

Presentation to the Program Review and Investigations Committee

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Background

- Created by constitutional amendment and legislative act passed in 1988, KRS Chapter 154A.
- Began sales in April 1989.
- Approximately 155 employees throughout the state, 110 in the Louisville headquarters; satellite office in Lexington.
- Scholarship program for lottery revenues established in 1999.



Mission and Vision

- Mission: Fueling imagination and funding education for all Kentuckians.
- Vision: Enrich the lives of all Kentuckians through our Principles, Products, Players, Proceeds, People and Partners.



KLC: State Agency Attributes

- An “independent de jure municipal corporation and political subdivision, and a "public agency.”
- Accountable to the Governor, General Assembly and the people through audits, reports and financial disclosure.
- Board members appointed by the Governor (except the Treasurer) and approved by the Senate.
- Subject to Open Records, Open Meetings Acts.
- Must follow procurement procedures (202 KAR 3:020).



KLC: Corporate Entity Attributes

- Lottery corporation “to be managed in an entrepreneurial and business-like manner.” KRS 154A.020.
- No sovereign immunity.
- Employees are NOT in the state merit system.
- Employees do NOT participate in state health insurance plan or retirement system; KLC has its own defined contribution plan.



Social Responsibility

The KY Lottery is a global leader in lottery problem gambling awareness:

- North American Association of State and Provincial Lotteries/Nat'l Council on Problem Gambling standards verification.
- iLottery site has Internet Compliance Assessment Program (ICAP) best practices certification from the Nat'l Council on Problem Gambling.
- Certified at levels 2 and 3 of the World Lottery Association's responsible gambling framework.
- Represented on the Board of the Nat'l Council on Problem Gambling.



Lottery Proceeds

- More than \$3.4 billion in proceeds have provided over 2.4 million scholarships and grants since 1999.
- 95 cents of every \$1 in non-loan student financial aid awarded by the Commonwealth comes straight from the sale of KY Lottery tickets.
- In 2018, over 121,000 Kentucky college students received a grant or scholarship paid for by Kentucky Lottery proceeds.



KLC-Funded Scholarships and Grants for FY 19 & 20

- Kentucky Educational Excellence Scholarship (KEES)
- College Access Program (CAP)
- KY Tuition Grants (KTG)
- Work-Ready Kentucky Scholarship
- Dual Credit Scholarship
- National Guard Tuition Award



Retailers

- Approximately 3250 licensed retailer locations throughout Kentucky.
- Retailer bank accounts are swept by EFT weekly for sales activity that becomes due weekly.
- Retailer license requires multiple background checks; valid for one year and automatically renews for up to three more years.



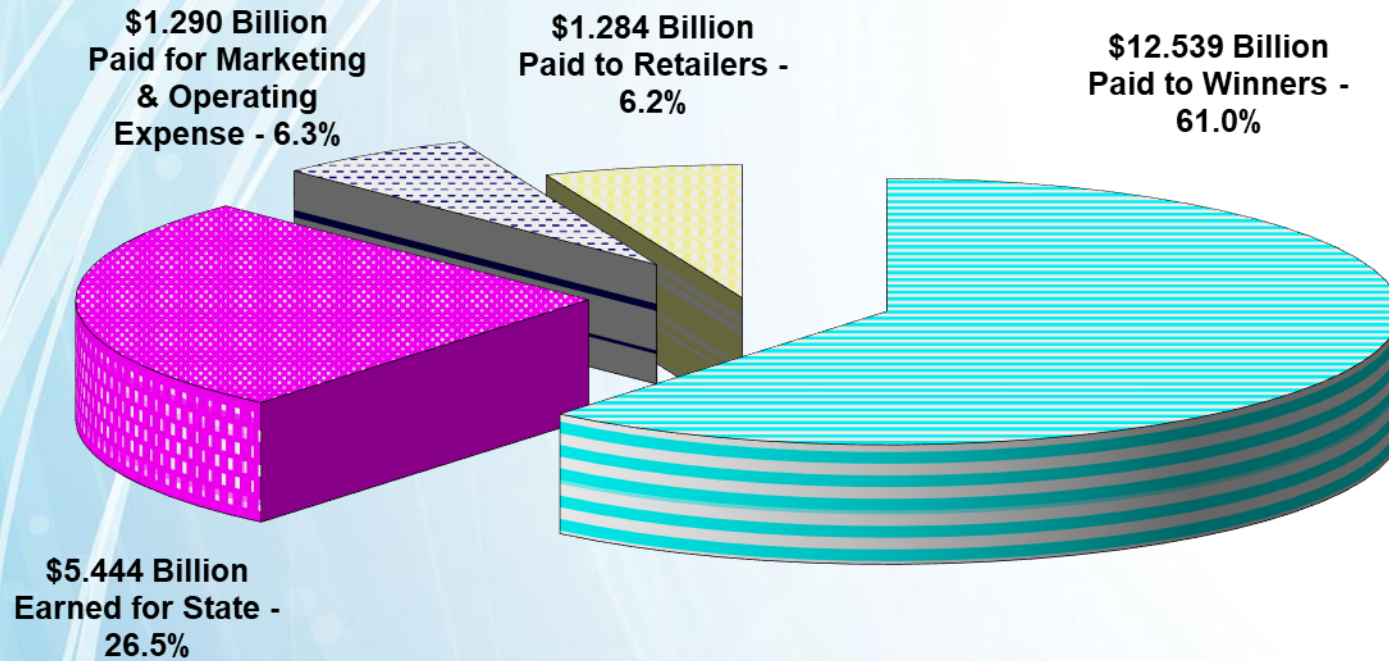
Sales by Channel

	2015	2016	2017	2018	2019	5 Year Growth	CAGR
Instant Sales at Retail	560,494	597,325	603,823	613,134	669,212	19.4%	3.9%
Draw Sales at Retail	338,628	399,473	390,071	414,673	433,657	28.1%	5.6%
iLottery Sales	0	521	6,607	14,705	26,786	5041.3%	1260.3%
Total	899,122	997,319	1,000,501	1,042,512	1,129,655	25.6%	5.1%



Where the Money Goes

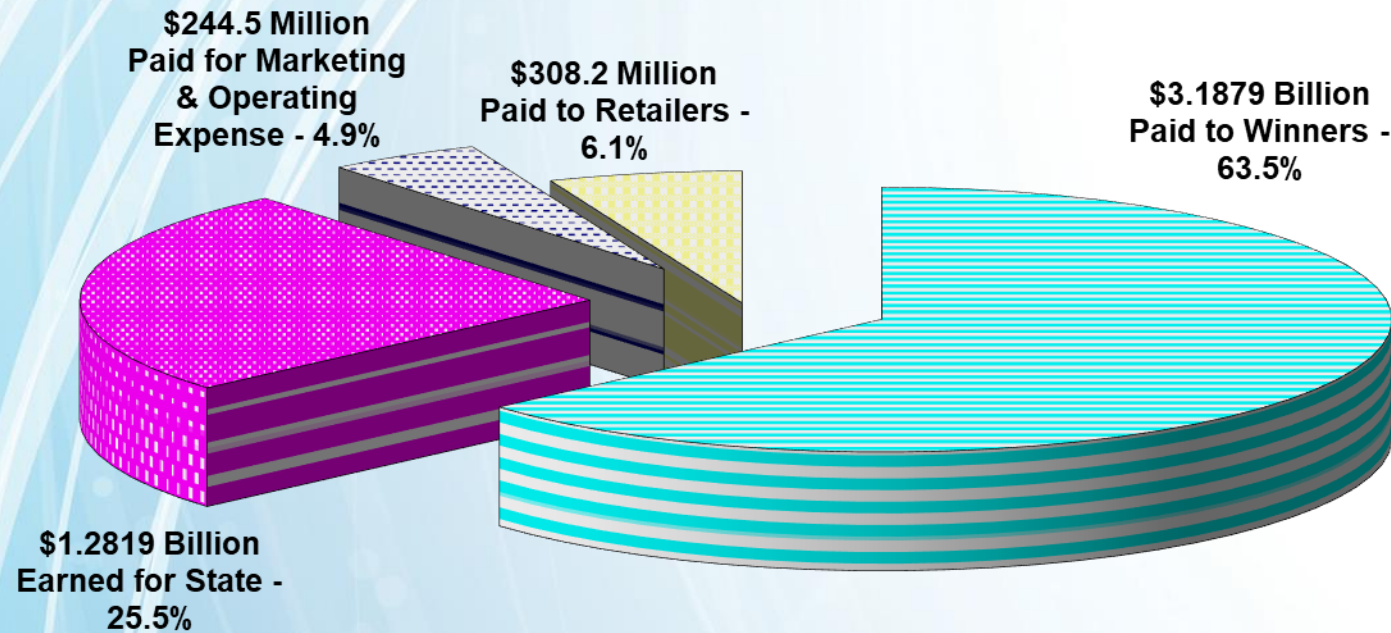
**INCEPTION-TO-DATE SALES AS OF JUNE 30, 2019
\$20.557 BILLION**



Where the Money Goes

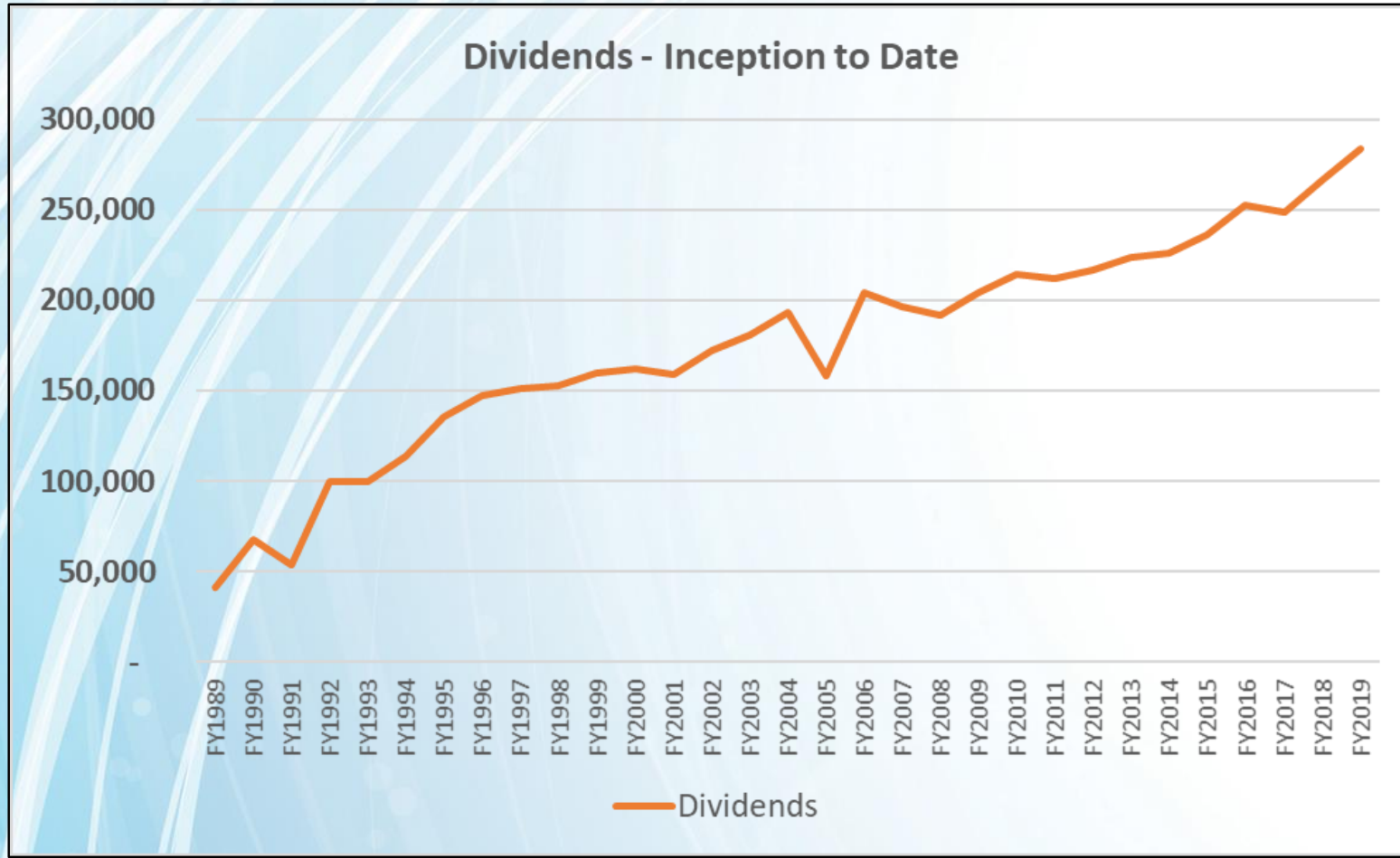
	Operating Expense	Paid to Retailers	Paid to Winners	Earned for State
Inception-to-date	6.3%	6.2%	61.0%	26.5%
Last 5 years	4.9%	6.1%	63.5%	25.5%

SALES FOR FISCAL YEARS 2015 - 2019
\$5.0225 BILLION



**Fueling Imagination.
Funding Education.**

Dividend Growth



*Fueling Imagination.
Funding Education.*

Transfers to the General Fund

Fiscal Year	Official Estimate	Transfers to the General Fund	Actual vs. Estimate
FY 2015	\$238.0	\$221.5	(\$16.5)
FY 2016	\$232.0	\$241.8	\$9.8
FY 2017	\$236.0	\$241.6	\$5.6
FY 2018	\$243.0	\$253.0	\$10.0
FY 2019	\$249.0	\$263.9	\$14.9

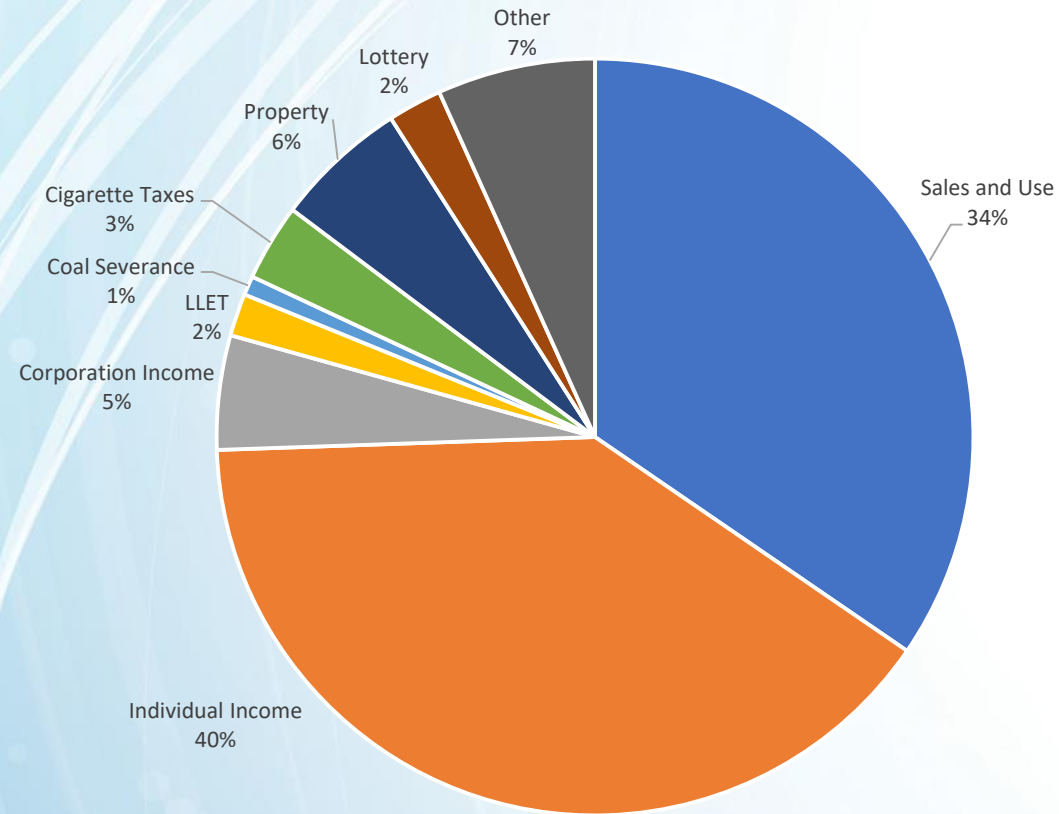


Actual Sales and Total Dividend Transfers

(in millions)

	Ticket Sales	Transfers to Commonwealth	Transfers to KEES Reserve	TOTAL TRANSFERS
FY15	\$899.1	\$221.5	\$9.4	\$230.9
FY16	\$997.3	\$241.8	\$7.9	\$249.7
FY17	\$1,000.5	\$241.6	\$10.5	\$252.1
FY18	\$1,042.5	\$253.0	\$10.3	\$263.3
FY19	\$1,129.7	\$263.9	\$7.4	\$271.3
FY20 (budget)	\$1,200.1	\$271.0	\$9.6	\$280.6

FY2019 General Fund Receipts Composition



Challenges:

- Maturing product lines
- Jackpot fatigue
- Shrinking gross profit margins
- Aging player base
- Increased competition for the discretionary dollar – gaming and non-gaming (e.g., sports wagering, instant racing)
- In 2018, the U.S. Dept. of Justice changed its interpretation of the Wire Act: the Wire Act prohibits all wagering using communications that cross state lines; the DOJ has not decided whether to enforce against state lotteries.



Questions?

