

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
	POS	AMOUNT	POS	AMOUNT
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
ESTIMATED EXPENDITURES				1000000
ESTIMATED EXPENDITURES - OPERATIONS				1001000
SALARY RATE				000000
SALARY RATE.....	14,729,182			
=====				
SALARIES AND BENEFITS				010000
	377.00			
OPERATING TRUST FUND -STATE	22,091,276			2510 1
=====				
OTHER PERSONAL SERVICES				030000
OPERATING TRUST FUND -STATE	18,296			2510 1
=====				
EXPENSES				040000
OPERATING TRUST FUND -STATE	3,184,111			2510 1
=====				
OPERATING CAPITAL OUTLAY				060000
OPERATING TRUST FUND -STATE	120,000			2510 1
=====				
SPECIAL CATEGORIES				100000
ACQUISITION/MOTOR VEHICLES				100021
OPERATING TRUST FUND -STATE	129,668			2510 1
=====				
CONTRACTED SERVICES				100777
OPERATING TRUST FUND -STATE	2,213,968			2510 1
=====				
INSTANT TICKET PURCHASE				101740
OPERATING TRUST FUND -STATE	30,900,000			2510 1
=====				

	COL A03		COL A04		COL A05		CODES
	AGY REQUEST FY 2011-12	POS	AGY REQ N/R FY 2011-12	POS	AG REQ ANZ FY 2011-12	POS	
LOTTERY, DEPARTMENT OF THE							36000000
PGM: LOTTERY OPERATIONS							36010000
GOV OPERATIONS/SUPPORT							16
GOVERNMENTAL OPERATIONS							<u>1601.00.00.00</u>
ESTIMATED EXPENDITURES							1000000
ESTIMATED EXPENDITURES - OPERATIONS							1001000
SPECIAL CATEGORIES							100000
ADVERTISING AGENCY FEES							102378
OPERATING TRUST FUND -STATE	3,156,945						2510 1
=====							
COMPULSIVE GAMBLING PROG							102379
OPERATING TRUST FUND -STATE	1,119,000						2510 1
=====							
PAID ADVERTISING/PROMOTION							102380
OPERATING TRUST FUND -STATE	30,593,508						2510 1
=====							
ONLINE GAMES CONTRACT							102381
OPERATING TRUST FUND -STATE	25,390,321						2510 1
=====							
LOTTERY ITVM							102382
OPERATING TRUST FUND -STATE	4,887,000						2510 1
=====							
RETAILER INCENTIVES							102388
OPERATING TRUST FUND -STATE	1,750,000						2510 1
=====							
SALARY INCENTIVE PAYMENTS							103290
OPERATING TRUST FUND -STATE	16,060						2510 1
=====							
CONTRACTED LEGAL SERVICES							103884
OPERATING TRUST FUND -STATE	120,000						2510 1
=====							

	COL A03		COL A04		COL A05		CODES
	AGY REQUEST FY 2011-12 POS	AMOUNT	AGY REQ N/R FY 2011-12 POS	AMOUNT	AG REQ ANZ FY 2011-12 POS	AMOUNT	
LOTTERY, DEPARTMENT OF THE							36000000
PGM: LOTTERY OPERATIONS							36010000
GOV OPERATIONS/SUPPORT							16
GOVERNMENTAL OPERATIONS							<u>1601.00.00.00</u>
ESTIMATED EXPENDITURES							1000000
ESTIMATED EXPENDITURES - OPERATIONS							1001000
DATA PROCESSING SERVICES							210000
SOUTHWOOD SRC							210021
OPERATING TRUST FUND -STATE		35,346					2510 1
TOTAL: ESTIMATED EXPENDITURES - OPERATIONS							1001000
TOTAL POSITIONS.....	377.00						
TOTAL ISSUE.....	125,725,499						
TOTAL SALARY RATE.....	14,729,182						
FLORIDA RETIREMENT SYSTEM							
CONTRIBUTION ADJUSTMENT FOR							
FY 2010-11 - EFFECTIVE 7/1/2010							1001220
SALARIES AND BENEFITS							010000
OPERATING TRUST FUND -STATE		153,873					2510 1
ADJUSTMENT TO STATE HEALTH							
INSURANCE PREMIUM CONTRIBUTION FOR							
FY 2010-11 - EFFECTIVE 12/1/2010							1001810
SALARIES AND BENEFITS							010000
OPERATING TRUST FUND -STATE		133,456					2510 1
ELIMINATION OF AGENCY PAYALL							
STATUS - EFFECTIVE 7/1/2010							1001820
SALARIES AND BENEFITS							010000
OPERATING TRUST FUND -STATE		100,587-					2510 1

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
ESTIMATED EXPENDITURES				1000000
ADJUSTMENT TO STATE LIFE INSURANCE				
CONTRIBUTION RATE FOR FY 2010-11 -				
EFFECTIVE 12/1/2010				1001920
SALARIES AND BENEFITS				010000
OPERATING TRUST FUND -STATE	19,163-			2510 1
=====				
ADJUSTMENTS TO CURRENT YEAR				
ESTIMATED EXPENDITURES				1600000
TECHNICAL ISSUE - REALIGNMENT OF				
POSITIONS BETWEEN PROGRAM				
COMPONENT - ADD BACK				160P100
SALARIES AND BENEFITS				010000
	5.00			
=====				

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE: IT COMPONENT? NO
 This is a technical issue requesting a transfer of 5 positions between program components to realign positions within the General Appropriations Act. This issue is being submitted at the request of the Governor's Office of Policy and Budget to align the positions to their current placement in People First, as well as the current responsibilities assigned to the positions.

The Lottery is requesting that 5 positions within the Executive Direction Program Component 16.02.00.00.000 be transferred to the Lottery Operations Program Component 16.01.00.00.000.

POSITION DETAIL OF SALARIES AND BENEFITS:

	FTE	BASE RATE	ADDITIVES	BENEFITS	SUBTOTAL	LAPSE %	LAPSED SALARIES AND BENEFITS
A03 - AGY REQUEST FY 2011-12							
CHANGES TO CURRENTLY AUTHORIZED POSITIONS							
P101 PROPOSED CLASS CODE							
N0001 002	5.00					0.00	

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
ADJUSTMENTS TO CURRENT YEAR				
ESTIMATED EXPENDITURES				1600000
TECHNICAL ISSUE - REALIGNMENT OF				
POSITIONS BETWEEN PROGRAM				
COMPONENT - ADD BACK				160P100

POSITION DETAIL OF SALARIES AND BENEFITS:

	FTE	BASE RATE	ADDITIVES	BENEFITS	SUBTOTAL	LAPSE %	LAPSED SALARIES AND BENEFITS
A03 - AGY REQUEST FY 2011-12							
CHANGES TO CURRENTLY AUTHORIZED POSITIONS							
TOTALS FOR ISSUE BY FUND							
	5.00						

NONRECURRING EXPENDITURES							2100000
REPLACEMENT OF MOTOR VEHICLES							2103005
SPECIAL CATEGORIES							100000
ACQUISITION/MOTOR VEHICLES							100021
OPERATING TRUST FUND -STATE		129,668-					2510 1
ON-LINE DRAW MACHINES							2103033
OPERATING CAPITAL OUTLAY							060000
OPERATING TRUST FUND -STATE		120,000-					2510 1

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
	POS	AMOUNT	POS	AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
EQUIPMENT NEEDS				2400000
ON-LINE DRAW MACHINES				2401100
OPERATING CAPITAL OUTLAY				060000
OPERATING TRUST FUND	-STATE	150,000	150,000	2510 1

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

This is a request to purchase On-line Draw Machines to replace the 6 machines used in the Mega Money game. On-line draw machines are used to mix the numbered balls and select the winning numbers. The Mega Money machines currently being used were purchased in 1999. The numbers for this game are drawn twice every week. Draw machines are integral to this process, and they must work flawlessly to maintain the public's confidence in lottery games.

All of the draw machines receive preventive maintenance and cleaning to maximize the life of the machines. The machines for this game have some features that, over time, have proven to be less desirable and create potential risk for problems. The display tube at the top of the machines does not have a slide release mechanism to allow the balls to be dropped back into the mixing chambers after test and rehearsal drawings. The balls have to be removed from the display tube through an opening at the end of the tube and then placed back into the mixing chamber via the mixing chamber door on the back of the machine. This creates the risk each time that this is done, that Mega Money balls could be dropped on the floor and damaged. There is also the potential that the sliding door at the end of the tube could be left open and balls would fall out of the tube while the machine is in operation. Mega Money is a 4 plus 1 number game, the first four numbers are selected in one chamber from a group of 44 balls numbered 1 through 44. The Mega Ball is selected in another chamber from a group of balls numbered 1 through 22. Due to the size of the display tube, there is the potential that an extra (5th) ball could be selected when choosing the first 4 numbers and would create a situation requiring a foul to be called thus potentially affecting the integrity of the game. While this problem has not occurred during a live drawing for the Mega Money game, it has occurred during rehearsals for this game and is a great concern.

While we are vigilant in monitoring the costs of doing business, we also recognize that draw machines are integral to On-line games. These machines are essential to operate the televised draws and must function at a maximum level of efficiency and reliability, and not create situations whereby confidence in the games could be called into question.

The machine designs are unique for each game. Draw machines must also be built to meet standards that accommodate environmental impacts that occur in the studio, under traveling conditions, and outdoor elements; such as, heat, humidity, bumps, vibrations, mobility in tight spaces and on ramps, and use near saltwater. The designs have specifications for air filtration, wheels with 360 degree turning capability and locking mechanisms, special supports to hold the mixing chamber, custom storage racks for ball set storage and electrical requirements. The mixing chambers also have requirements that include the acrylic glass thickness, anti-static devices, air blowers, hardware and dimensions. The designs must also meet the artistic concepts for audience appeal while at the same time providing the level of security and integrity needed to protect the games and maintain public confidence.

To ensure reliability and continuity of the drawings, each On-line game requires 6 machines. Three machines are maintained in Tallahassee, and three machines are housed in the backup draw location in Orlando. The machines in Orlando

	COL A03		COL A04		COL A05		CODES
	AGY REQUEST	AGY REQ N/R	AGY REQ N/R	AGY REQ N/R	AG REQ ANZ	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	FY 2011-12	FY 2011-12	FY 2011-12	
	POS	AMOUNT	POS	AMOUNT	POS	AMOUNT	
LOTTERY, DEPARTMENT OF THE							36000000
PGM: LOTTERY OPERATIONS							36010000
GOV OPERATIONS/SUPPORT							16
GOVERNMENTAL OPERATIONS							1601.00.00.00
EQUIPMENT NEEDS							2400000
ON-LINE DRAW MACHINES							2401100

are also used for any on-the-road draw events.

The anticipated costs from vendor input and previous purchase prices for draw machines to replace the current Mega Money draw machines are estimated as follows:

6 Mega Money draw machines (3 in Tallahassee, 3 at backup location) @ \$25,000 each = \$ 150,000

Without these funds the Lottery jeopardizes its ability to conduct the Mega Money twice weekly draws without a negative incident, which could result in loss of revenue due to loss of public confidence.

ANNUALIZATION OF ADMINISTERED FUNDS APPROPRIATIONS							26A0000
STATE HEALTH INSURANCE ADJUSTMENT FOR FY 2010-11 - 5 MONTHS							
ANNUALIZATION SALARIES AND BENEFITS							26A1810 010000
OPERATING TRUST FUND -STATE		95,326					2510 1
=====							
STATE LIFE INSURANCE ADJUSTMENT FOR FY 2010-11 - 5 MONTHS							
ANNUALIZATION SALARIES AND BENEFITS							26A1920 010000
OPERATING TRUST FUND -STATE		13,688-					2510 1
=====							

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
WORKLOAD				3000000
ONLINE GAMES CONTRACT				3000100
SPECIAL CATEGORIES				100000
ONLINE GAMES CONTRACT				102381
OPERATING TRUST FUND	-STATE	2,095,449		2510 1

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

The FY 2011-12 requested amount for on-line contract obligations is calculated using sales projections from the July 2010 Revenue Estimating Conference of \$1,780,500,000 for on-line ticket sales. The recently re-negotiated on-line gaming system contract establishes a percentage of 1.0699% for on-line ticket sales, a cost savings of 7%. There were several system and terminal enhancements that the Lottery implemented which allow optimal use of the gaming system that will be continued during the renewal period. These enhancements are not included in the contracted percentage rate of 1.0699%.

These enhancements include:

Gift Card Management Software - this application, which required installation in terminals at start-up, allows the Lottery the ability to utilize several features over the life of the contract. These features include special coupon offers and promotions, reusable gift cards and subscription programs. Funding for this enhancement is: \$12.10 per terminal per month.

Altura Vision Multimedia display and messaging system - uses enhanced functionality of lottery terminals for point-of-sale communication. It makes an even bigger impact at the counter by displaying multimedia content such as game results, Florida Lottery promotional messages and graphics, and current Lottery news on video screens at the point of sale. Screens can also be used to display photos for Amber Alert announcements. Funding is being requested at: \$32 per terminal per month.

Additional Altura Terminals - The contract includes a base number of 12,000 Altura terminals to be placed at retailer locations. The Lottery received authorization for 1,000 terminals in FY 2005-06 at a monthly cost of \$150 per terminal. Authorization for an additional 500 terminals was received in FY 2007-08 at a per terminal monthly cost of \$190. The Lottery requests to continue this authorization.

As the Department has reported in previous appearances, the industry has seen a shift in product development where many new game ideas are being licensed by vendors. Just as the Department has paid some license fees for Scratch-Off products in the past, it must now pay license fees for new On-line products. The Lottery is also requesting \$2,000,000 in funding to cover the estimated costs for licensed property games to be used in FY 2011-12. It should be noted that fees for most licensed property games are based on a percentage of sales; therefore, fees will increase proportionately as revenues increase.

2011-2012 on-line sales projections of \$1,782,500,000 x 1.0699%	\$19,049,570
Gift Card Management Software (13,500 terminals x \$12.10 x 12 months)	\$ 1,960,200

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
WORKLOAD				3000000
ONLINE GAMES CONTRACT				3000100
AlturaVision - Multi-media display (4,000 terminals x \$32 x 12 months)			\$ 1,536,000	
Additional Altura Terminals (1,000 terminals x \$150 x 12 months)			\$ 1,800,000	
Additional Altura Terminals (500 terminals x \$190 x 12 months)			\$ 1,140,000	
Licensed Property Game Fees			\$ 2,000,000	

Total FY 2011-12 Appropriation needed			\$27,485,770	
Less FY 2010-11 Appropriation base			\$25,390,321	

Total FY 2011-12 increase needed			\$ 2,095,449	

CONTINUE CURRENT OTHER PERSONAL				
SERVICES ACTIVITIES				3100000
INDEPENDENT SECURITY AUDIT				3109300
SPECIAL CATEGORIES				100000
CONTRACTED SERVICES				100777
OPERATING TRUST FUND	-STATE	250,000	250,000	2510 1
	=====	=====	=====	

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

This issue requests Contractual Services funding in the amount of \$250,000 for the Lottery to contract with a firm to conduct a comprehensive security evaluation of the department.

Per Section 24.108(7)(a), Florida Statutes, the department shall engage an independent firm experienced in security procedures, including, but not limited to, computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the department. In addition Section 24.108(7)(c), Florida Statutes, further states that the security evaluation shall be conducted at least every 2 years.

The last evaluation was conducted February through June 2010. To be in compliance with the statutory guidelines, the next evaluation must be conducted in 2012. If funding is not provided, the department will not be in compliance with the mandates of Section 24.108, Florida Statutes.

The department must solicit bids for a new contract for the next scheduled comprehensive security evaluation. Once the bids are received and a vendor is selected based on the criteria issued by the Lottery, the contracted vendor will implement the evaluation plan as agreed to by the Lottery. The comprehensive security evaluation will be conducted and completed by June 2012.

	COL A03		COL A04		COL A05		CODES
	AGY REQUEST FY 2011-12	POS	AGY REQ N/R FY 2011-12	POS	AG REQ ANZ FY 2011-12	POS	
LOTTERY, DEPARTMENT OF THE							36000000
PGM: LOTTERY OPERATIONS							36010000
GOV OPERATIONS/SUPPORT							16
GOVERNMENTAL OPERATIONS							1601.00.00.00
CONTINUE CURRENT OTHER PERSONAL							3100000
SERVICES ACTIVITIES							3109300
INDEPENDENT SECURITY AUDIT							

Security and integrity of the Lottery is paramount to its successful operation. The security evaluation is a tool that helps ensure that the Lottery operates with the highest level of security and utmost integrity.

Without the requested funds the department would not be able to have an independent firm provide the security evaluation services.

The next security evaluation should start in January 2012 and be completed by June 30, 2012.

AGENCY-WIDE INFORMATION TECHNOLOGY							3620000
RAMAN SPECTROMETER - SECURITY							36222C0
EQUIPMENT							060000
OPERATING CAPITAL OUTLAY							
OPERATING TRUST FUND -STATE	53,479		53,479				2510 1
=====							
SPECIAL CATEGORIES							100000
CONTRACTED SERVICES							100777
OPERATING TRUST FUND -STATE	1,200		1,200				2510 1
=====							
TOTAL: RAMAN SPECTROMETER - SECURITY							36222C0
EQUIPMENT							
TOTAL ISSUE.....	54,679		54,679				
=====							

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? YES

The Lottery is required by Section 24.108, F.S. to insure the security of tickets and prize payments. Raman spectrometry is a light scattering technique, and can be thought of as a process where a photon of light interacts with a sample to produce scattered radiation of different wavelengths. It is extremely information rich and is a useful technique in physical and chemical research, particularly for the characterization of materials. The Raman Spectrometer being requested will provide physical and chemical analyses of papers and inks and will allow the Lottery to better identify ticket alterations and fraud attempts as well as conduct more thorough testing of tickets from printing vendors before new games are released.

The Lottery currently uses a Video Spectral Comparator (VSC) for document examinations in our efforts to detect

COL A03		COL A04		COL A05		CODES
AGY REQUEST	AGY REQ N/R	AGY REQ ANZ				
FY 2011-12	FY 2011-12	FY 2011-12				
POS	AMOUNT	POS	AMOUNT	POS	AMOUNT	
LOTTERY, DEPARTMENT OF THE						36000000
<u>PGM: LOTTERY OPERATIONS</u>						36010000
<u>GOV OPERATIONS/SUPPORT</u>						16
<u>GOVERNMENTAL OPERATIONS</u>						<u>1601.00.00.00</u>
AGENCY-WIDE INFORMATION TECHNOLOGY						3620000
RAMAN SPECTROMETER - SECURITY						
EQUIPMENT						36222C0

alterations, fraud or lesser quality tickets printed by the ticket printing vendors. The Raman Spectrometer significantly enhances the Lottery's ability to make these detections. The device is not intended to replace current equipment but to help enhance our required duties of fraud protection and ticket testing. Without the Raman Spectrometer the Lottery would be unable to conduct the best investigations of high quality counterfeit/altered tickets or identify poor quality paper and low grade inks used on new instant ticket games.

The Division of Security requests funds to purchase the Foram - Raman Spectrometer unit, which will provide reliability necessary for the Lottery to pay appropriately for tickets submitted as winning tickets but having questioned authenticity or ownership. In addition it will provide the added independent testing ability to ensure that every instant ticket game meets the printing standards to offer players the best quality instant ticket for fairness and uncompromising integrity.

The expected volume of ticket examinations per year is approximately 500, to include both investigative and ticket design testing. The device is expected to be used several times weekly and the anticipated volume of tickets could average to a daily use, however, this type workload is usually presented in batches. While the machine may not be used daily, it will be used every week for extended time periods.

The spectrometer enhances the capabilities provided by VSC currently used in the Lottery document lab. The VSC can be used to identify added or different inks or prints in an optical format, but it does not have the ability to identify the uniqueness of printed inks. The identification of printing errors vs. alterations/counterfeits may rely on specific ink markers identified within the ink pigments. This becomes important for visibly similar inks and ink printing quality. Every ink has its own unique fingerprint or DNA. The ink DNA allows the spectrometer to determine differentiations in inks used on documents without applying chemicals that could destroy the document (Lottery tickets) being examined. Ownership of a ticket can be identified by ink identifiers as well as high quality counterfeit tickets.

Identification of a ticket printing error or fraud attempt becomes more difficult as the ability to scan and electronically mimic printing becomes more sophisticated, and as prize values increase, the potential threat to the Lottery rises. The Raman Spectrometer is a tool that could prevent a loss to the state that would far exceed the cost of the equipment. The Raman spectrometer technology identifies "ink DNA or fingerprints", which assists in more complete analysis to identify signature fraud, overwriting, alterations, counterfeiting, poor ticket printing and ink printing substitutions for better quality control. In testing ticket printing, which is done for every new instant ticket game, the ability to identify the type, grade, and components of inks is necessary to ensure that the security of tickets and the specific contract requirements for each game is met.

Currently the Lottery sells instant ticket games with single tickets worth as much as \$10,000,000. The higher the prize values the more vulnerable the players become. The Lottery utilizes multiple vendors to print different games. To provide the best security and integrity for instant ticket games, it is imperative that the Lottery continue to offer the best quality document forensics technology. With over 50 new games distributed for sale every year the Lottery generated instant ticket sales of over \$2,000,000,000 in FY 2009-10. This translates to over \$442,000,000 in revenue for education for FY 2009-10 from instant ticket sales alone. Any perceived or actual compromise of the tickets would seriously

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
AGENCY-WIDE INFORMATION TECHNOLOGY				3620000
RAMAN SPECTROMETER - SECURITY				
EQUIPMENT				36222C0

jeopardize players' trust in the fairness of our games and would negatively impact ticket sales. Adding a Raman Spectrometer to the tool kit of the Lottery forensic documents laboratory gives an added layer of security that protects the state and its citizens.

This price quote was provided by the single source vendor.

\$53,479	Foram Raman Spectrometer
1,200	On-site assembly, installation and training

\$54,679	Total cost

Other state agencies have Raman technology, but the spectrometers used are not calibrated to conduct ink studies. For an agency to calibrate their spectrometers for the Lottery is time consuming. Under this scenario the Lottery would be secondary to any examinations the other agency is conducting for its own primary mission.

FLORIDA LOTTERY OPERATIONS FUNDING	5000000
INSTANT TICKET VENDING MACHINES	5000500
SPECIAL CATEGORIES	100000
LOTTERY ITVM	102382

OPERATING TRUST FUND	-STATE	123,600	2510	1
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AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

In an effort to increase Lottery revenues and the resulting transfers to the Educational Enhancement Trust Fund (EETF), the Florida Lottery is requesting an increase in its Instant Ticket Vending Machine (ITVM) appropriation in the amount of \$123,600.

In order to support the growth of the scratch-off ticket product line as well as consumer demand for self-service convenience, many lotteries have looked to provide new products and services that enhance the distribution and sale of tickets. ITVMs enhance sales by adding a self-service feature in retailer locations, not replacing the counter sales activity, but augmenting it. The self-service aspect could gain the Lottery entry into new groups of large chain retailers who have expressed concern over the labor-intensive nature of full-service terminals in their environment. The lack of equipment was cited as an obstacle when trying to recruit two new corporate retailers (1,400+ locations).

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				<u>1601.00.00.00</u>
FLORIDA LOTTERY OPERATIONS FUNDING				5000000
INSTANT TICKET VENDING MACHINES				5000500

The Florida Lottery is authorized under section 24.105, Florida Statutes, to utilize player-activated terminals or ITVMs to sell scratch-off tickets.

ITVMs are much like a typical vending machine in that money is inserted, a button is pushed and the desired product is then delivered into the bin at the bottom. However, in order to comply with state statute, ITVMs do have some major differences, such as the ability to remotely disable the machines to prevent underage purchasing. Another innovation is the ability for the machine to transmit sales information in real-time to the in-store terminal, allowing for accounting and tracking of tickets, greatly enhancing the retailers' ability to keep track of scratch-off ticket sales and inventory.

ITVMs are a tool that enhance the distribution and sale of these tickets while responding to consumer demand for self-service and convenience.

The Lottery was appropriated \$4,887,000 which allowed for the lease of 1,238 ITVMs at a \$329 per month cost in FY 2010-11. The Lottery was able to renegotiate its contract for ITVMs, allowing for the lease of 350 units at \$253 per month, however a negligible deficit is projected.

1,000 ITVMs @ \$329 per month X 12 months	\$3,948,000
350 ITVMs @ 253 per month X 12 months	1,062,600

TOTAL FY 2011-12 Appropriation Need	\$5,010,600
LESS FY 2010-11 Appropriation Base	-4,887,000

FY 2011-12 Appropriation Increase	\$ 123,600

TOTAL: GOVERNMENTAL OPERATIONS				<u>1601.00.00.00</u>
BY FUND TYPE				
	382.00			
TRUST FUNDS.....	128,398,776	454,679		2000
SALARY RATE.....	14,729,182			
	=====	=====	=====	

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
	POS	AMOUNT	POS	AMOUNT
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
EXEC LEADERSHIP/SUPPRT SVC				1602.00.00.00
ESTIMATED EXPENDITURES				1000000
ESTIMATED EXPENDITURES - OPERATIONS				1001000
SALARY RATE				000000
SALARY RATE.....	3,431,233			
=====				
SALARIES AND BENEFITS				010000
	60.00			
OPERATING TRUST FUND -STATE	4,547,183			2510 1
=====				
OTHER PERSONAL SERVICES				030000
OPERATING TRUST FUND -STATE	271,500			2510 1
=====				
EXPENSES				040000
OPERATING TRUST FUND -STATE	3,094,963			2510 1
=====				
OPERATING CAPITAL OUTLAY				060000
OPERATING TRUST FUND -STATE	1,000			2510 1
=====				
SPECIAL CATEGORIES				100000
CONTRACTED SERVICES				100777
OPERATING TRUST FUND -STATE	814,749			2510 1
=====				
RISK MANAGEMENT INSURANCE				103241
OPERATING TRUST FUND -STATE	305,938			2510 1
=====				
TR/DMS/HR SVCS/STW CONTRCT				107040
OPERATING TRUST FUND -STATE	175,249			2510 1
=====				

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
EXEC LEADERSHIP/SUPPRT SVC				1602.00.00.00
ESTIMATED EXPENDITURES				1000000
ESTIMATED EXPENDITURES - OPERATIONS				1001000
TOTAL: ESTIMATED EXPENDITURES - OPERATIONS				1001000
TOTAL POSITIONS.....	60.00			
TOTAL ISSUE.....	9,210,582			
TOTAL SALARY RATE.....	3,431,233			
=====				
CASUALTY INSURANCE PREMIUM				1001090
ADJUSTMENT				100000
SPECIAL CATEGORIES				103241
RISK MANAGEMENT INSURANCE				
OPERATING TRUST FUND -STATE	69,127			2510 1
=====				
FLORIDA RETIREMENT SYSTEM				1001220
CONTRIBUTION ADJUSTMENT FOR				010000
FY 2010-11 - EFFECTIVE 7/1/2010				
SALARIES AND BENEFITS				
OPERATING TRUST FUND -STATE	25,241			2510 1
=====				
ADJUSTMENT TO STATE HEALTH				1001810
INSURANCE PREMIUM CONTRIBUTION FOR				010000
FY 2010-11 - EFFECTIVE 12/1/2010				
SALARIES AND BENEFITS				
OPERATING TRUST FUND -STATE	19,341			2510 1
=====				
ELIMINATION OF AGENCY PAYALL				1001820
STATUS - EFFECTIVE 7/1/2010				010000
SALARIES AND BENEFITS				
OPERATING TRUST FUND -STATE	14,780-			2510 1
=====				

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
EXEC LEADERSHIP/SUPPRT SVC				1602.00.00.00
ESTIMATED EXPENDITURES				1000000
ADJUSTMENT TO STATE LIFE INSURANCE				
CONTRIBUTION RATE FOR FY 2010-11 -				
EFFECTIVE 12/1/2010				1001920
SALARIES AND BENEFITS				010000
OPERATING TRUST FUND -STATE	3,514-			2510 1
SUNCOM SERVICES RATE REDUCTION				1005600
EXPENSES				040000
OPERATING TRUST FUND -STATE	8,425-			2510 1
ADJUSTMENTS TO CURRENT YEAR				
ESTIMATED EXPENDITURES				1600000
TECHNICAL ISSUE - REALIGNMENT OF				
POSITIONS BETWEEN PROGRAM				
COMPONENT - DEDUCT				160P200
SALARIES AND BENEFITS				010000
	5.00-			

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

This is a technical issue requesting a transfer of 5 positions between program components to realign positions within the General Appropriations Act. This issue is being submitted at the request of the Governor's Office of Policy and Budget to align the positions to their current placement in People First, as well as the current responsibilities assigned to the positions.

The Lottery is requesting that 5 positions within the Executive Direction Program Component 16.02.00.00.000 be transferred to the Lottery Operations Program Component 16.01.00.00.000.

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
EXEC LEADERSHIP/SUPPRT SVC				1602.00.00.00
ADJUSTMENTS TO CURRENT YEAR				
ESTIMATED EXPENDITURES				1600000
TECHNICAL ISSUE - REALIGNMENT OF				
POSITIONS BETWEEN PROGRAM				
COMPONENT - DEDUCT				160P200

POSITION DETAIL OF SALARIES AND BENEFITS:

	FTE	BASE RATE	ADDITIVES	BENEFITS	SUBTOTAL	LAPSE %	LAPSED SALARIES AND BENEFITS
A03 - AGY REQUEST FY 2011-12							
CHANGES TO CURRENTLY AUTHORIZED POSITIONS							
P101 PROPOSED CLASS CODE							
N0001 002	5.00-					0.00	
TOTALS FOR ISSUE BY FUND	5.00-						

EQUIPMENT NEEDS	2400000
REPLACEMENT OF MOTOR VEHICLES	2401500
SPECIAL CATEGORIES	100000
ACQUISITION/MOTOR VEHICLES	100021
OPERATING TRUST FUND -STATE	1,735,286
	1,735,286
	2510 1

AGENCY ISSUE NARRATIVE:

2011-2012 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

The Florida Lottery's vehicle fleet has reached critical status due to excessive mileage and increasingly high repair and maintenance costs. By June 30, 2011 the Florida Lottery will have 98 vehicles totaling 55.6% of its fleet that will exceed the new Replacement Eligibility Factor (REF) criteria score implemented by the Florida Department of Management Services on September 2, 2009. Of the 98 vehicles that will exceed the new replacement criteria 93 will reach "DROPDEAD" status in age and/or mileage (89 vehicles will exceed the mileage criteria [with 57 of the 89 also exceeding the age criteria] with an additional 4 exceeding the age criteria alone) and 5 will be eligible for replacement based on meeting and/or exceeding the REF Score of 300. An FY 2011-12 appropriation of \$1,735,286 is requested to replace these 98

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
	POS	AMOUNT	POS	AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
<u>PGM: LOTTERY OPERATIONS</u>				36010000
<u>GOV OPERATIONS/SUPPORT</u>				16
<u>EXEC LEADERSHIP/SUPPRT SVC</u>				<u>1602.00.00.00</u>
EQUIPMENT NEEDS				2400000
REPLACEMENT OF MOTOR VEHICLES				2401500

vehicles at \$17,707 per unit.

As a marketing and sales enterprise competing for the discretionary dollars of consumers, the Florida Lottery is a business that requires its sales force to provide support to over 13,000 retailers statewide. In any sales organization, there is a direct correlation between account "call frequency" and increased sales; the Florida Lottery is no exception. The Lottery's 113 Sales Representatives must be able to regularly call on our retailers to increase sales. It is critical that the Lottery have dependable vehicles to support the sale of Lottery products by enabling staff to timely visit retailers and deliver upcoming game information as well as point-of-sale materials.

As documented in the Mercury Associates report dated April 2007, an older high-mileage fleet will have greater maintenance and operating costs. For example, Lottery vehicle repair and maintenance costs increased from \$226,623 in FY 2008-09, to \$246,554 in FY 2009-10, an increase of \$19,931, or 8%. These costs will continue to increase with vehicle age as major systems fail and structural rigidity is compromised. The wear on these vehicles is a direct result of exceeding accepted safety standards and risks. Additionally, the longer vehicles are kept in service, the salvage and resale values are significantly lowered, or virtually no value if catastrophic failure/damage occurs. Reversing this trend will allow the Lottery to reduce the amount of time vehicles are out of service for repairs.

The Lottery's fleet had 15 vehicles replaced during FY 2008-09. An appropriation of \$129,668 was approved for FY 2010-11, however, the proviso severely restricts the replacement of vehicles, i.e., the mileage on a vehicle must be in excess of 200,000 miles or replacement must be based on an emergency or unforeseen circumstances.

In order to reduce the paralyzing backlog of vehicles in need of replacement, the Lottery has made the following policy and practice changes:

---Procurement decisions for new vehicle models are based on a life cycle cost analysis, not just a low purchase price; and

---Replacement criteria includes; utilization, reliability and operation costs in an effort to find a threshold for replacement before high cost, reliability, and safety concerns arise.

It is estimated the Lottery could save approximately \$44,757 in fuel costs alone the first year based on the following calculations:

---Current Fleet Fuel Economy (98 highest miles-driven vehicles): 13,286 average miles @ 16.0 mpg = 830.37 gallons x \$2.75 per gallon = \$2,284

---New Vehicle Fuel Economy: 13,286 miles @ 20.0 mpg = 664.30 gallons x \$2.75 per gallon = \$1,827

---Savings (current versus new vehicles) \$456.70 per vehicle x 98 vehicles = \$44,757

Lower green house gas emissions and better fuel economy will result from this initiative. Additionally, the purchase of

	COL A03	COL A04	COL A05	
	AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
	FY 2011-12	FY 2011-12	FY 2011-12	
POS	AMOUNT	POS	AMOUNT	POS
				AMOUNT
				CODES
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
EXEC LEADERSHIP/SUPPRT SVC				<u>1602.00.00.00</u>
EQUIPMENT NEEDS				2400000
REPLACEMENT OF MOTOR VEHICLES				2401500

new vehicles with the manufacturer's warranty will reduce overall repair and maintenance costs.

ANNUALIZATION OF ADMINISTERED FUNDS APPROPRIATIONS				26A0000
STATE HEALTH INSURANCE ADJUSTMENT FOR FY 2010-11 - 5 MONTHS				
ANNUALIZATION				26A1810
SALARIES AND BENEFITS				010000
OPERATING TRUST FUND -STATE	13,815			2510 1
	=====	=====	=====	

STATE LIFE INSURANCE ADJUSTMENT FOR FY 2010-11 - 5 MONTHS				
ANNUALIZATION				26A1920
SALARIES AND BENEFITS				010000
OPERATING TRUST FUND -STATE	2,510-			2510 1
	=====	=====	=====	

TOTAL: EXEC LEADERSHIP/SUPPRT SVC BY FUND TYPE 1602.00.00.00

TRUST FUNDS.....	55.00			
SALARY RATE.....	11,044,163	1,735,286		2000
	3,431,233			
	=====	=====	=====	

TOTAL: PGM: LOTTERY OPERATIONS BY FUND TYPE 36010000

TRUST FUNDS.....	437.00			
SALARY RATE.....	139,442,939	2,189,965		2000
	18,160,415			
	=====	=====	=====	