



RECEIVED LETTER & ATTACHMENTS
THIS 25th DAY OF FEBRUARY, 2015
BY: _____

February 25, 2015

The Honorable James Fannin, Chairman
House Appropriations Committee
Joint Legislative Committee on the Budget
State Capitol, 11th Floor, Room 1116
Baton Rouge, LA 70804

Dear Representative Fannin:

L.S.A.-R.S. 47:9010 (A) (7) states that not later than thirty days before the beginning of each regular session of the legislature, the president of the Louisiana Lottery Corporation shall submit the proposed annual budget of the corporation and the projected net proceeds to the Joint Legislative Committee on the Budget for review and approval.

Please find enclosed five (5) copies of the Louisiana Lottery Corporation's 2015/2016 fiscal year budget that was approved by the Corporation's Board of Directors at their February 25, 2015, meeting.

The attached document contains a brief message outlining the budget process including a summary of the projections for the fiscal year 2015/2016. The budget is presented in an income statement format followed by the supporting schedules. A narrative explanation of the budget line items completes the package.

The Louisiana Lottery Corporation continues to strive to adhere to our mission statement to generate maximum revenues for the State of Louisiana while upholding the highest standards of integrity and public trust. Since the Lottery's inception in September 1991 through our projections for the fiscal year ending June 30, 2015 total revenue will exceed \$8.52 billion and the related transfers to the state will surpass \$3.03 billion.

Projections for the fiscal year ending June 30, 2016, include total revenue of \$431.2 million and transfers to the state of \$150.9 million.

If you have any questions, please contact me at 225-297-2004.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rose J. Hudson', is written over the word 'Sincerely,'.

Rose J. Hudson, President
Enclosures

LOUISIANA LOTTERY CORPORATION
Resolution Summary

RESOLUTION NO.: 2015-02-25-1

PROPOSED BY: Director Larry Katz

SECONDED BY: Director Verge Ausberry

ACTION TAKEN: Approved

VOTING FOR: Chairman John Fitzpatrick, Vice Chairman Kim Carver, Secretary Roy Robichaux, Directors: Verge Ausberry, Larry Katz, Heather Doss, Blake McCaskill (7)

VOTING AGAINST: None (0)


NOT VOTING: None (0)

ABSTAINING: None (0)

ABSENT: Directors: J. T. Taylor, Lisa Reardon (2)

CERTIFICATE

The attached Recitals and Resolutions, and the foregoing information on this page, are certified to be truly and correctly reflective of actions of the Board of Directors of the Louisiana Lottery Corporation on February 25, 2015.



John Fitzpatrick
Chairman of the Board
of Directors

LOUISIANA LOTTERY CORPORATION

Resolution No. 2015-02-25-1

A. RECITALS

1. Section 9010(A)(7) of the Louisiana Lottery Corporation Law requires the President of the Louisiana Lottery Corporation (the "Corporation") to submit not later than thirty days before the beginning of the 2015 Regular Session of the legislature, a proposed annual budget to the Joint Legislative Committee on the Budget for review and approval.
2. The President, with the assistance of staff, has prepared a proposed 2015-2016 Fiscal Year Budget and recommends the budget for approval by the Board of Directors of the Corporation.
3. The Finance Committee has reviewed the proposed 2015-2016 Fiscal Year Budget.
4. The Board of Directors of the Corporation has reviewed the proposed 2015-2016 Fiscal Year Budget, and wishes to approve the proposed budget.

B. RESOLUTIONS

NOW, THEREFORE, BE IT RESOLVED, that, in accordance with the authority vested in the Board of Directors by Section 9007(1) of the Louisiana Lottery Corporation Law, the Board of Directors hereby approves the 2015-2016 Fiscal Year Budget, recommended by the President of the Corporation.

FURTHER RESOLVED, that the President submit the approved 2015-2016 Fiscal Year Budget, to the Joint Legislative Committee on the Budget not later than thirty days before the beginning of the 2015 Regular Session of the legislature in compliance with the provisions of Section 9010(A)(7) of the Louisiana Lottery Corporation Law.

CERTIFICATE

I, John Fitzpatrick, Chairman of the Board of the Louisiana Lottery Corporation, do hereby certify that the above is a true and correct copy of a resolution adopted by the Board of Directors of said Corporation at a meeting duly called, noticed and held on February 25, 2015, and filed with the minutes of the meeting of said Board of Directors; and further certify that the said resolution has not been amended, rescinded or annulled and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto affixed my signature on February 25, 2015.

John Fitzpatrick
John Fitzpatrick
Chairman of the Board

ATTEST:

Rose J. Hudson
Rose J. Hudson, President



LOUISIANA LOTTERY CORPORATION

FINANCIAL PLAN

FOR THE FISCAL YEAR ENDING JUNE 30, 2016



February 25, 2015

Board of Directors, Louisiana Lottery Corporation
Joint Legislative Committee on the Budget, Louisiana Legislature

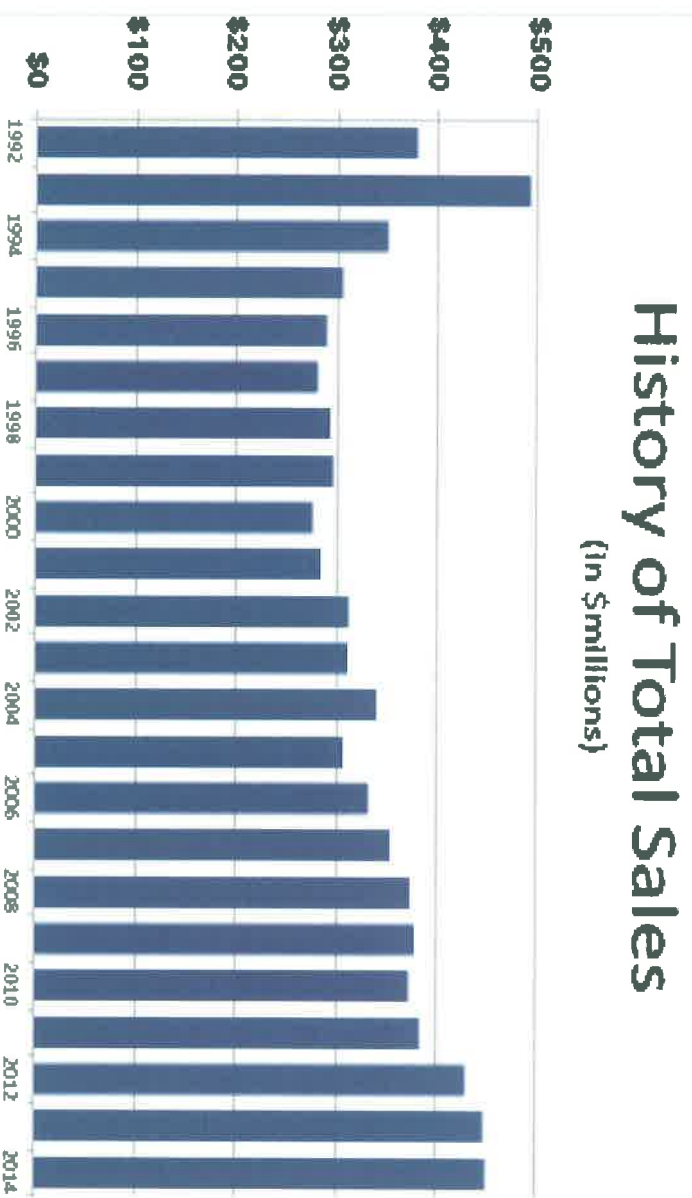
Budget Message

The mission of the Louisiana Lottery Corporation as defined by statute is to offer the best possible lottery games in order to maximize revenue to the state while insuring the integrity of the lottery, the dignity of the state, and the general welfare of its citizens. Every year during the budgeting process, the Lottery renews its commitment to this mission. The financial plan for the fiscal year ending (FYE) June 30, 2016 reflects this commitment.

Total revenue for the current fiscal year is projected at \$429.8 million and is budgeted for the 2016 fiscal year at \$431.2 million. These estimates result in projected transfers to the state for FYE June 30, 2015 of \$150.4 million and budgeted transfers of \$150.9 million for FYE June 30, 2016. Revenue and transfers are estimated at conservative levels for the budget year because of the uncertainty of sales trends for the multi-state Powerball and Mega Millions games. The frequency and size of larger jackpots for these games cannot be predicted for future years.

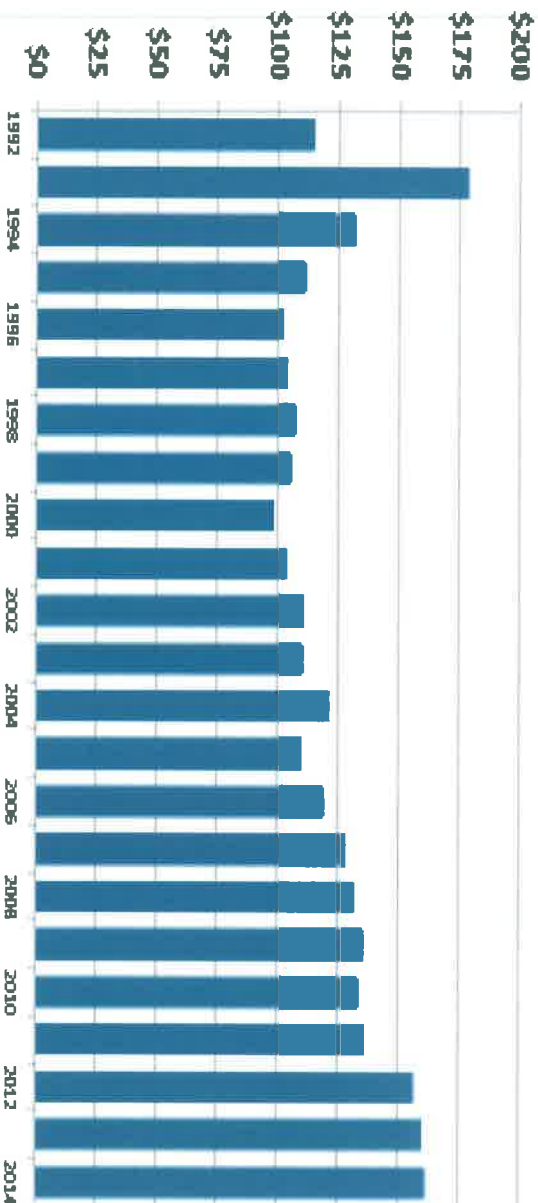
Our operating budget is focused on the funding of prize structures for our games, providing steady and adequate compensation to our retailers, supporting our games and our retailers through advertising and marketing programs, operating efficiently, maintaining salaries and benefits for our employees, and providing training and professional development for our workforce.

The estimated revenue, expenses, and 35% transfer to the state result in a balanced budget for your review and approval. Graphical presentations of historical Lottery sales and transfers to the state are presented below for informational purposes.



History of State Transfers

(in \$millions)



We have prepared a comprehensive package with financial comparisons and narrative explanations. The sections of our plan are listed in the table of contents. We are committed to providing thorough and relevant financial information to be used in the budget decision-making process. Should additional information or explanations become necessary please feel free to contact us.

Respectfully submitted,

LOUISIANA LOTTERY CORPORATION

Rose J. Hudson
President

**LOUISIANA LOTTERY CORPORATION
FINANCIAL PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

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Louisiana Lottery Corporation
Income Statement
For the Fiscal Years Ending as Shown

Revenue	<u>6/30/2014</u>	<u>% of Revenue</u>	<u>Projected 6/30/2015</u>	<u>% of Revenue</u>	<u>Budgeted 6/30/2016</u>	<u>% of Revenue</u>	<u>*Variance Increase (Decrease)</u>
Ticket Sales							
Ticket Sales-Instant	\$178,925,091	39.71%	\$191,750,000	44.62%	\$195,000,000	45.22%	\$3,250,000
Ticket Sales-Online							
Jackpot Games							
Powerball	102,270,182	22.70%	75,430,000	17.55%	75,000,000	17.39%	(430,000)
Mega Millions	38,974,218	8.65%	31,800,000	7.40%	31,000,000	7.19%	(800,000)
Lotto	28,244,532	6.27%	26,250,000	6.11%	26,000,000	6.03%	(250,000)
Easy 5	10,986,829	2.44%	10,500,000	2.44%	10,000,000	2.32%	(500,000)
Daily Games							
Pick 3	49,976,276	11.09%	51,300,000	11.94%	51,500,000	11.94%	200,000
Pick 4	39,590,737	8.79%	40,975,000	9.53%	41,000,000	9.51%	25,000
Total Ticket Sales-Online	270,042,774	59.93%	236,255,000	54.97%	234,500,000	54.38%	(1,755,000)
Total Ticket Sales	448,967,865	99.64%	428,005,000	99.59%	429,500,000	99.60%	1,495,000
Other Revenue							
Interest Income	2,043,520	0.45%	1,746,000	0.41%	1,708,000	0.40%	(38,000)
Net (Decr.) Incr. In Fair Value	(511,045)	-0.11%	0	0.00%	0	0.00%	0
Retailer License Fees	6,600	0.00%	10,000	0.00%	10,000	0.00%	0
Retailer Security Deposits	2,640	0.00%	0	0.00%	0	0.00%	0
Miscellaneous Revenue	31,033	0.01%	0	0.00%	0	0.00%	0
Gain-Asset Disposals	32,560	0.01%	0	0.00%	0	0.00%	0
Total Other Revenue	1,605,308	0.36%	1,756,000	0.41%	1,718,000	0.40%	(38,000)
Total Revenue	\$450,573,173	100.00%	\$429,761,000	100.00%	\$431,218,000	100.00%	\$1,457,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Income Statement
For the Fiscal Years Ending as Shown

Expenses	6/30/2014	% of Revenue	Projected 6/30/2015	% of Revenue	Budgeted 6/30/2016	% of Revenue	*Variance Increase (Decrease)
Prize Expenses							
Prize Expense-Instant	\$101,995,353	22.64%	\$109,393,000	25.45%	\$111,248,000	25.80%	\$1,855,000
Prize Expense-Online	135,390,819	30.05%	118,431,000	27.56%	117,525,000	27.25%	(906,000)
Total Prize Expense	237,386,172	52.69%	227,824,000	53.01%	228,773,000	53.05%	949,000
Retailer Compensation	25,024,150	5.55%	24,011,000	5.59%	24,095,000	5.59%	84,000
Operating Expenses							
Direct Expenses							
Lottery System Vendor Fees	5,069,486	1.13%	4,065,000	0.95%	4,106,000	0.95%	41,000
Cost of Instant Tickets	2,346,265	0.52%	2,560,000	0.60%	2,669,000	0.62%	109,000
Courier Service	755,598	0.17%	805,000	0.19%	819,000	0.19%	14,000
Total Direct Expenses	\$8,171,349	1.81%	\$7,430,000	1.73%	\$7,594,000	1.76%	\$164,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Income Statement
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>% of Revenue</u>	<u>Projected 6/30/2015</u>	<u>% of Revenue</u>	<u>Budgeted 6/30/2016</u>	<u>% of Revenue</u>	<u>*Variance Increase (Decrease)</u>
General Operating Expenses							
Advertising	\$7,339,572	1.63%	\$7,500,000	1.75%	\$7,500,000	1.74%	\$0
Contract Labor	193,443	0.04%	250,000	0.06%	250,000	0.06%	0
Depreciation	465,338	0.10%	460,000	0.11%	470,000	0.11%	10,000
Equipment Lease	42,513	0.01%	47,000	0.01%	47,000	0.01%	0
Insurance	528,422	0.12%	572,000	0.13%	600,000	0.14%	28,000
Postage	59,860	0.01%	70,000	0.02%	70,000	0.02%	0
Professional Fees (page 15)	371,162	0.08%	404,000	0.09%	426,000	0.10%	22,000
Rent	227,706	0.05%	228,000	0.05%	228,000	0.05%	0
Repairs & Maintenance	330,374	0.07%	427,000	0.10%	427,000	0.10%	0
Salaries and Benefits (page 9)	7,160,675	1.59%	7,684,000	1.79%	7,775,000	1.80%	91,000
Supplies (page 12)	385,501	0.09%	552,000	0.13%	527,000	0.12%	(25,000)
Communications Network	181,051	0.04%	210,000	0.05%	210,000	0.05%	0
Telephone	200,996	0.04%	195,000	0.05%	195,000	0.05%	0
Travel (page 10)	89,451	0.02%	110,000	0.03%	110,000	0.03%	0
Uncollectible Accounts	53,837	0.01%	50,000	0.01%	50,000	0.01%	0
Utilities	178,940	0.04%	180,000	0.04%	180,000	0.04%	0
Other General & Admin. (page 4)	521,809	0.12%	705,000	0.16%	765,000	0.18%	60,000
Total Gen Operating Expenses	18,330,650	4.07%	19,644,000	4.57%	19,830,000	4.60%	186,000
Total All Operating Expenses	26,501,999	5.88%	27,074,000	6.30%	27,424,000	6.36%	350,000
Net Income	161,660,852	35.88%	150,852,000	35.10%	150,926,000	35.00%	74,000
Payments to State Treasury (required and surplus)	161,664,700	35.88%	150,416,000	35.00%	150,926,000	35.00%	510,000
Payments to State Treasury (other)	9,000,000	2.00%	0	0.00%	0	0.00%	0
(Decrease) Increase in Retained Earnings	(\$9,003,848)	-2.00%	\$436,000	0.10%	\$0	0.00%	(\$436,000)

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Income Statement
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>% of Revenue</u>	<u>Projected 6/30/2015</u>	<u>% of Revenue</u>	<u>Budgeted 6/30/2016</u>	<u>% of Revenue</u>	<u>*Variance Increase (Decrease)</u>
Other General & Administrative Supporting Detail							
Bank Charges	\$141,089	0.03%	\$119,000	0.03%	\$122,000	0.03%	\$3,000
Dues & Subscriptions	47,960	0.01%	60,000	0.01%	60,000	0.01%	0
Freight	2,883	0.00%	7,000	0.00%	7,000	0.00%	0
Recruiting	2,000	0.00%	5,000	0.00%	5,000	0.00%	0
Employee Training	32,140	0.01%	50,000	0.01%	40,000	0.01%	(10,000)
Seminars	39,072	0.01%	50,000	0.01%	40,000	0.01%	(10,000)
Services Purchased	255,660	0.06%	414,000	0.10%	491,000	0.11%	77,000
Taxes & Licenses	1,005	0.00%	0	0.00%	0	0.00%	0
Total Other Gen. & Admin.	\$521,809	0.12%	\$705,000	0.16%	\$765,000	0.18%	\$60,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Summary of Means of Financing,
Expenditures and Fund Balance
For the Fiscal Years Ending as Shown

MEANS OF FINANCING				
	<u>6/30/2014</u>	<u>Projected 6/30/2015</u>	<u>Budgeted 6/30/2016</u>	<u>*Variance Increase (Decrease)</u>
State General Fund (Direct)				
State General Fund By:				
Fees & Self-Generated Revenues:				
1) Licenses	\$9,240	\$10,000	\$10,000	\$0
2) Sales of Goods and Services	448,967,866	428,005,000	429,500,000	1,495,000
3) Other (Penalties and Misc. Revenue)	31,033	0	0	0
4) Investment Income (Expense)	1,532,475	1,746,000	1,708,000	(38,000)
5) Gain on Disposal of Assets	32,560	0	0	0
Total Means of Financing	\$450,573,174	\$429,761,000	\$431,218,000	\$1,457,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Summary of Means of Financing,
Expenditures and Fund Balance
For the Fiscal Years Ending as Shown

	6/30/2014	Projected 6/30/2015	Budgeted 6/30/2016	Variance Increase (Decrease)
EXPENDITURES (ACCRUAL BASIS)				
Salaries and Benefits: (page 9)				
Salaries	\$5,419,471	\$5,943,378	\$5,958,202	\$14,824
Related Benefits	1,741,204	1,740,622	1,816,798	76,176
Total Salaries and Benefits	7,160,675	7,684,000	7,775,000	91,000
Contract Labor-Board Members' Compensation (page 14)	119,301	145,000	145,000	0
Operating Expenses:				
Travel (page 10)	89,451	110,000	110,000	0
Operating Services (page 11)	18,375,911	18,179,000	18,441,000	262,000
Supplies (page 12)	385,501	552,000	527,000	(25,000)
Total Operating Expenses	18,850,863	18,841,000	19,078,000	237,000
Professional Services: (page 15)				
Accounting	247,092	236,000	236,000	0
Research and Management Consulting	0	50,000	50,000	0
Legal	98,070	109,000	109,000	0
Other	26,000	9,000	31,000	22,000
Total Professional Services	371,162	404,000	426,000	22,000
Other Charges: (page 13)				
Prize Expense and Retailer Compensation	262,410,322	251,835,000	252,868,000	1,033,000
TOTAL EXPENDITURES (ACCRUAL BASIS)	\$288,912,323	\$278,909,000	\$280,292,000	\$1,383,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Summary of Means of Financing,
Expenditures and Fund Balance
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>Projected 6/30/2015</u>	<u>Budgeted 6/30/2016</u>	<u>*Variance Increase (Decrease)</u>
Net Income				
Less Payments to State Treasury (required and surplus) (1)	\$161,660,851	\$150,852,000	\$150,926,000	\$74,000
Less Payments to State Treasury (other)	161,664,700	150,416,000	150,926,000	510,000
	9,000,000	0	0	0
Fund Balance at Beginning of Year	22,497,020	13,493,171	13,929,171	436,000
Fund Balance at End of Year	<u>13,493,171</u>	<u>13,929,171</u>	<u>13,929,171</u>	<u>0</u>
Reservations of Fund Balance (page 8)	<u>\$13,493,171</u>	<u>\$13,929,171</u>	<u>\$13,929,171</u>	<u>\$0</u>
Nonaccrual Charges				
Capital Expenditures (page 16)	375,057	633,000	603,000	(30,000)
Total Nonaccrual Charges	<u>\$375,057</u>	<u>\$633,000</u>	<u>\$603,000</u>	<u>(\$30,000)</u>

(1) Transfer for 6/30/14 includes \$3,965,000 above the 35% of gross revenues statutory requirement.

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Specified Uses of Retained Earnings (Fund Balance)
For the Fiscal Years Ending as Shown

	6/30/2014	Projected 6/30/2015
Specified Uses of Retained Earnings:		
Land	\$1,542,415	\$1,542,000
Buildings (Net of Accumulated Depreciation)	2,672,615	2,667,000
Other Capital Assets (Net of Accumulated Depreciation)	654,762	600,000
New Capital Expenditure Purchases	633,000	603,000
Retailer Security Deposits	177,180	177,000
Deposits	13,774	15,000
Litigation and Prize Reserve	7,800,000	7,800,000
Unallocated Balance*	(575)	525,171
Total Retained Earnings	\$13,493,171	\$13,929,171

* At June 30, 2015 the Corporation will determine if surplus funds are available for transfer to the state. Actual revenue and expenses for the remainder of the fiscal year will be considered in this determination.

Louisiana Lottery Corporation
Schedule of Salaries and Benefits
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>% of Salaries</u>	<u>Projected 6/30/2015</u>	<u>% of Salaries</u>	<u>Budgeted 6/30/2016</u>	<u>% of Salaries</u>	<u>*Variance Increase (Decrease)</u>
Employees-Permanent Positions (page 18)							
	123		123		123		0
Salaries at Full Employment	\$5,852,425		\$6,020,007		\$6,020,007		\$0
Turnover and Open Positions	(510,700)		(156,629)		(156,805)		(176)
Overtime Wages	2,991		5,000		5,000		0
Deputies for Drawings Security	74,756		75,000		90,000		15,000
Total Salaries	5,419,472		5,943,378		5,958,202		14,824
State Retirement Contributions	(402)	(0.01%)	0	0.00%	28,000	0.47%	28,000
Supplemental Retirement Plan Expense	433,071	7.99%	256,701	4.32%	257,740	4.33%	1,039
Basic Retirement Plan Expense	259,666	4.79%	286,013	4.81%	286,618	4.81%	605
457(b) Retirement Plan Expense	160,023	2.95%	184,045	3.10%	184,952	3.10%	907
Vacation Expense Accruals	34,926	0.64%	0	0.00%	0	0.00%	0
Medicare Tax	76,096	1.40%	83,161	1.40%	83,526	1.40%	365
State Unemployment Tax	10,679	0.20%	20,790	0.35%	20,882	0.35%	92
Insurance-Health, Dental, Life	729,997	13.47%	867,038	14.59%	912,124	15.31%	45,086
Insurance-Disability	37,147	0.69%	42,874	0.72%	42,956	0.72%	82
Total Benefits	1,741,203	32.13%	1,740,622	29.29%	1,816,798	30.49%	76,176
Total Salaries and Benefits	\$7,160,675		\$7,684,000		\$7,775,000		\$91,000
Compensation of Board Members (page 14)	\$119,301		\$145,000		\$145,000		\$0

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts.

Louisiana Lottery Corporation
Schedule of Operating Expenses
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>Projected 6/30/2015</u>	<u>Budgeted 6/30/2016</u>	<u>*Variance Increase (Decrease)</u>
Travel				
In-State:				
Administrative	\$2,372	\$2,915	\$2,915	\$0
Conference and Conventions	282	352	352	0
Field Travel	33,926	41,723	41,723	0
Board Members	2,012	2,475	2,475	0
Total In-State	38,592	47,465	47,465	0
Out-of-State:				
Conference and Conventions	43,546	53,548	53,548	0
Total Out-of-State	43,546	53,548	53,548	0
Total Mileage Reimbursement	7,313	8,987	8,987	0
Total Travel	<u>\$89,451</u>	<u>\$110,000</u>	<u>\$110,000</u>	<u>\$0</u>

The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Schedule of Operating Expenses
For the Fiscal Years Ending as Shown

	6/30/2014	Projected 6/30/2015	Budgeted 6/30/2016	*Variance Increase (Decrease)
Operating Services				
Direct Expenses ***				
Lottery System Vendor Fees	\$5,069,486	\$4,065,000	\$4,106,000	\$41,000
Cost of Instant Tickets	2,346,265	2,560,000	2,669,000	109,000
Courier Service	755,598	805,000	819,000	14,000
Total Direct Expenses	8,171,349	7,430,000	7,594,000	164,000
General Operating Expenses				
Advertising	7,339,572	7,500,000	7,500,000	0
Contract Labor	74,142	105,000	105,000	0
Depreciation	465,338	460,000	470,000	10,000
Equipment Lease	42,513	47,000	47,000	0
Insurance	528,422	572,000	600,000	28,000
Postage	59,860	70,000	70,000	0
Rent	227,706	228,000	228,000	0
Repairs & Maintenance	330,374	427,000	427,000	0
Communications Network	181,051	210,000	210,000	0
Telephone	200,996	195,000	195,000	0
Uncollectible Accounts	53,837	50,000	50,000	0
Utilities	178,940	180,000	180,000	0
Bank Charges	141,089	119,000	122,000	3,000
Dues & Subscriptions	47,960	60,000	60,000	0
Freight	2,883	7,000	7,000	0
Recruiting	2,000	5,000	5,000	0
Employee Training	32,140	50,000	40,000	(10,000)
Seminars	39,072	50,000	40,000	(10,000)
Services Purchased	255,660	414,000	491,000	77,000
Taxes & Licenses	1,005	0	0	0
Total Gen Operating Exp.	10,204,560	10,749,000	10,847,000	98,000
Total All Operating Services	\$18,375,909	\$18,179,000	\$18,441,000	\$262,000

*** These variable expenses fluctuate directly with lottery ticket sales.

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Schedule of Operating Expenses
For the Fiscal Years Ending as Shown

Supplies	6/30/2014	Projected 6/30/2015	Budgeted 6/30/2016	*Variance Increase (Decrease)
Printing	\$1,607	\$5,000	\$5,000	\$0
Office Supplies	34,685	35,000	35,000	0
Automotive Supplies	129,230	125,000	125,000	0
Instant Game Supplies- Dispensers and Delivery Bags	143,796	270,000	245,000	(25,000)
Online Game Supplies- Play Centers	26,463	50,000	50,000	0
Other Supplies	49,720	67,000	67,000	0
Total Supplies	\$385,501	\$552,000	\$527,000	(\$25,000)

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts

Louisiana Lottery Corporation
Schedule of Other Charges
For the Fiscal Years Ending as Shown

	<u>6/30/2014</u>	<u>Projected 6/30/2015</u>	<u>Budgeted 6/30/2016</u>	<u>*Variance Increase (Decrease)</u>
Other Charges				
Prize Expense	\$237,386,172	\$227,824,000	\$228,773,000	\$949,000
Retailer Compensation	25,024,150	24,011,000	24,095,000	84,000
Total Other Charges ***	<u>\$262,410,322</u>	<u>\$251,835,000</u>	<u>\$252,868,000</u>	<u>\$1,033,000</u>

*** These variable expenses fluctuate directly with lottery ticket sales.

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts.

**Louisiana Lottery Corporation
Compensation of Board Members
For the Fiscal Years Ending as Shown**

<u>Name of Member</u>	<u>Statutory Authority For Payment</u>	<u>Authorized Per Diem Rate Per Meeting</u>	<u>What Other Expenses Are Paid With The Exception of Travel (Itemize Type and Amount)</u>	<u>06/30/14</u>	<u>Projected 06/30/15</u>	<u>Budgeted 06/30/16</u>	<u>*Variance Increase (Decrease)</u>
<u>Current Board Members:</u> Verge Ausberry Jr. (Chairman through June 27, 2013)	R.S. 47:9004(D)	N/A	Annual Salary	15,000	\$15,000	\$15,000	0
Christopher K. Carver	R.S. 47:9004(D)	N/A	Annual Salary	15,000	15,000	15,000	0
Heather L. Doss	R.S. 47:9004(D)	N/A	Annual Salary	15,000	15,000	15,000	0
John Fitzpatrick (Chairman effective June 28, 2013)	R.S. 47:9004(D)	N/A	Annual Salary	25,000	25,000	25,000	0
Larry Katz	R.S. 47:9004(D)	N/A	Annual Salary	15,000	15,000	15,000	0
Blake McCaskill	R.S. 47:9004(D)	N/A	Annual Salary	2,056	15,000	15,000	0
Lisa Reardon	R.S. 47:9004(D)	N/A	Annual Salary	10,040	15,000	15,000	0
Roy Robichaux	R.S. 47:9004(D)	N/A	Annual Salary	12,540	15,000	15,000	0
James Taylor	R.S. 47:9004(D)	N/A	Annual Salary	10,040	15,000	15,000	0
Total Compensation				\$119,301	\$145,000	\$145,000	\$0

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts.

Louisiana Lottery Corporation
Detail of Professional Service Contracts
For the Fiscal Years Ending as Shown

<u>Contractor - Purpose of Contract</u>	<u>06/30/14</u>	<u>Projected 06/30/15</u>	<u>Budgeted 06/30/16</u>	<u>*Variance Increase (Decrease)</u>
Attorney General or other agreed upon counsel				
- retainer fee (Attorney General)	\$88,875	\$89,000	\$89,000	\$0
- legal fees (Phelps Dunbar, LLP)	9,195	20,000	20,000	0
Delehanthey Consulting				
- instant ticket printing audit services	4,000	4,000	4,000	0
KPMG- audit of automated drawing and raffle machines	10,000			0
NASPL Standards Institute- certification of standards	12,000		12,000	12,000
Office of Legislative Auditor - financial and compliance audit/ observations of on-line drawings	247,092	236,000	236,000	0
Traina and Associates- Network Security Audit		5,000	15,000	10,000
To be determined - business consulting services		50,000	50,000	0
Total Professional Service Contracts	\$371,162	\$404,000	\$426,000	\$22,000

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts.

Louisiana Lottery Corporation
Schedule of Acquisitions
For the Fiscal Years Ending as Shown

<u>Description of Capital Expenditures</u>	<u>06/30/14</u>	<u>Projected 06/30/15</u>	<u>Budgeted 06/30/16</u>	<u>*Variance Increase (Decrease)</u>
Land and Buildings	\$5,989	\$250,000	\$250,000	\$0
Automotive	120,585	152,000	236,000	84,000
Office (Furniture, Fixtures & Equipment)	57,754	45,000	0	(45,000)
Data Processing Software & Equipment	190,729	136,000	67,000	(69,000)
Other		50,000	50,000	0
Total Acquisitions	\$375,057	\$633,000	\$603,000	(\$30,000)

Detail on page 17

* The variance column represents the difference between budgeted 6/30/16 and projected 6/30/15 amounts.

Louisiana Lottery Corporation
Schedule of Acquisitions
June 30, 2016 Financial Plan

Automotive

Vehicle Replacements for Field Staff	
8 Vans @ \$22,000	\$176,000
3 Cars @ \$20,000	60,000
	<hr/>

Total Automotive 236,000

Building and Leasehold Costs 250,000

Data Processing Software and Equipment

Enterprise Malware Protection Software 5,000

Security Case Management Software 12,000

Computer Laptop and Workstation Replacements

50,000

Total Data Processing Software and Equipment 67,000

Other- Contingency

50,000

Total Budgeted Capital Acquisitions

\$603,000

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filed	Current Fiscal Year Ending 6/30/2015	Performance Increase	Budgeted Fiscal Year Ending 6/30/2016
President	Filed	226,498	0	226,498
Senior Vice President and Secretary-Treasurer	Filed	141,923	0	141,923
Senior Vice President and General Counsel	Filed	125,460	0	125,460
Vice President of Sales	Filed	118,976	0	118,976
Vice President of Finance and Controller	Filed	116,419	0	116,419
Vice President of Information Systems	Filed	115,745	0	115,745
Vice President of Marketing	Filed	106,314	0	106,314
Vice President of Internal Audit	Filed	104,870	0	104,870
Vice President of Security and Compliance	Filed	103,834	0	103,834
Director of Human Resources	Filed	96,608	0	96,608
Purchasing & Facilities Manager	Filed	78,371	0	78,371
Director of Information Systems	Filed	77,998	0	77,998
Director of Products	Filed	77,665	0	77,665
Director of Information Technology	Filed	77,655	0	77,655
Art Director	Filed	76,738	0	76,738
Director of Accounting	Filed	75,000	0	75,000
Broadcast Producer	Filed	72,049	0	72,049
Director of Communications	Filed	70,000	0	70,000
Regional Sales Manager-Baton Rouge	Filed	65,344	0	65,344
Regional Sales Manager-Monroe	Filed	60,181	0	60,181
Regional Sales Manager-Alexandria	Filed	60,035	0	60,035
Regional Sales Manager-New Orleans	Filed	60,035	0	60,035
Corporate Accounts Rep	Filed	57,386	0	57,386
Billing & A/R Manager	Filed	57,183	0	57,183

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filed	Current Fiscal Year Ending 6/30/2015	Performance Increase	Budgeted Fiscal Year Ending 6/30/2016
Computer Operations Supervisor	Filled	57,073	0	57,073
Regional Sales Manager-Lafayette	Filled	55,502	0	55,502
Senior Accountant	Filled	55,000	0	55,000
Network Administrator	Filled	54,576	0	54,576
Executive Administrative Asst	Filled	54,083	0	54,083
Prize Payment Manager	Filled	53,994	0	53,994
Executive Administrative Asst	Filled	53,837	0	53,837
Distribution Center Manager	Filled	52,623	0	52,623
Sr. Internal Auditor	Filled	50,905	0	50,905
Drawing Manager	Filled	50,328	0	50,328
Internal Auditor	Filled	50,156	0	50,156
Corporate Accounts Rep	Open	49,887	0	49,887
Regional Trainer -Shreveport	Open	49,887	0	49,887
Acct & Payroll Associate	Filled	49,785	0	49,785
Sales Representative-Monroe	Filled	49,315	0	49,315
Acct & Payroll Associate	Filled	48,006	0	48,006
Sales Representative-Baton Rouge	Filled	47,723	0	47,723
Sales Representative-Baton Rouge	Filled	47,011	0	47,011
Marketing Coordinator	Filled	46,754	0	46,754
Sales Support Manager	Filled	46,415	0	46,415
Sales Representative-New Orleans	Filled	44,972	0	44,972
Sales Representative-New Orleans	Filled	44,126	0	44,126
Sales Representative-Alexandria	Filled	43,811	0	43,811
Sales Representative-Lafayette	Filled	43,793	0	43,793

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filled	Current Fiscal	Performance Increase	Budgeted Fiscal
		Year Ending 6/30/2015		Year Ending 6/30/2016
Quality Assurance Manager	Filled	43,514	0	43,514
Sr. Communication Specialist	Filled	43,264	0	43,264
Sales Representative-Alexandria	Open	43,263	0	43,263
Sales Representative-Baton Rouge	Open	43,263	0	43,263
Sales Representative-Lafayette	Open	43,263	0	43,263
Sales Representative-Monroe	Open	43,263	0	43,263
Sales Representative-Baton Rouge	Filled	42,854	0	42,854
Sales Representative-Lafayette	Filled	42,854	0	42,854
Sales Representative-Shreveport	Filled	42,854	0	42,854
Sales Representative-New Orleans	Filled	42,382	0	42,382
Special Investigator	Filled	42,182	0	42,182
Sales Representative-Baton Rouge	Filled	42,123	0	42,123
IT Unified Communications Specialist	Filled	42,000	0	42,000
Sales Representative-Lafayette	Filled	41,529	0	41,529
Tel Sell CSR	Filled	41,426	0	41,426
Sales Representative-Lafayette	Filled	41,243	0	41,243
Graphic Designer	Filled	41,101	0	41,101
Sales Representative-Baton Rouge	Filled	41,095	0	41,095
Sales Representative-Lafayette	Filled	41,095	0	41,095
Sales Representative-Monroe	Filled	41,095	0	41,095
Sales Representative-Monroe	Filled	41,095	0	41,095
Sales Representative-New Orleans	Filled	41,095	0	41,095
Sales Representative-New Orleans	Filled	41,095	0	41,095
Sales Representative-New Orleans	Filled	41,095	0	41,095

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filled	Current Fiscal Year Ending 6/30/2015	Performance Increase	Budgeted Fiscal Year Ending 6/30/2016
Sales Representative-Shreveport	Filled	41,095	0	41,095
Sales Representative-Lafayette	Filled	41,000	0	41,000
Special Investigator	Filled	40,857	0	40,857
Sales Representative-Shreveport	Filled	40,787	0	40,787
Sponsorship Coordinator	Filled	40,000	0	40,000
Sales Representative-New Orleans	Filled	39,500	0	39,500
Sales Representative-Alexandria	Filled	39,345	0	39,345
Graphic Designer	Filled	38,813	0	38,813
IT Tech Support Assistant	Open	38,511	0	38,511
Special Investigator	Open	38,511	0	38,511
Senior Communications Specialist	Filled	37,994	0	37,994
Software Quality Assurance Analyst	Filled	37,983	0	37,983
Customer Service Coordinator-Baton Rouge	Filled	36,783	0	36,783
Compliance Coordinator	Filled	36,518	0	36,518
Sr Retailer Licensing CSR	Filled	35,519	0	35,519
HR Representative	Filled	35,497	0	35,497
Tel Sell CSR	Filled	34,884	0	34,884
Billing & A/R CSR	Filled	34,798	0	34,798
Communications Assistant	Open	34,352	0	34,352
Administrative Coordinator	Filled	33,283	0	33,283
Web Developer	Filled	32,994	0	32,994
Administrative Assistant	Filled	31,633	0	31,633
Regional Office Asst-Baton Rouge	Filled	31,574	0	31,574
Business Analyst	Open	30,756	0	30,756

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filled	Current Fiscal	Performance Increase	Budgeted Fiscal
		Year Ending 6/30/2015		Year Ending 6/30/2016
Prize Payment CSR	Open	30,756	0	30,756
Tel Sell CSR	Open	30,756	0	30,756
Tel Sell CSR	Open	30,756	0	30,756
Prize Payment CSR	Filled	30,699	0	30,699
Distribution Center Associate	Filled	29,520	0	29,520
Tel Sell CSR	Filled	29,248	0	29,248
Regional Office Assistant-Alexandria	Filled	29,235	0	29,235
Regional Office Asst-Shreveport	Filled	29,235	0	29,235
Retailer Licensing CSR	Filled	28,969	0	28,969
Distribution Center Associate	Filled	28,713	0	28,713
Regional Office Asst-Shreveport	Open	27,643	0	27,643
Regional Office Asst-New Orleans	Filled	27,559	0	27,559
Regional Office Asst-Monroe	Filled	26,996	0	26,996
Equipment Coordinator	Filled	26,994	0	26,994
Regional Office Asst-Monroe	Filled	26,509	0	26,509
Regional Office Asst-Lafayette	Filled	26,212	0	26,212
Regional Office Asst-New Orleans	Filled	26,212	0	26,212
Regional Office Asst-Lafayette	Filled	25,862	0	25,862
Computer Operator	Filled	25,613	0	25,613
Regional Office Asst-New Orleans	Filled	25,204	0	25,204
Regional Office Assistant-Alexandria	Filled	24,960	0	24,960
Distribution Center Associate	Open	24,931	0	24,931
Warehouse / Mail Clerk	Filled	24,607	0	24,607
Warehouse / Mail Clerk	Filled	23,637	0	23,637

Louisiana Lottery Corporation
Financial Plan for the Fiscal Year Ending June 30, 2016
Personnel Table (LA R.S. 47:9010 A.(7))

Position/Title	Open/ Filled	Current Fiscal Year Ending 6/30/2015	Performance Increase	Budgeted Fiscal Year Ending 6/30/2016
Warehouse / Mail Clerk	Filled	23,460	0	23,460
Accounting Intern	Open	12,466	0	12,466
Computer Operator	Filled	8,376	0	8,376
<hr/>				
Total	123	\$6,020,007	\$0	\$6,020,007

Louisiana Lottery Corporation
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For the Fiscal Year Ending June 30, 2016

Sales

Sales are budgeted at \$429.5 million for the fiscal year ending (FYE) June 30, 2016.

Instant ticket sales are expected to increase by at least 1.7% in the budget year. Higher prize payouts and enhanced inventory management during the past several years had positive results. We plan to continue these strategies in the 2016 budget year.

The multi-state jackpot-driven games offered in Louisiana are Powerball and Mega Millions. Powerball was first introduced in FYE June 30, 1995 and has consistently been the top seller in the online game menu. Sales for the Mega Millions game began in November 2011 at a cost to players of \$1 per wager. The Powerball game structure was enhanced in January 2012 and the price point was increased from \$1 to \$2 per wager. Louisiana offers large jackpot games at both the \$1 and \$2 price points.

The long-term forecast for the combined sales for these two games is uncertain. Large jackpot levels cannot be expected or predicted in any given year. Therefore, the 2016 budget for both games is conservative.

Lotto and Easy 5 sales have been affected by the introduction of Mega Millions and the change in Powerball to a \$2 price point. The slight downward trend is expected to continue for both games in the 2016 budget year.

The Pick 3 and Pick 4 daily numbers games have continued to perform well. Consistent sales performance is expected to continue for these fixed-payout games.

Other Revenue

Interest income is estimated based on projected investment balances and rate of return. The cash available for investment has decreased in the past year. Funds are held by the Lottery in a commercial banking account and short-term repurchase agreement to finance daily operations. The repurchase agreement rate of return is minimal because the

**Louisiana Lottery Corporation
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For the Fiscal Year Ending June 30, 2016**

Federal Reserve has maintained short-term interest rates at less than .25%. The Lottery also holds a managed intermediate-term portfolio of U.S. government and agency securities. This portfolio's rate of return is in the 3.5% to 4% range.

We anticipate that rates may slightly increase because of the economic outlook. As principal and interest receipts are reinvested into the intermediate-term portfolio, the investment balance will increase and a higher market rate of return will be realized for these new purchases. However, in accordance with Section 5. (M) of Act No. 646 of the 2014 Regular Session, \$9 million was deposited into the state treasury in July 2014 for transfer to the Louisiana Mega-Project Development Fund. This additional transfer reduced the balance of the intermediate-term portfolio. Therefore, interest income decreased by almost \$300,000 in the current 2015 fiscal year and these investment earnings will continue at the lower level in FYE June 30, 2016.

The change in the fair value of investments is recorded to comply with governmental accounting standards. Since the Lottery holds most of its investments until maturity, the market fluctuations have minimal impact on revenue received. No attempt is made to predict the market value changes for the budget year.

Instant Prize Expense

The instant prize expense budget is based on a goal of offering at least a 62.75% average prize structure to instant game players. Current and long-term projections indicate that the target funding of prizes at this 62.75% level during the budget year is approximately 57.05% from the operating budget and 5.70% from the unclaimed prizes pool. These prize structure and funding estimates may be adjusted during or at the end of the fiscal year because of actual financial results and updated forecasts. Any adjustments could change the average prize structure percentage and the allocation of the funding of instant prize expense between the operating budget and the unclaimed prizes pool.

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Online Prize Expense

Online prize expense for the Lotto and Powerball games is structured at 50% of sales. Pick 3 and Pick 4 have fixed prizes for the various levels of winnings. Budgeted prize expense for these games is based on historical averages of 50%. Actual prize expense for the year will vary depending on the number of drawings with high payouts. Prize expense will be adjusted to actual at the end of each fiscal year which may result in prize structure percentages higher or lower than the 50% included in the budget. The prize structure for Easy 5 is at 50% and at a 61% rate for the EZMatch instant win feature included with this game. The Mega Millions game currently also has a 50% prize structure. This percentage can increase or decrease if the funding requirement for game prize reserves is changed by the participating state lotteries.

Retailer Compensation

Retailer compensation consists of a sales commission for instant and online ticket sales and various sales and prize cashing incentives. The total compensation is expected to remain at about 5.61% of total sales for the budget year.

Lottery System Vendor Fees

The lottery system vendor provides and maintains the retailer terminal network, online gaming computer system, and all related communication networks. The contractual compensation for these services is a commission of 2.9798% of online sales. In addition, the vendor provides various optional equipment and services. Total costs for these options are expected to be \$72,000 in 2015 and \$176,000 in the 2016 budget year. The vendor fees for the 2015 projection and the 2016 budget year are reflected net of a weekly communication fee charged to all retailers.

Cost of Instant Tickets

Under the terms of the instant ticket printing and related services contract, the Lottery's ticket printer is compensated at a

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rate of 1.215% of instant ticket sales. Licensing fees for specialty games and printing options not included in the base price are provided at additional costs. We have included \$230,000 and \$300,000 of these expenses in the current and budget years, respectively.

Courier Service

Courier costs include the fees charged by carriers to deliver instant game ticket packs to retailer locations. These expenses are expected to increase slightly because of higher sales volume and frequency of deliveries.

Advertising

Advertising expense includes media placement, production, point-of-sale production, publications, promotional merchandise, sports sponsorships, and special events. These costs are estimated at \$7.5 million in the current year and budget year.

Contract Labor

Contract labor includes board member salaries and the use of temporary staffing agencies. These costs are expected to remain fairly constant.

Depreciation

Depreciation expense includes the spreading of the costs of capital expenditures over the estimated useful lives of the assets. This expense is expected to increase in FYE June 30, 2016 because the cost of assets that will become fully depreciated during this year is expected to be lower than the cost of new capital purchases.

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Equipment Lease

Copier, mailroom, and security system equipment lease costs are included in this item.

Insurance

This expense category includes premiums for business insurance. The policies purchased by the Lottery include coverage for directors and officers liability, crimes against the corporation, retirement plan fiduciary liability, standard automobile liability, general liability, worker's compensation claims, and property. The insurance markets are very unpredictable and increases in premiums are usually driven by claims of the insured, losses incurred by the carriers because of catastrophic events, and the carrier's investment returns. Because we cannot predict these events or other factors that can potentially affect our insurance costs, the budget for FYE June 30, 2016 includes an estimated 5% increase in premiums for all policy renewals.

Postage

This line item includes all postage meter rates for routine business mailings and bulk mailings to retailers and players. Postage should remain at approximately \$70,000 in the budget year.

Professional Fees

These costs include legal fees, financial and compliance audit fees, and other professional service expenses. Explanations of these contractual costs are as follows:

- Legal fees are expected to remain consistent in the projected and budgeted years.
- Independent audit reviews of the Lottery's instant ticket printer are projected and budgeted at \$4,000.

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- The Legislative Auditor's fees for conducting financial and compliance audits and drawings observations should remain stable for both years.
- A two-year renewal of the verification for quality assurance processes from the lottery industry's national association was obtained in the 2014 fiscal year at a cost of \$12,000. The next renewal is due in the 2016 fiscal year.
- Additional network security audit services are planned in fiscal year 2016.
- A business consulting contingency of \$50,000 is included to cover costs for any unanticipated needs in both the current and budget years.

Rent

The Lottery leases five regional offices throughout the state to accommodate the customer service needs of retailers and players. The current lease terms for all locations expire after June 30, 2016.

Repairs and Maintenance

Repairs and maintenance include all computer hardware and software maintenance and support contracts, general repairs and maintenance on all equipment, automobiles, and facilities maintained by the Lottery, and janitorial services. These costs should remain fairly stable.

Salaries and Benefits

The variance in salaries and benefits is due to several factors. No increase is included in the budgeted total for employee salaries. Part-time security guard costs will increase by \$15,000. An employee's completion of the DROP program with

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the Louisiana State Employees Retirement System (LASERS) requires the resumption of contributions to the system at an annual employer cost of \$28,000. In addition, health insurance premiums are budgeted to increase by 10% or almost \$45,000.

Supplies

This category includes expenses for instant ticket dispensers, instant ticket delivery bags, retailer play centers, office supplies, printing supplies, computer supplies, and fuel for the Lottery's fleet of vehicles. The decrease in anticipated supply needs for instant ticket dispensers reduces the budgeted cost by \$25,000. The other supplies costs are expected to be fairly consistent with the current year.

Communications Network and Telephone

Communications network is the costs associated with the Lottery's computer network between headquarters, regional offices, and the distribution center. Telephone expense includes local and long distance phone service for the Lottery's offices, a 1-800 number for player inquiries, cellular phone fees, and company internet access. Costs for these services should remain stable in the budget year.

Travel

This line item includes all in-state mileage reimbursement, hotel costs, meal reimbursements, and other business costs for employee meetings, board meetings, and educational training. In addition, out-of-state flight costs and other travel expenses for educational industry conferences and professional conferences are included in this category. We are budgeting travel at the same level as the current year projected amount to maintain our training and educational programs for sales, support, and professional staff.

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Uncollectible Accounts

This expense includes amounts due from Lottery retailers that are delinquent and not expected to be paid. The amount is reported net of recoveries from collection agencies. Average annual uncollectible accounts are less than \$30,000. However, the amount and timing of these expenses are very unpredictable. Therefore, we are allocating \$50,000 for these potential costs in the projected and budget years.

Utilities

Electrical and other utility expenses are estimated at the five-year average of \$180,000 for both the current and budget years.

Bank Charges

These fees include charges for commercial treasury, investment management, and custodial services for the Lottery's bank accounts, electronic transaction processing, purchasing card processing, and investment portfolio holdings. These expenses should remain at approximately the same level for the current and budget years.

Dues and Subscriptions

Dues include annual membership fees to national and international lottery associations, trade organizations, and professional associations. Subscriptions are payments for trade and professional periodicals, online research tools, and other educational and research materials. These costs are expected to remain consistent with the current year.

Recruiting

This expense includes charges for job placement advertisements for open employment positions at the Lottery throughout the fiscal year. The costs should remain at about the same level in the current and budget years.

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Employee Training and Seminars

Employee training consists of group meetings conducted by outside instructors for training of sales, administrative, and professional staff. Seminars are fees paid for lottery industry conferences, professional conferences, or other trade or business gatherings for employee educational and training purposes. We expect these costs to slightly decrease in the budget year.

Services Purchased

The Louisiana Lottery's share of the costs associated with the administration of the Powerball and Mega Millions multi-state lottery games is included in this category. In addition, expenses for computer network services, shredding of unsold instant tickets, cable television, retirement plan administration, email marketing, software and data storage services, public relations monitoring services, community events setup, and collection agency fees are included in services purchased. The total budgeted cost of most of these services is expected to remain consistent with the current year.

Total annual recurring costs will increase in the budget year because of a planned shift in technology infrastructure from onsite equipment and software maintenance to outsourced software and data storage as a service subscription. This transition will increase annual services purchased costs by almost \$75,000 but, will eliminate the need for future capital purchases of network servers and related equipment at a cost of more than \$275,000 and annual maintenance of over \$63,000.

**Louisiana Lottery Corporation
Financial Plan
Summary of Capital Expenditure Requests
For the Fiscal Year Ending June 30, 2016**

Vehicle Replacements

The Lottery has a fleet of 45 vehicles used mainly by field personnel in the Sales and Security Departments. The fleet is maintained using a preventive maintenance program and monitored on a regular basis. Once the total mileage on a vehicle reaches approximately 100,000 miles the vehicle is targeted for replacement for safety reasons and to reduce the costs of ongoing maintenance. Vehicles are purchased under state purchasing contracts if the prices offered result in a cost savings for the Lottery.

Building and Leasehold Costs

The downtown headquarters in Baton Rouge and our distribution center in south Baton Rouge are both owned locations. We are responsible for all repairs and maintenance for these buildings. In addition, the Lottery is responsible for maintaining the interior walls and related structures for our five leased locations throughout the state. The repairs and maintenance expense line item in our operating budget covers the routine maintenance throughout the year. This capital budget request includes funds for potential major repairs.

Data Processing Software and Equipment

This technology budget request includes a malware protection software upgrade, security case management software, and replacements for obsolete laptop and workstation computers.

Contingency

To accommodate unexpected capital needs, the Lottery has budgeted \$50,000.