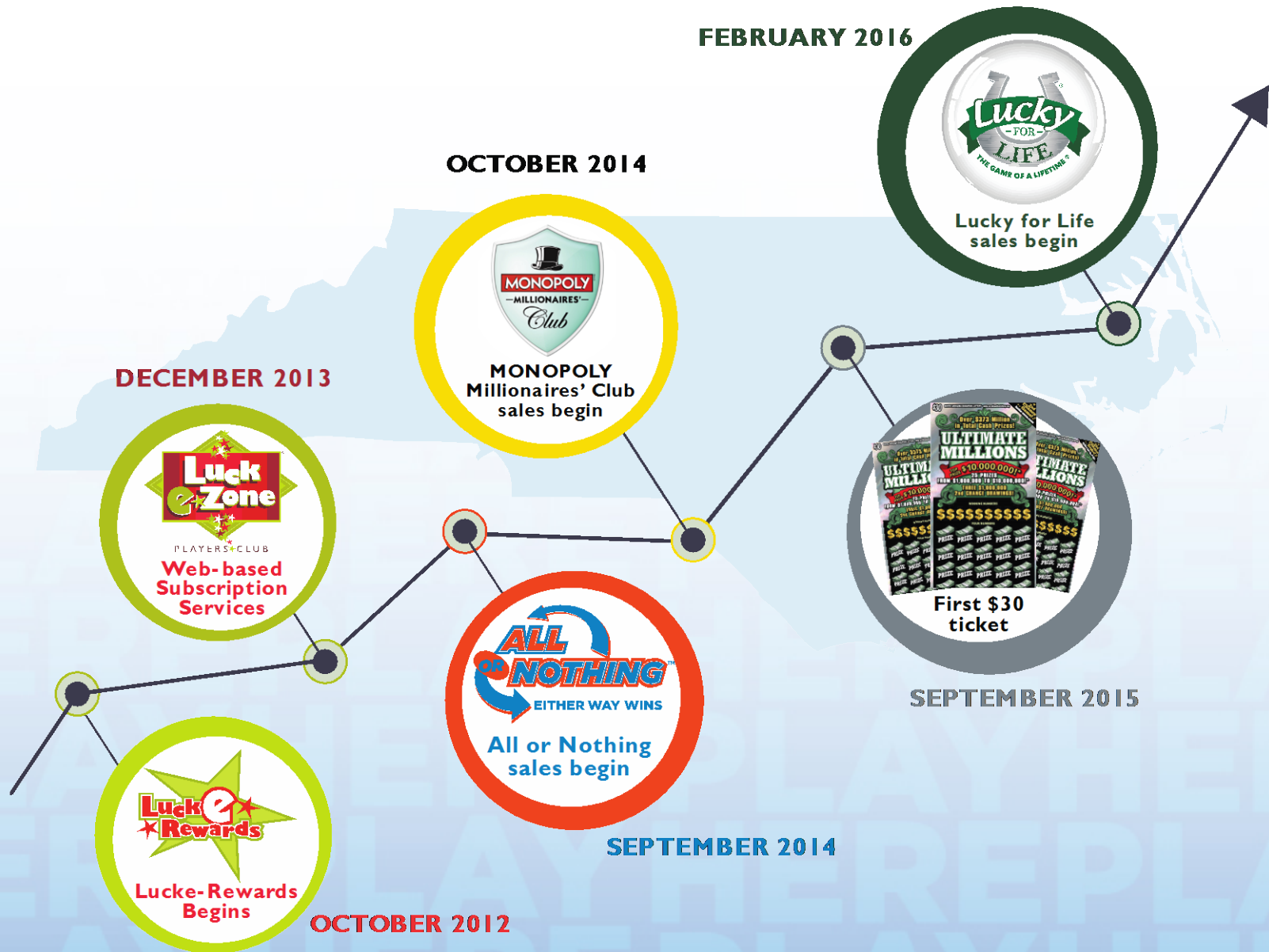


OCTOBER 2006

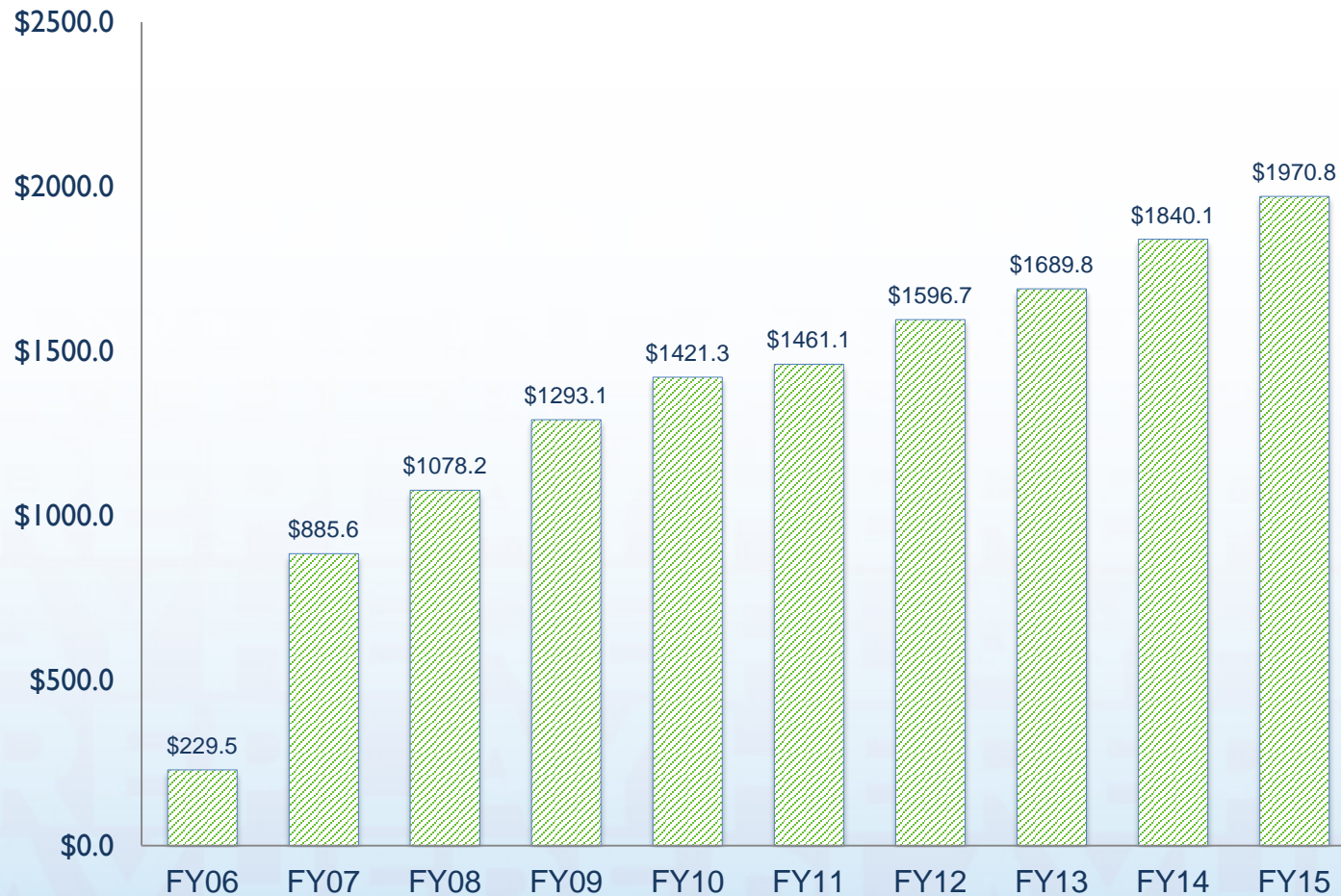
LOTTERY TIMELINE



LOTTERY TIMELINE



HISTORY of LOTTERY SALES

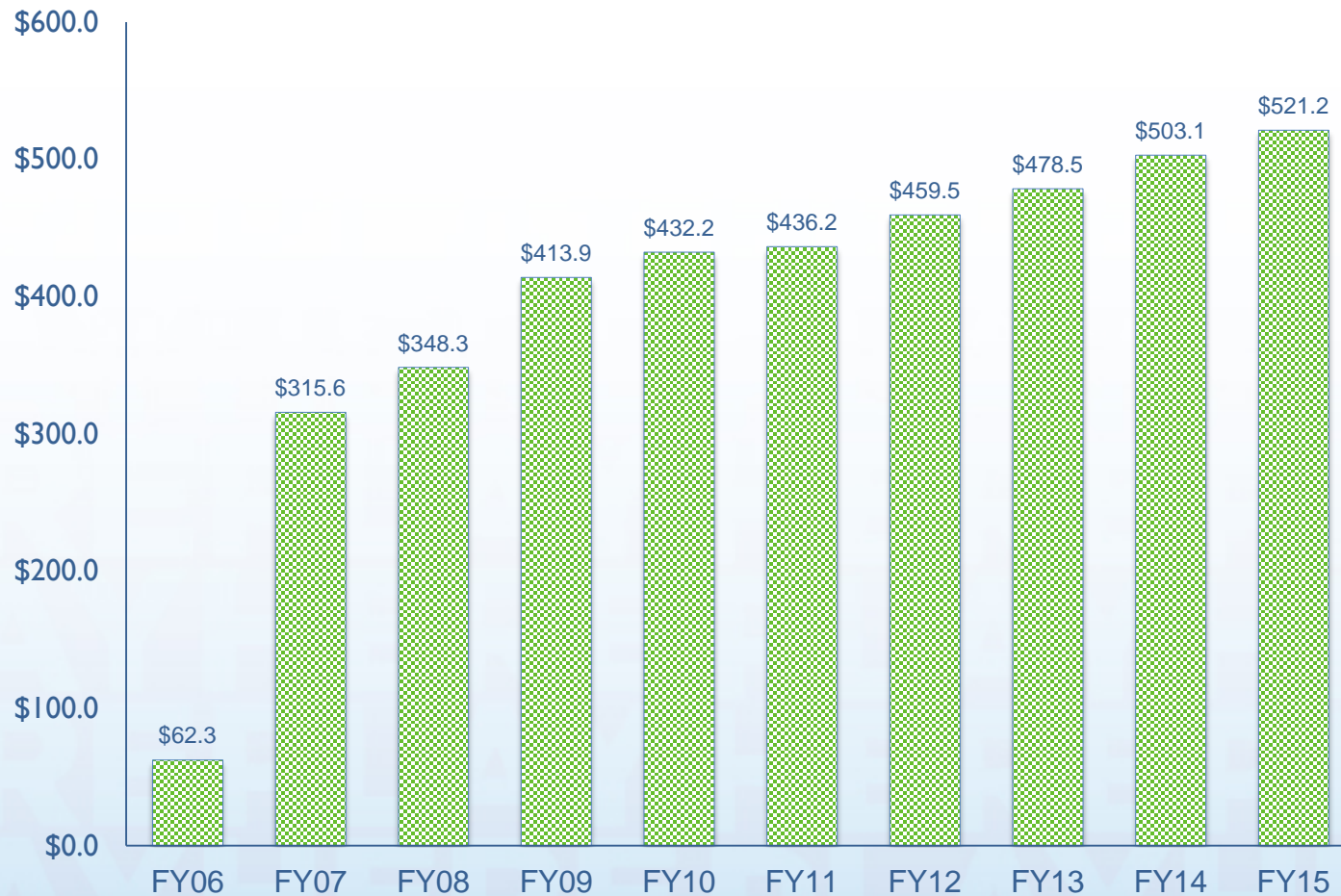


SALES *in* MILLIONS

"The NCEL has increased profits in each of its eight years of operations. From this perspective, NCEL's performance has been exceptional. No other U.S. lottery had achieved increased sales and profits every year of operations."

- Independent Performance Audit, Dec. 16, 2014

HISTORY of LOTTERY EARNINGS for EDUCATION



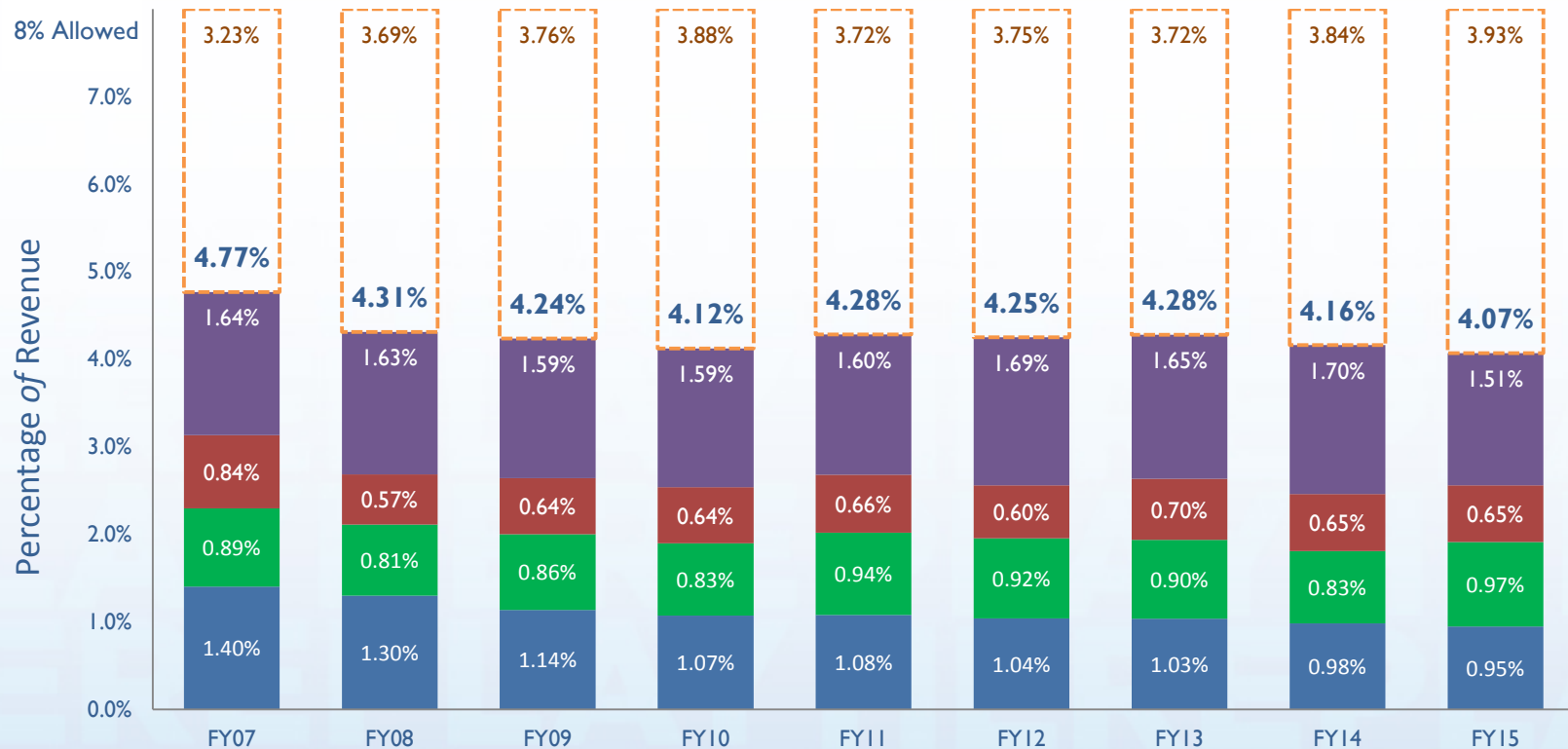
EARNINGS for EDUCATION in MILLIONS

"The NCEL has increased profits in each of its eight years of operations. From this perspective, NCEL's performance has been exceptional. No other U.S. lottery had achieved increased sales and profits every year of operations."

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ADMINISTRATIVE COSTS *as* PERCENTAGE *of* REVENUE

Lottery has used, on average, about half of what's allowed for administrative costs.



■ SALARIES & BENEFITS

■ ADVERTISING

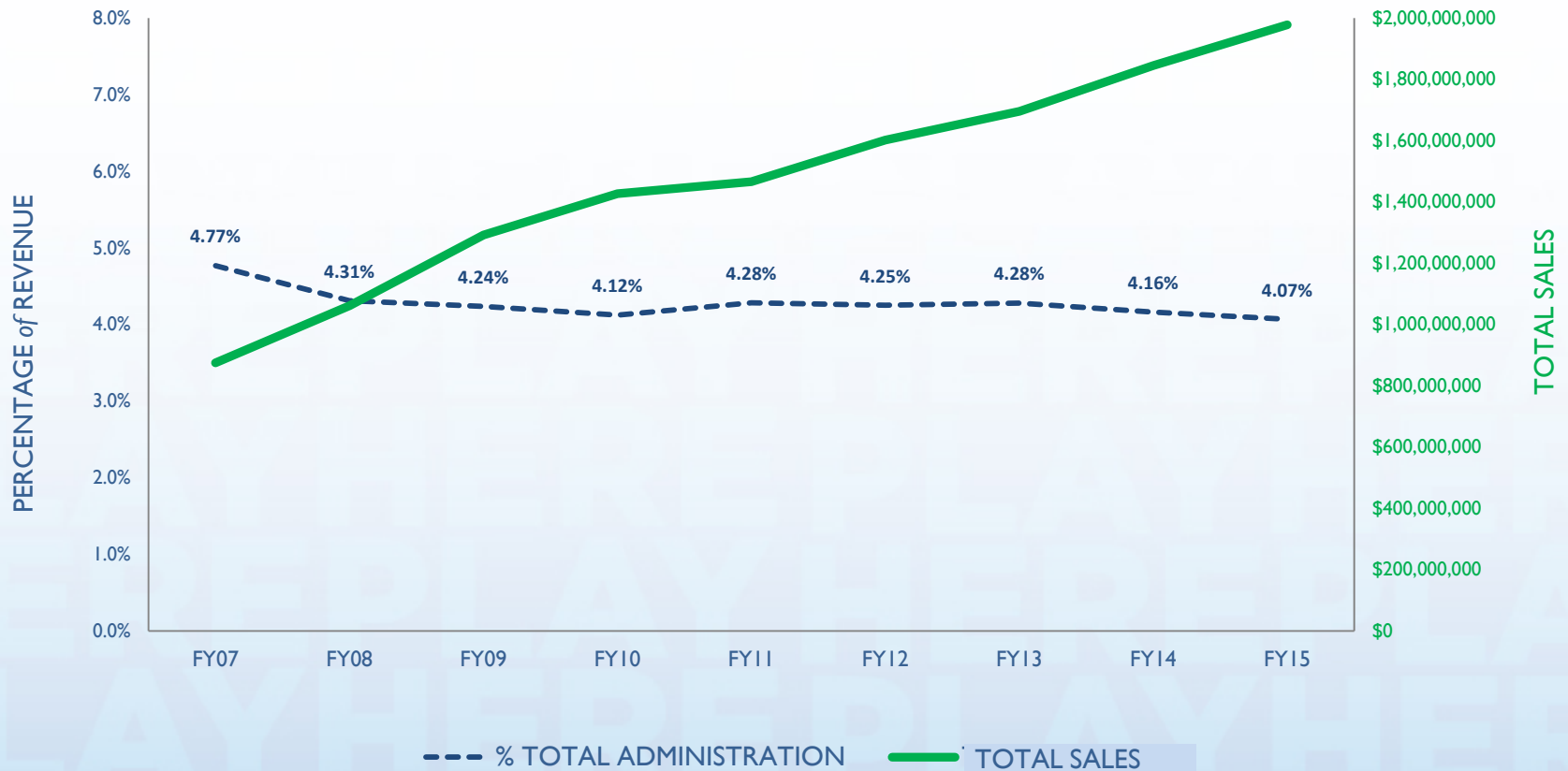
■ IT INFRASTRUCTURE, REGIONAL OFFICES, VEHICLES, UTILITIES

■ GAMING SYSTEM SERVICES

■ BALANCE TO EDUCATION

■ % TOTAL ADMINISTRATION

SALES GROWTH vs ADMIN COSTS

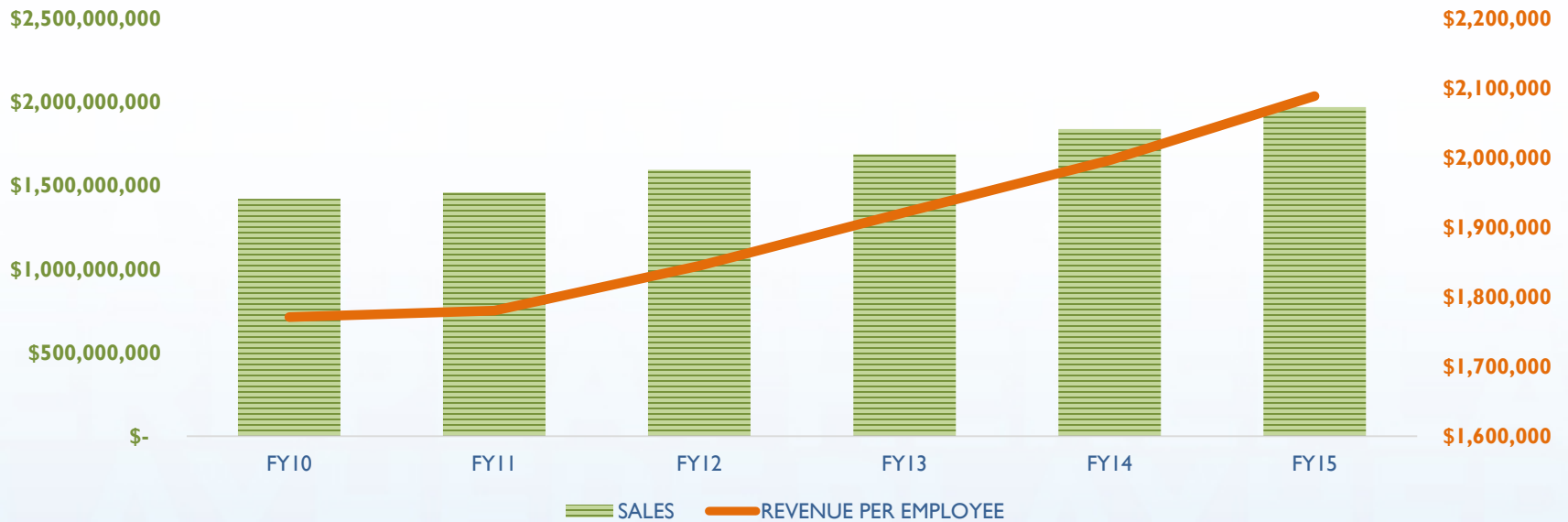


"Employee productivity continued its upward trend and surpassed \$2,000,000 in profits per employee in FY 2014."

- Independent Performance Audit, Dec. 16, 2014

EMPLOYEES, SALES, and PRODUCTIVITY

SALES and REVENUE per EMPLOYEE



of EMPLOYEES



"Employee productivity continued its upward trend and surpassed \$2,000,000 in profits per employee in FY 2014."

- Independent Performance Audit, Dec. 16, 2014

LOTTERY GAMES

DRAW GAMES



MULTI-STATE



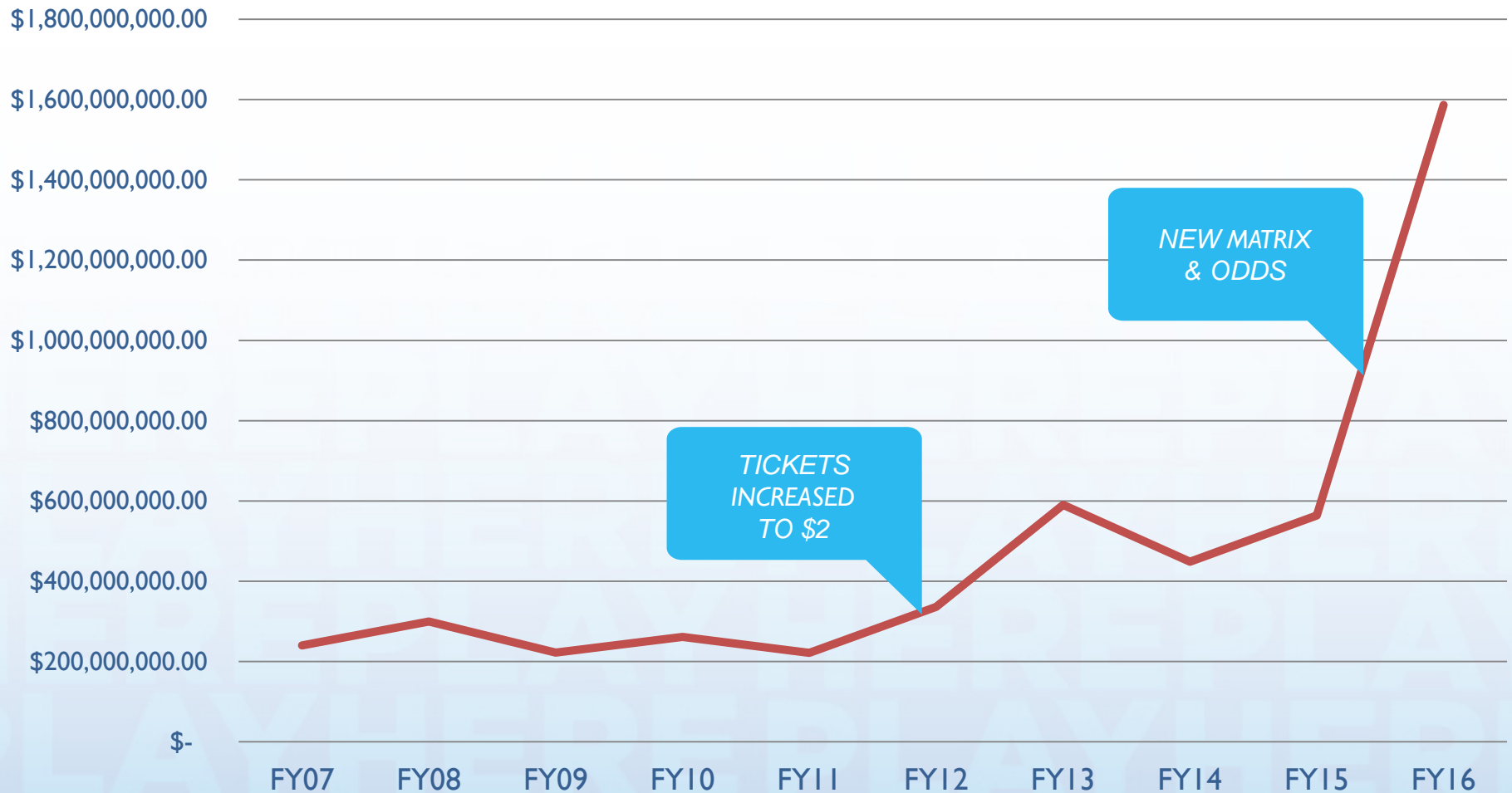
IN-STATE

with **eZ** match

INSTANT SCRATCH OFF GAMES




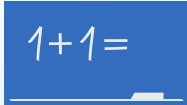

HISTORY of POWERBALL JACKPOTS



LARGEST POWERBALL JACKPOT by FISCAL YEAR

70 DAYS of RECORD POWERBALL JACKPOT RUN

(Sales from Nov. 5, 2015 – Jan. 13, 2016)

		Budgeted	Actual
	POWERBALL TICKET SALES	\$22.6 Million	\$101.2 Million
	EARNINGS FOR EDUCATION	\$8.6 Million	\$38.5 Million
	RETAILER COMMISSIONS	\$1.6 Million	\$7.1 Million

Compared to budgeted figures, the jackpot run increased the lottery's FY16 return to education by \$29.9 million.

HOW POWERBALL TICKET SALES HELPED OTHER LOTTERY DAILY GAMES



1/13/16 JACKPOT \$1.5 BILLION

Daily Averages 2 weeks to Jackpot win

Nov 2015 Daily Averages

PICK 3

\$821,190

\$749,022

PICK 4

\$349,695

\$340,791

POWERBALL

\$5,711,443

\$282,085

DAILY SALES INCREASE

\$72,168

\$8,904

\$5,429,358

% DAILY INCREASE

9.63%

2.61%

2/11/15 JACKPOT \$564 MILLION

Daily Averages 2 weeks to Jackpot win

Dec 2014 Daily Averages

\$876,198

\$833,222

\$369,407

\$365,786

\$1,690,795

\$270,991

DAILY SALES INCREASE

\$42,976

\$3,621

\$1,419,804

% DAILY INCREASE

5.16%

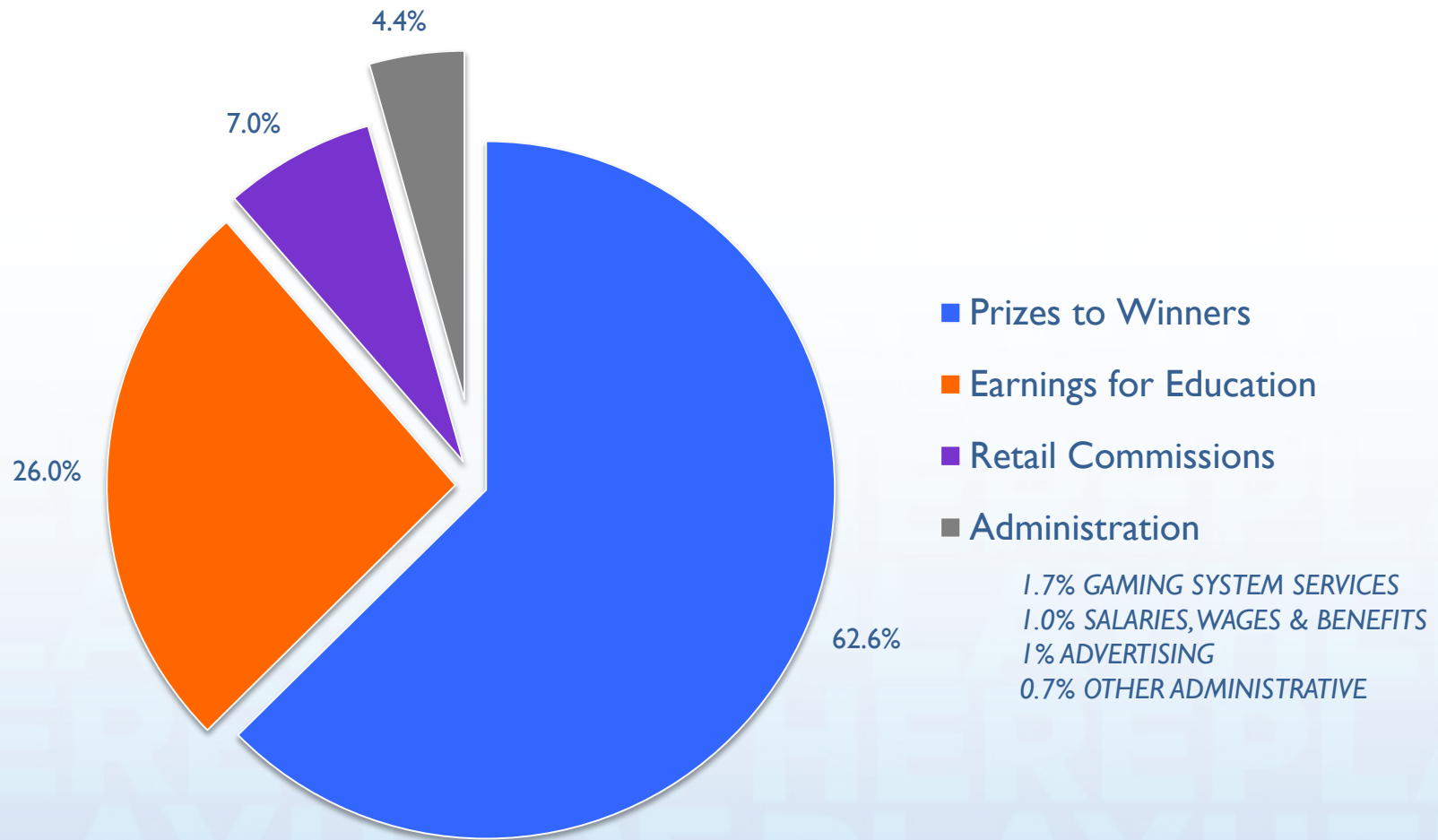
0.99%

**PICK 3/PICK 4 DAILY DRAW GAME SALES INCREASES
DURING POWERBALL JACKPOTS**

FY16 BUDGETED REVENUE *and* ESTIMATED CONTRIBUTION *to* EDUCATION

	FY16 Budgeted Revenue	% of Revenue	FY16 Estimated Contribution	% Return
Instant	\$ 1,354,200,000	66.41%	\$ 264,982,000	19%
Pick 3	289,140,000	14.18%	45,760,000	38%
Pick 4	129,564,000	6.35%	21,894,000	38%
Powerball	118,950,000	5.83%	111,232,000	38%
Mega Millions	56,913,000	2.79%	49,843,000	38%
Cash 5	51,789,000	2.54%	19,923,000	38%
All or Nothing	15,372,000	0.75%	5,809,000	32%
Lucky for Life	15,100,000	0.74%	4,991,000	38%
EZ Match	8,235,000	0.40%	2,068,000	25%
Ticket Sales	\$ 2,039,263,000	100%	\$ 526,502,000	26%

FY16 BUDGET of LOTTERY REVENUE



FY16 BUDGET of LOTTERY REVENUE

COMMISSIONERS



Kim Griffin Jr.
Chair
Appointed by Gov.
Pat McCrory
Term Expires August 2018



Jody Tyson
*Operations and
Personnel Chair*
Appointed by Senate
President Pro Tem Phil
Berger
Term Expires August
2017



Amy Ellis
Audit and Finance Chair
Appointed by Senate
President Pro Tem Phil
Berger
Term Expires August
2018



Courtney
Crowder
Appointed by
Gov.
Beverly Perdue
Term Expires
August 2017



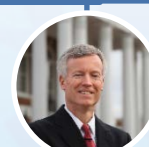
Chris
Shew
Appointed by Gov.
Pat McCrory
Term Expires
August 2016



David
Kirby
Appointed by Gov.
Beverly Perdue
Term Expires
August 2016



Alice
Underhill
Appointed by Gov.
Beverly Perdue
Term Expires
August 2016



Keith
Ballentine
Appointed by
Speaker Thom Tillis
Term Expires
August 2017



Douglas
Baker
Appointed by
Speaker Thom Tillis
Term Expires
August 2018

SALES REGIONS

ASHEVILLE

Percentage of Sales: 11%
FY15 Claims Paid: \$4.8M
Retailers Serviced: 939
Sales Rep Staffing: 8

GREENSBORO

Percentage of Sales: 17%
FY15 Claims Paid: \$12.9M
Retailers Serviced: 1284
Sales Rep Staffing: 11

RALEIGH

Percentage of Sales: 25%
FY15 Claims Paid: \$382.3M
Retailers Serviced: 1614
Sales Rep Staffing: 14

CHARLOTTE

Percentage of Sales: 20%
FY15 Claims Paid: \$14.4M
Retailers Serviced: 1418
Sales Rep Staffing: 13

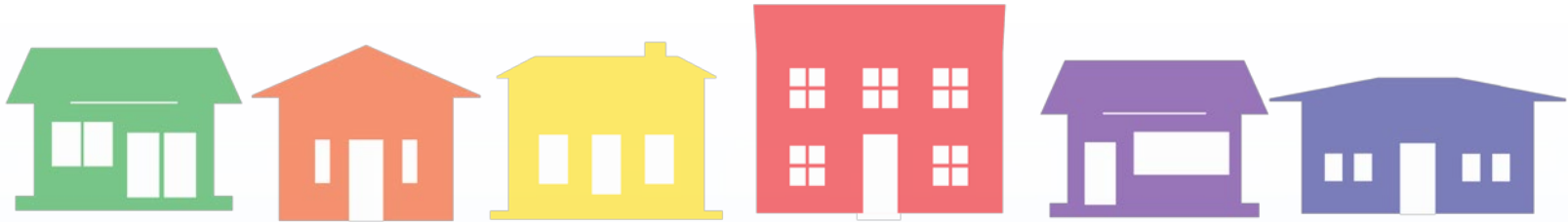
WILMINGTON

Percentage of Sales: 15%
FY15 Claims Paid: \$6.3M
Retailers Serviced: 899
Sales Rep Staffing: 8

GREENVILLE

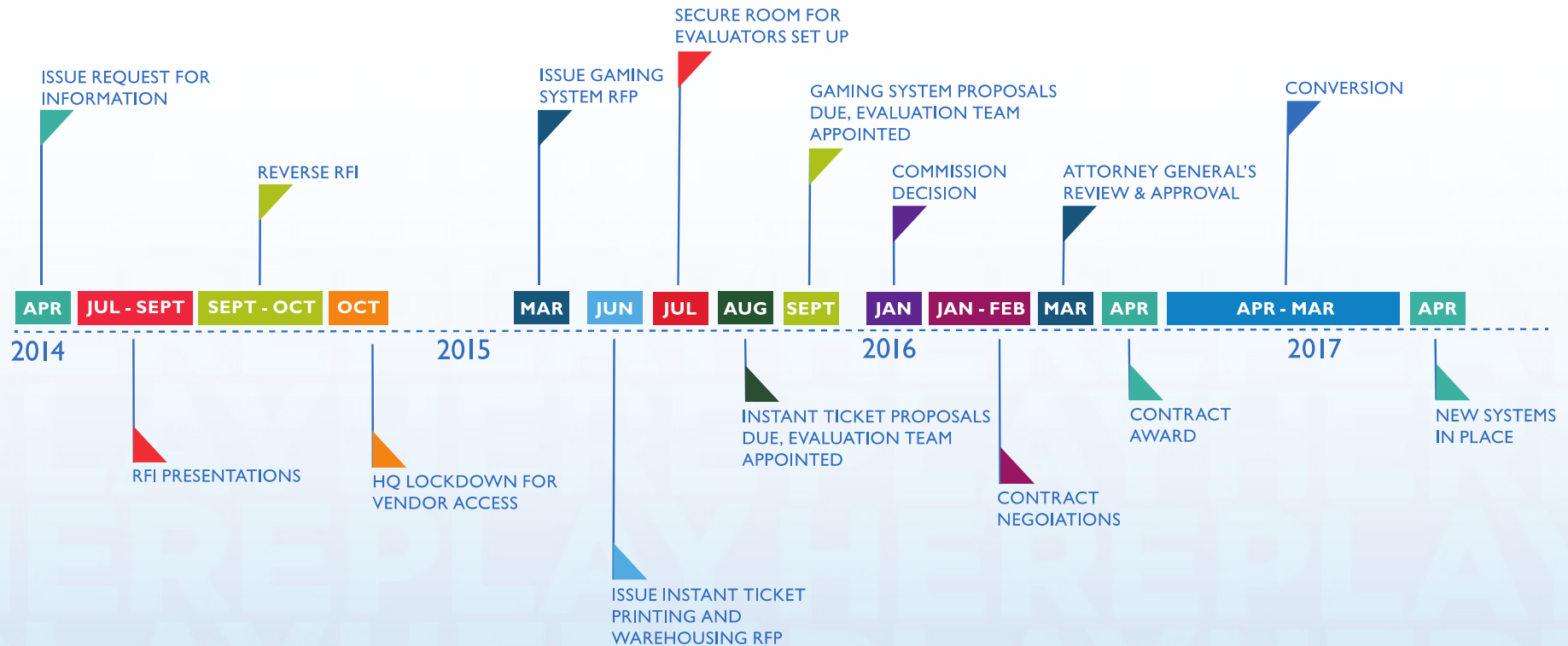
Percentage of Sales: 12%
FY15 Claims Paid: \$13M
Retailers Serviced: 738
Sales Rep Staffing: 7

OFFICE PRICE *per* SQUARE FOOT



Office	Current Lease Ends	Avg \$ per Square Foot	Next Lease Begins	New Avg \$ per Square Foot
● Asheville	8/31/21	\$20.26		
● Charlotte	1/22/19	\$10.93		
● Greensboro	3/23/16	\$22.89	3/23/16	\$18.19
● Greenville	3/23/16	\$12.07		
● Raleigh	6/30/16	\$10.98	7/1/16	\$13.76
● Wilmington	3/23/16	\$32.90	1/1/17	\$16.00

INSTANT TICKET PRINTING *and* GAMING SYSTEMS CONTRACTS



CONTRACT TIMELINE

INSTANT TICKET PRINTING *and* GAMING SYSTEMS CONTRACTS



- Will provide the latest technology in the lottery industry.



- Combined costs of new contracts \$26.5 million/year.



- A *savings* of \$6.3 million/year.



- Unanimous approvals:
 - IGT of Providence, Rhode Island awarded the gaming system contract
 - Scientific Games of Alpharetta, Ga. was awarded the instant ticket printing and warehousing contract.



- Largest NCEL contracts with private vendors.



- New contracts begin April 1, 2017.



- Gaming System contract: 10 years with possible 5 year extension.









- Instant Ticket contract: 8 years with possibility of 2 year extension.



- Compensation for the services are determined as a percentage of overall lottery ticket sales.

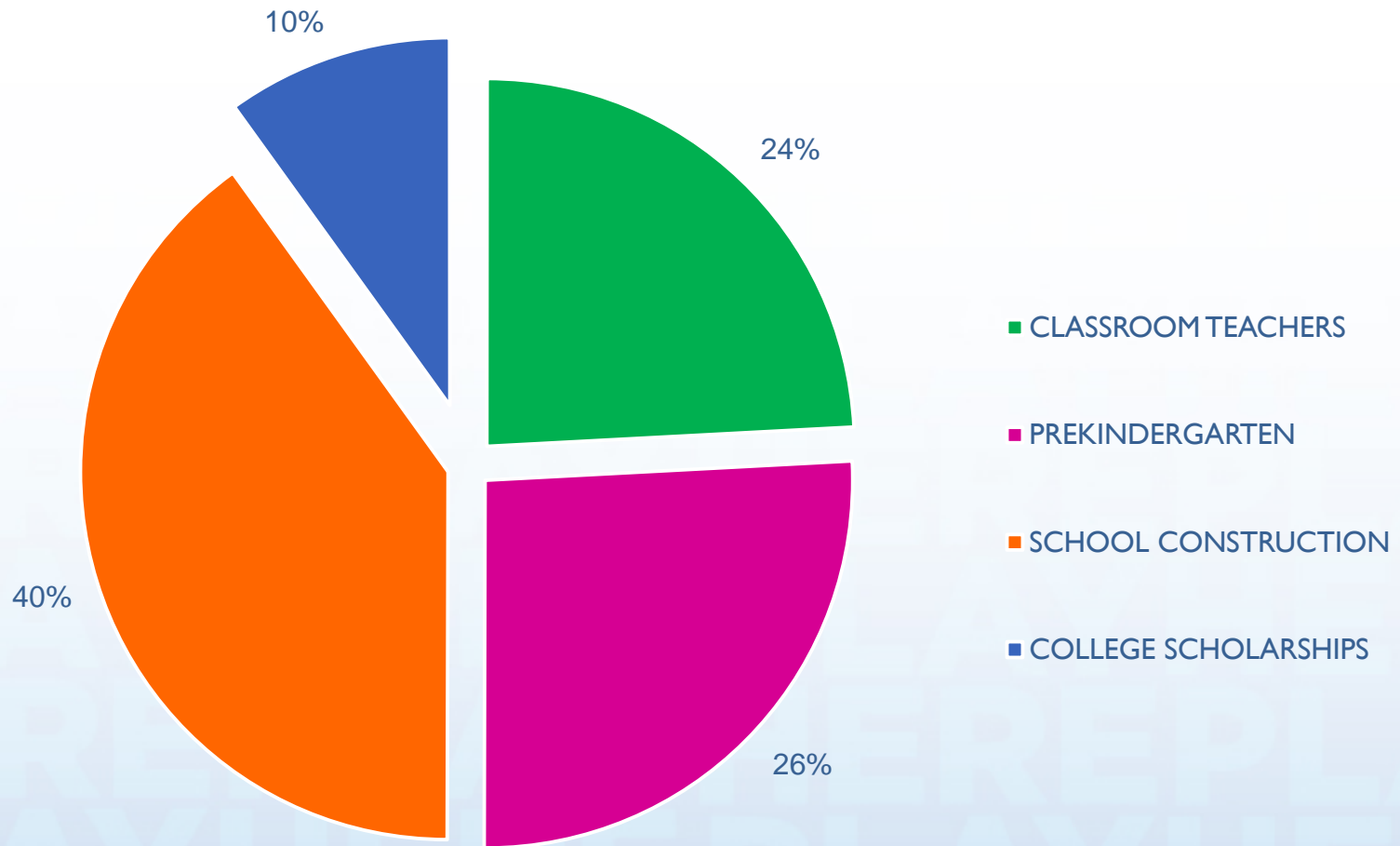
PERFORMANCE AUDIT COMPARISON *to* OTHER STATES

	State	Years in Operation	Population	Advertising/ Marketing per Capita	Operating Profits per Capita
	North Carolina	8	9.8M	\$1.91	\$48.59
	Tennessee	10	6.5M	\$1.95	\$52.28
	South Carolina	12	4.8M	\$1.56	\$63.99
	Georgia	21	10M	\$3.81	\$92.80
	Kentucky	25	4.4M	\$1.98	\$50.85
	Virginia	26	8.3M	\$3.17	\$58.71

"Legal restrictions regarding lottery advertising may decrease the lottery's ability to generate sales, thus weakening its per capita sales and profits compared to other lotteries." - Independent Performance Audit, Dec. 16, 2014

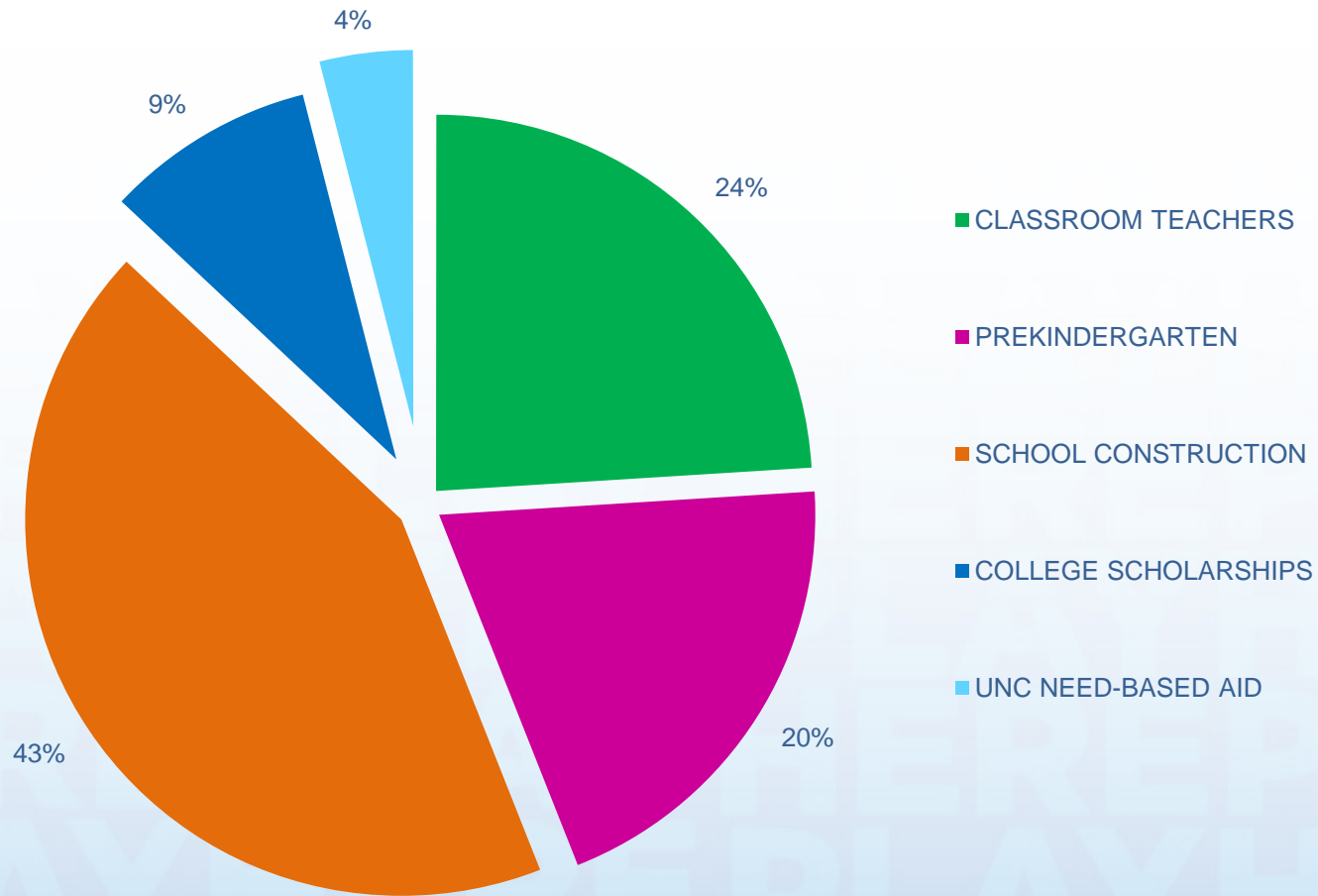
QUESTIONS?

HISTORY *of* ALLOCATION *of* LOTTERY FUNDS



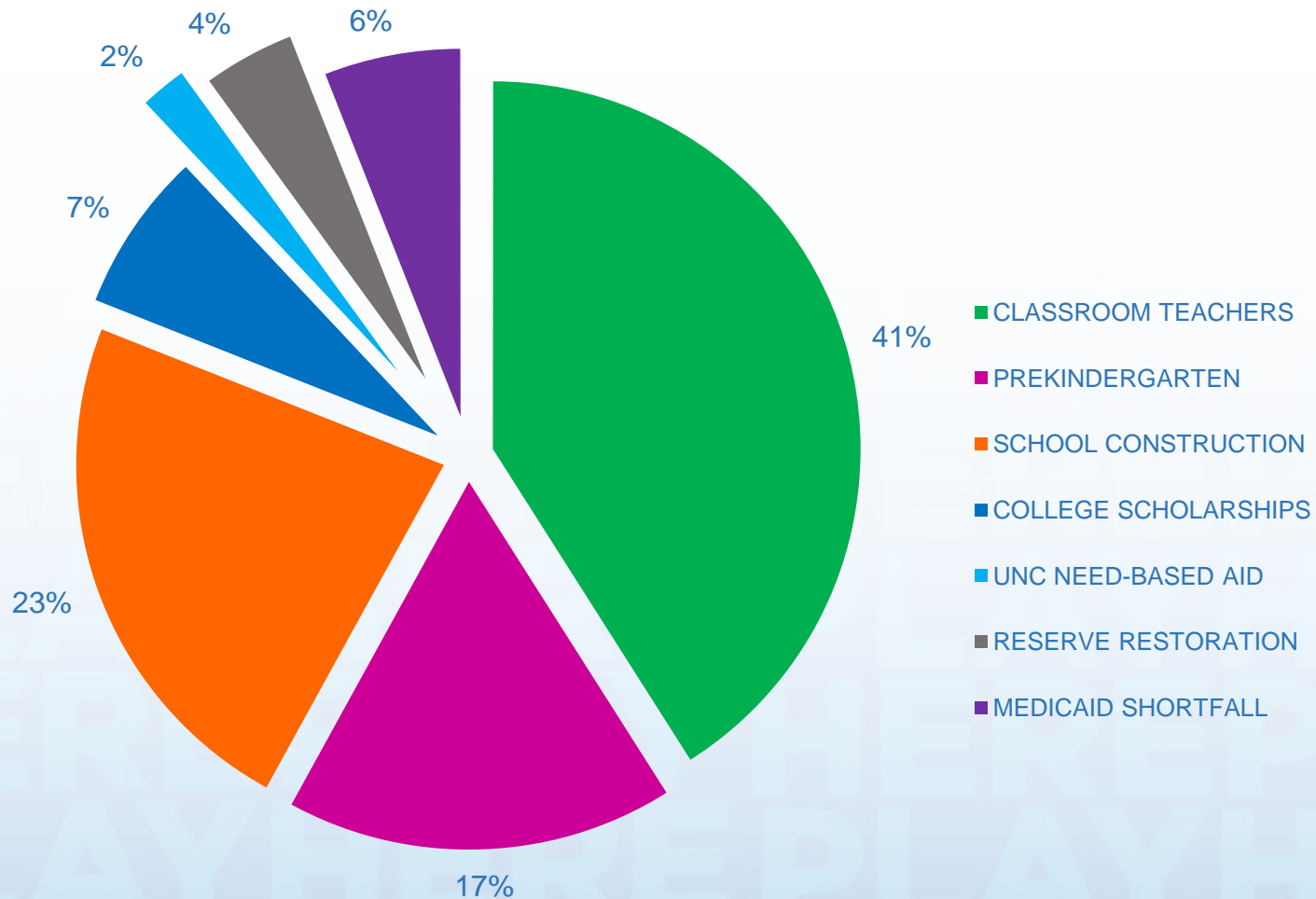
2007 LOTTERY ALLOCATION

HISTORY of ALLOCATION of LOTTERY FUNDS



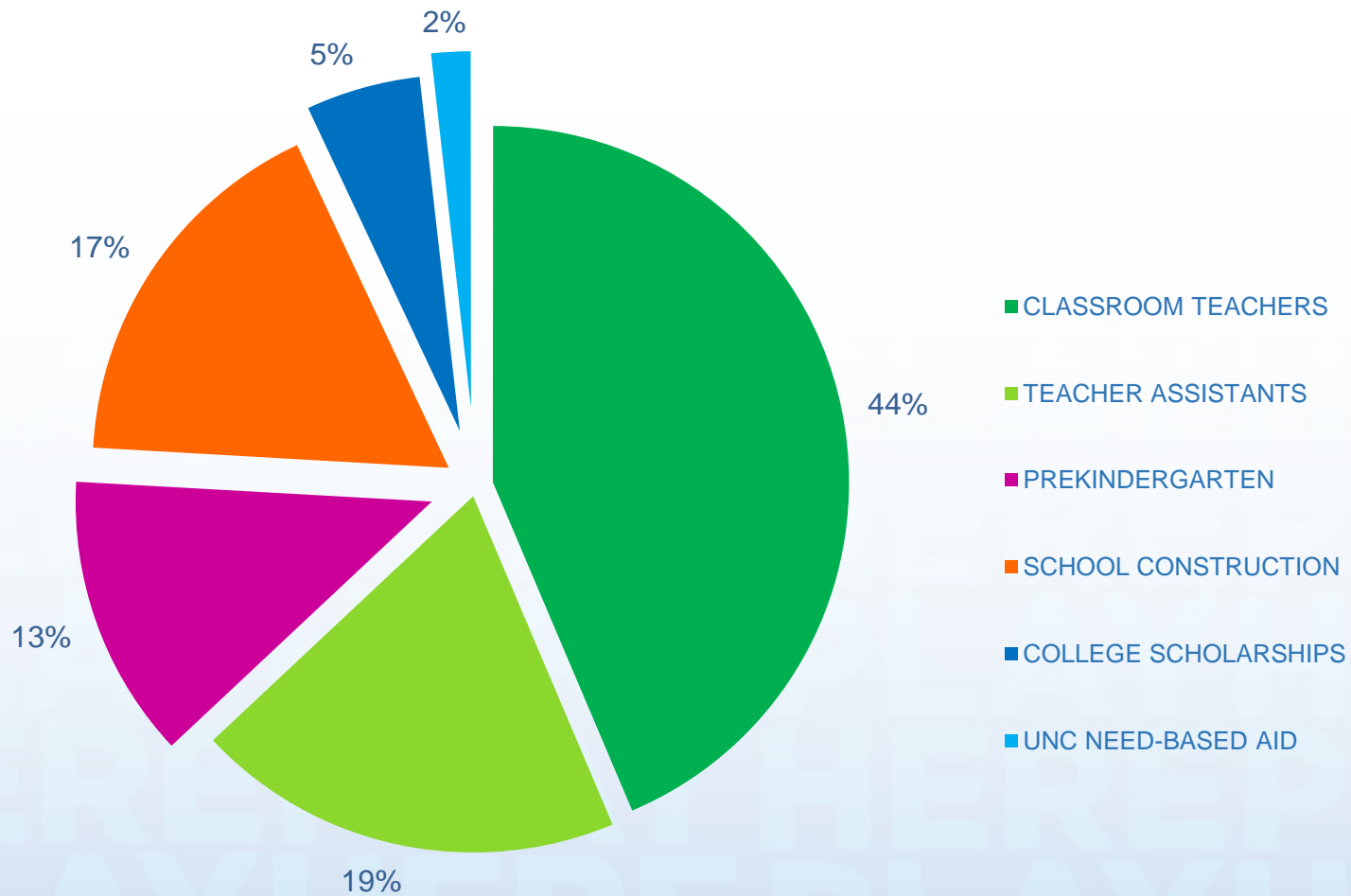
2010 LOTTERY ALLOCATION

HISTORY of ALLOCATION of LOTTERY FUNDS



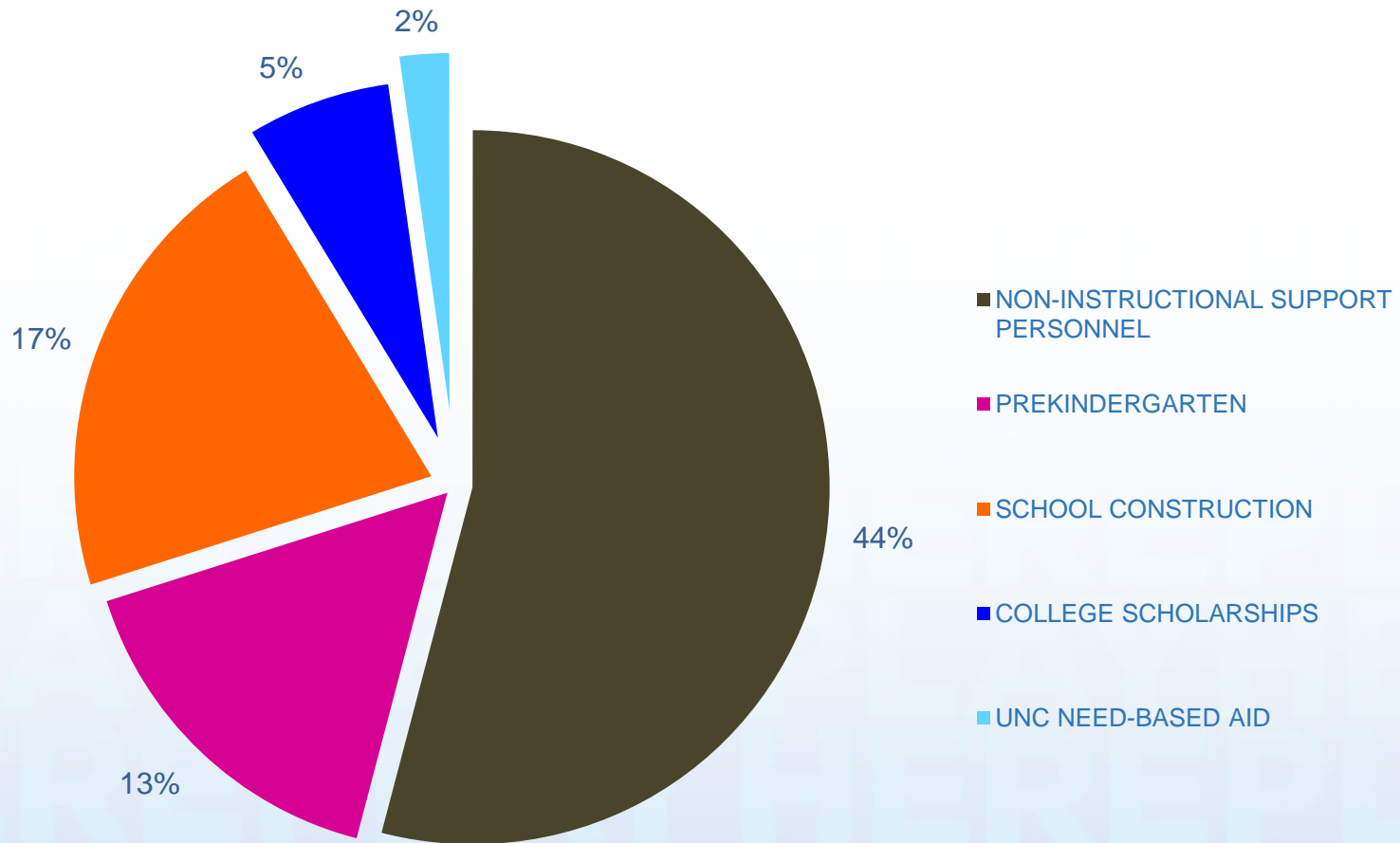
2011 LOTTERY ALLOCATION

HISTORY *of* ALLOCATION *of* LOTTERY FUNDS



2015 LOTTERY ALLOCATION

HISTORY *of* ALLOCATION *of* LOTTERY FUNDS



2016 LOTTERY ALLOCATION

HISTORY of ALLOCATION of LOTTERY FUNDS

"§ 18C-164. Transfer of net revenues. 2012

(c) The Commission shall distribute the remaining net revenue of the Education Lottery Fund, as follows, in the following manner:

- (1) A sum equal to **fifty percent (50%)** to support reduction of class size in early grades to class size allotments not exceeding 1:18 in order to eliminate achievement gaps and to support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.
- (2) A sum equal to **forty percent (40%)** to the Public School Building Capital Fund in accordance with G.S. 115C-546.2.
- (3) A sum equal to **ten percent (10%)** to the State Educational Assistance Authority to fund college and university scholarships in accordance with Article 35A of Chapter 115C of the General Statutes.

"§ 18C-164. Transfer of net revenues. 2015

(c) The General Assembly shall appropriate the remaining net revenue of the Education Lottery Fund annually in the Current Operations Appropriations Act for **education-related purposes**, based upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal Research Division of the Legislative Services Commission. A security interest shall not be granted in funds appropriated pursuant to this subsection.

PREFERENCES *for* FUND ALLOCATION

