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COL A93  
SCH VIIIIB-2  
REDUCTIONS  
POS AMOUNT CODES  
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LOTTERY, DEPARTMENT OF THE 36000000  
PGM: LOTTERY OPERATIONS 36010000  
GOV OPERATIONS/SUPPORT 16  
GOVERNMENTAL OPERATIONS 1601.00.00.00  
STATE FUNDING REDUCTIONS 3300000  
POTENTIAL REDUCTION TO EXPENSE  
CATEGORY - MOBILE SALES TOOLS FUEL 3301010  
EXPENSES 040000

OPERATING TRUST FUND -STATE 102,830- 2510 1  
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AGENCY ISSUE NARRATIVE:  
SCH VIIIIB-2 NARR 14-15 NARRATIVE: IT COMPONENT? NO  
PRIORITY #1

DESCRIPTION OF REDUCTION ISSUE: This is to propose a reduction to the Expense Category appropriation in the amount of \$102,830. The amount of this reduction is directly related to projected efficiencies outlined in the approved Fiscal Year 2013-14 Legislative Budget Request (LBR) for the Mobile Sales Tool.

CALCULATION OF REDUCTION AMOUNT: Narrative in the LBR issue for the Mobile Sales Tool outlined the proposed efficiencies as follows: Utilizing the Sales Mobility tool map feature would allow for efficient territory routing using less fuel. With fuel over \$3.00 per gallon and approaching \$4.00 per gallon, 113 vehicles saving 1 gallon of fuel per day at \$3.50 per gallon would produce a cost savings of \$1,977 per week or \$102,830 per year.

IMPACT OF REDUCTION: The impact of this reduction would be moderate. The amount of Expense Category appropriation reverted for Fiscal Year 2012-13 was \$36,188.

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POTENTIAL REDUCTION TO EXPENSE  
CATEGORY - MOBILE SALES TOOLS PAPER 3301020  
EXPENSES 040000

OPERATING TRUST FUND -STATE 70,512- 2510 1  
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AGENCY ISSUE NARRATIVE:  
SCH VIIIIB-2 NARR 14-15 NARRATIVE: IT COMPONENT? NO  
PRIORITY #2

DESCRIPTION OF REDUCTION ISSUE: This is to propose a reduction to the Expense Category appropriation in the amount of \$70,512. The amount of this reduction is directly related to projected efficiencies outlined in the approved Fiscal Year 2013-14 Legislative Budget Request (LBR) for the Mobile Sales Tool.

COL A93		
SCH VIIIIB-2		
REDUCTIONS		
POS	AMOUNT	CODES
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LOTTERY, DEPARTMENT OF THE		36000000
PGM: LOTTERY OPERATIONS		36010000
GOV OPERATIONS/SUPPORT		16
GOVERNMENTAL OPERATIONS		1601.00.00.00
STATE FUNDING REDUCTIONS		3300000
POTENTIAL REDUCTION TO EXPENSE		
CATEGORY - MOBILE SALES TOOLS PAPER		3301020

CALCULATION OF REDUCTION AMOUNT: Narrative in the LBR issue for the Mobile Sales Tool outlined the proposed efficiencies as follows: Eliminating paper, printed weekly/bi-weekly materials used in sales presentation. Using an average of 80 pieces of paper per week per 113 Sales Representatives. 113 X 80 = 9,040 X 52 = 470,080 at \$.15 per copy = \$70,512.

IMPACT OF REDUCTION: The impact of this reduction would be moderate. The amount of Expense Category appropriation reverted for Fiscal Year 2012-13 was \$36,188.

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POTENTIAL REDUCTION TO EXPENSE  
 CATEGORY - DOCUMENT MANAGEMENT  
 SYSTEM EFFECIENCIES  
 EXPENSES

3301030  
 040000

OPERATING TRUST FUND -STATE 20,300-  
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2510 1

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AGENCY ISSUE NARRATIVE:  
 SCH VIIIIB-2 NARR 14-15 NARRATIVE:  
 PRIORITY #3

IT COMPONENT? NO

DESCRIPTION OF REDUCTION ISSUE: This is to propose a reduction to the Expense Category appropriation in the amount of \$20,300. The amount of this reduction is directly related to projected efficiencies outlined in the approved Fiscal Year 2013-14 Legislative Budget Request (LBR) for the Statewide Document Management System.

CALCULATION OF REDUCTION AMOUNT: Narrative in the LBR issue for the Statewide Document Management System outlined the proposed efficiencies as follows: Cost savings associated with the reduction in paper and postage usage as well as less photocopying, storage and shredding of paper = estimated annual savings of \$20,300.

IMPACT OF REDUCTION: The impact of this reduction would be moderate. The amount of Expense Category appropriation reverted for Fiscal Year 2012-13 was \$36,188.

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COL A93		
SCH VIIIIB-2		
REDUCTIONS		
POS	AMOUNT	CODES
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LOTTERY, DEPARTMENT OF THE		36000000
PGM: LOTTERY OPERATIONS		36010000
GOV OPERATIONS/SUPPORT		16
GOVERNMENTAL OPERATIONS		1601.00.00.00
STATE FUNDING REDUCTIONS		3300000
POTENTIAL REDUCTION TO INSTANT		
TICKET PURCHASE APPROPRIATION		3301040
SPECIAL CATEGORIES		100000
INSTANT TICKET PURCHASE		101740
OPERATING TRUST FUND	-STATE 1,042,445-	2510 1
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AGENCY ISSUE NARRATIVE:

SCH VIIIIB-2 NARR 14-15 NARRATIVE: IT COMPONENT? NO  
 PRIORITY #4

DESCRIPTION OF REDUCTION ISSUE: In order to achieve the designated 5% reduction target this issue proposes a reduction to the Instant Ticket Contract appropriation in the amount of \$1,042,445.

CALCULATION OF REDUCTION AMOUNT: The amount proposed is based on estimated savings due to a contract amendment. In order to achieve the designated target, the Lottery would have to suggest decreasing this category despite a Revenue Estimating Conference (REC) that projected Fiscal Year 2014-15 sales for Scratch-Off tickets to be \$3,286.2B; this sales projection actually has presented a need to request an increase in this appropriation line in the Lottery's 2014-15 LBR.

IMPACT OF REDUCTION: The impact of this reduction would be moderate. If this reduction is imposed, the Lottery would need to submit a Legislative Budget Commission Budget Amendment requesting funds to cover any consequential deficit.

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POTENTIAL REDUCTION TO TERMINAL		
GAMES FEES APPROPRIATION		3301050
SPECIAL CATEGORIES		100000
TERMINAL GAMES FEES		102381
OPERATING TRUST FUND	-STATE 1,014,853-	2510 1
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AGENCY ISSUE NARRATIVE:

SCH VIIIIB-2 NARR 14-15 NARRATIVE: IT COMPONENT? NO  
 PRIORITY #5

DESCRIPTION OF REDUCTION ISSUE: In order to achieve the designated 5% reduction target this issue proposes a reduction to the Terminal Games Fees appropriation category in the amount of \$1,014,853.

COL A93		
SCH VIIIIB-2		
REDUCTIONS		
POS	AMOUNT	CODES
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LOTTERY, DEPARTMENT OF THE		36000000
PGM: LOTTERY OPERATIONS		36010000
GOV OPERATIONS/SUPPORT		16
GOVERNMENTAL OPERATIONS		1601.00.00.00
STATE FUNDING REDUCTIONS		3300000
POTENTIAL REDUCTION TO TERMINAL		
GAMES FEES APPROPRIATION		3301050

CALCULATION OF REDUCTION AMOUNT: The amount proposed is 3.5% of the appropriation, a conservative estimated savings as we move into contract renegotiations. In order to achieve the designated target, the Lottery would have to suggest decreasing this category despite a Revenue Estimating Conference (REC) that projected Fiscal Year 2014-15 sales for Terminal Games tickets to be \$1,942B. This projection presents the need to request an increase in this appropriation line in the Lottery's 2014-15 LBR.

IMPACT OF REDUCTION: The impact of this reduction would be moderate. If this reduction is imposed, the Lottery would need to submit a Legislative Budget Commission Budget Amendment requesting funds to cover any consequential deficit.

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POTENTIAL REDUCTION TO PAID		
ADVERTISING AND PROMOTION		3301200
SPECIAL CATEGORIES		100000
PAID ADVERTISING/PROMOTION		102380

OPERATING TRUST FUND	-STATE	5,023,289-	2510	1
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AGENCY ISSUE NARRATIVE:

SCH VIIIIB-2 NARR 14-15 NARRATIVE:  
 PRIORITY #6

IT COMPONENT? NO

DESCRIPTION OF REDUCTION ISSUE: In order to achieve the designated 5% reduction target this issue proposes a reduction to the Paid Advertising & Promotion appropriation category in the amount of \$5,023,289.

CALCULATION OF REDUCTION AMOUNT: In order to achieve the designated target, the Lottery would have to suggest decreasing this category despite a Revenue Estimating Conference (REC) impact analysis that demonstrates the consequence would be a net loss in Educational Enhancement Trust Fund (EETF) funding.

IMPACT OF REDUCTION: The impact would be significant. Using the Office of Program Policy Analysis & Government Accountability's (OPPAGA) estimated impact on EETF (\$1.57 per dollar spent), this reduction could negatively impact transfers to EETF by up to \$7.89 million. Narrative in the July 15, 2013 REC relating to the recent increase of \$4 million in the Paid Advertising & Promotion appropriation states: The increased advertising expenditures are expected to generate an additional \$20.12 million in ticket sales each year Applying this same calculation used by the REC regarding the \$4 million recently approved for recurring funding this reduction could have a possible \$25.26 million negative impact on sales.

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COL A93			
SCH VIII B-2			
REDUCTIONS			
POS	AMOUNT		CODES
LOTTERY, DEPARTMENT OF THE			36000000
PGM: LOTTERY OPERATIONS			36010000
GOV OPERATIONS/SUPPORT			16
GOVERNMENTAL OPERATIONS			<u>1601.00.00.00</u>
STATE FUNDING REDUCTIONS			3300000
POTENTIAL REDUCTION TO ADVERTISING			
AGENCY FEES			3301300
SPECIAL CATEGORIES			100000
ADVERTISING AGENCY FEES			102378
OPERATING TRUST FUND	-STATE	502,329-	2510 1
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AGENCY ISSUE NARRATIVE:

SCH VIII B-2 NARR 14-15 NARRATIVE:  
 PRIORITY #7

IT COMPONENT? NO

DESCRIPTION OF REDUCTION ISSUE: In order to achieve the designated 5% reduction target this issue proposes a reduction to the Advertising Agency Fees appropriation category in the amount of \$502,329.

CALCULATION OF REDUCTION AMOUNT: The Department currently contracts with two advertising agencies, one for the General Market and one for the Spanish Language Market. Both agencies are required to provide a certain level of services and are compensated based upon a negotiated percentage for all activities coordinated by their firms. Each contractor is compensated based on the amount of advertising expenditures placed by their agency; therefore this request is made in conjunction with Priority #6 Potential Reduction to Advertising & Promotions.

IMPACT OF REDUCTION: The impact would be significant, as it relates to Priority #6 Potential Reduction to Advertising & Promotions.

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TOTAL: GOVERNMENTAL OPERATIONS			<u>1601.00.00.00</u>
BY FUND TYPE			
TRUST FUNDS.....		7,776,558-	2000
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