

2008-09 Spending Plan	Agency Name New York Lottery
	Agency Head Gordon Medenica

A. Overview of Proposed Plan

A.1 Overall Approach

Since the Lottery is a profit center, not a cost center, we have been especially careful not to make cuts that would hamper our ability to earn money for education. Last year, the Lottery made \$2.6 billion for education, over 13% of total State funding of education. Nevertheless, Lottery staff has determined that some specific reductions can be taken to achieve the recommended levels of cash spending. The proposed cuts involve the Lottery's traditional and video gaming appropriation, to achieve these cuts while still maintaining expected sales and retailer growth will be a challenge.

A.2 Achievement of Savings on a Recurring Basis

Telecommunications

The Lottery has examined its projected growth of retailers this fiscal year and next, and has determined that due to a large amount of retailer turnover and the State economy in the short term, aggressive growth in retailer counts may not come to fruition. Therefore, it has been determined that a short term cut in appropriations of approximately \$1.45 million in telecommunications costs can be absorbed.

Instant Ticket Printing

Instant ticket sales, while an important, large and growing part of the Lottery's sales each year, has seen an upward shift in the average ticket price. This has resulted in a lower printing cost per sales dollar. This, combined with new, lower priced contracts being awarded during the last fiscal year allows a reduction in instant ticket printing of approximately \$2.26 million.

Sponsorships

Over the past several years the Lottery has developed programs that are used to showcase the Lottery's education mission. These sponsorships are highlighted in brochures, our website and at our many winner press conferences around the State, to reinforce the Lottery's sole mission to generate aid to education. However, as part of the reduction in the Lottery's spending to achieve the cuts recommended by the Division of the Budget, it is suggested that two programs be removed from the Lottery's spending plan.

A.3 Protecting Key Priorities

The division, in identifying its recommended reduction plan, took into consideration its priority on increasing aid to education. For that reason, the Lottery has specifically avoided any cuts to its core

advertising and marketing programs. The Lottery's recommended staffing costs and fill levels are in place to ensure a timely and profitable planning and start up of the Aqueduct facility. Also, the recommended budget levels will support the Lottery's continuing efforts to recruit new retailers and increase aid to education.

A.4 Treatment of New Initiatives

The spending levels will provide support to the Lottery in its efforts to implement the provisions of Chapter 18 of the Laws of 2008 providing for extension of the Lottery video lottery contracts and implementing the changes related to capital improvements at the video gaming facilities. In addition, the recommended staffing and spending levels will allow the Lottery to continue its efforts in procuring and providing an updated, secure and efficient full service lottery system starting in 2010, which will increase aid to education even further.

B. Summary of General Fund Financial Impacts

N/A

C. Identification of Proposed General Fund Actions

N/A

D. Summary of Impact on Other Funds (in \$000)

OTHER FUNDS -- SAVINGS SUMMARY			
	Required Reduction	2008-09 Savings	2009-10 Savings
Local Assistance			
Personal Service	(\$210)	(\$210)	(\$210)
Non-personal Service	(\$5,791)	(\$5,791)	(\$5,791)
Total State Operations	(\$6,001)	(\$6,001)	(\$6,001)
Capital			
TOTAL	(\$6,001)	(\$6,001)	(\$6,001)

OTHER FUNDS -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance			
Personal Service	\$21,156	\$21,008	(.70%)
Non-personal Service	\$201,437	\$183,880	(8.72%)
Total State Operations	\$222,593	\$204,888	(7.95%)
Capital			
TOTAL	\$222,593	\$204,888	(7.95%)

E. Identification of Proposed Other Fund Actions

	2008-09 Cash	2009-10 Cash	2010-11 Cash
OTHER FUNDS (Note the fund/s affected by each proposal, in parentheses at the end of each entry)			
Local Assistance			
Not Applicable			
State Operations			
1. Instant Ticket Printing	\$2,260	\$2,000	\$1,800
2. Telecommunications	\$1,450	\$1,710	\$28,000*
3. Sponsorships	\$600	\$600	\$600
4. Personal Services	\$210	\$210	\$210
5. Cost Reductions from outsourced Investigations	\$1,481	\$1,481	\$1,481
Capital Projects			
Not Applicable			

* Assumes telecommunications is provided under the full service Lottery contract starting in 2010 see section H.

F. Plan to Manage the Workforce

F.1 Overall Approach

The Lottery will examine each vacancy that occurs during the fiscal year and consider the possible results of not refilling or delaying filling that item as soon as the future vacancy is known. Openings that are directly related to servicing the retailer network, ensuring the gaming and lottery systems are operational and recruiting more retailers will be filled as soon as practicable. The Lottery is also

engaged with KPMG in an operational review of computer and programming operations to identify areas of weakness. This is explained in more detail in the next section.

F.2 Plan for Refill of Vacant Positions (both current and anticipated vacancies)

The fill levels identified in Part G reflect a planning estimate to be used by senior staff when identifying and specifying personnel items that are required for the continued success of the Lottery. As part of that effort, the Lottery is using KPMG to provide a gap analysis within the information technology portions of the Lottery. This analysis will be taking into consideration the knowledge base of our staff, possible knowledge transfer due to future retirements and the effect possible technology changes will have on Lottery staffing needs. Once this is completed, our plan for staffing will be adjusted accordingly. The attachment also shows targeted cash spending on a fiscal year to date for each month of the fiscal year. This will be used to track our progress in achieving our recommended spending levels each month during the year.

Workforce Impact -- All Funds	
a. Initial Target: 361 [for reference]	361
b. Current Fills PP# 3 or 4 (expected)	347
c. Recurring impact of proposed actions (see Parts C & E)	0
d. Recurring impact of vacancy-refilling plan (see F.2)	11
e. Total FTEs March 31, 2009 (line b minus line c, plus/minus line d)	358
f. Change from Initial 2008-09 Target (line a minus line e)	-3

G. Monthly Projections: All Funds Workforce; General Fund State Operations/Local/Capital

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
A. Workforce - All Funds													
Est FTEs Month-end	338	347	350	352	352	352	354	356	359	361	359	358	
B. State Operations													
Personal Service													
1st PP	1,503,800	823,300	829,100	834,900	834,900	834,900	838,800	844,600	850,300	856,100	850,300	844,500	10,745,500
2nd PP	764,500	823,300	829,100	834,900	834,900	834,900	838,800	844,600	850,300	856,100	850,300	262,300	9,424,000
3rd PP (if applies)	0	0	0	0	0	0	838,800	0	0	0	0	0	838,800
Subtotal PS	2,268,300	1,646,600	1,658,200	1,669,800	1,669,800	1,669,800	2,516,400	1,689,200	1,700,600	1,712,200	1,700,600	1,106,800	21,008,300
NPS	14,691,800	9,772,400	17,697,200	24,863,800	13,876,200	15,173,600	13,345,700	7,396,800	24,378,500	11,891,900	13,052,700	17,439,200	183,579,800
Total Disbursements -- State Ops	16,960,100	11,419,000	19,355,400	26,533,600	15,546,000	16,843,400	15,862,100	9,086,000	26,079,100	13,604,100	14,753,300	18,546,000	204,888,100
C. Local Assistance													
Program x	0	0	0	0	0	0	0	0	0	0	0	0	0
Program y	0	0	0	0	0	0	0	0	0	0	0	0	0
Program z	0	0	0	0	0	0	0	0	0	0	0	0	0
All other local assistance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements - Local	0	0	0	0	0	0	0	0	0	0	0	0	0
D. Capital Projects													
Program/project aa	0	0	0	0	0	0	0	0	0	0	0	0	0
Program/project bb	0	0	0	0	0	0	0	0	0	0	0	0	0
Program/project cc	0	0	0	0	0	0	0	0	0	0	0	0	0
All other Capital Projects	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements - Capital	0	0	0	0	0	0	0	0	0	0	0	0	0

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H. Assumptions Underlying the Proposed Plan

The plan assumes that:

- The Lottery's instant game sales grow at a relatively slow rate.
- The Lottery's retailer network stays under 18,000 through 2009-10.
- The Lottery is successful in completing a RFP process that results in telecommunications being provided as part of the full service gaming contract. This would follow the industry norm and is standard in all other states that have recently procured these services.
- The Lottery is successful in extending its video gaming contracts in the next few months.

I. Management of Risks Inherent in the Plan

The Lottery has control over its expansion of the retailer network. The Lottery continues to track its spending and fill levels monthly and its aid to education earnings on a weekly basis. The Lottery has already procured contracts from an industry leader to assist it in the RFP and video contracting processes.

J. Additional Savings Opportunities for 2008-09

There are no additional opportunities that can be implemented without potential negative aid to education results.

K. Potential Future Savings Opportunities/Operational Improvements (indicate if statutory change is required)

The changes necessary to improve overall Lottery aid to education performance derive from revenue opportunities including expanded internet sales, cell phone wagering, reduction of Quick Draw restrictions and joining another multijurisdictional lottery group. The additional multijurisdictional group is an option that would require legislative change as would removal of the restrictions on Quick Draw.