

Lottery Overcomes Pandemic Slide To Post Strong Profits



Sweeney Predicts Years Before Keno Recovers

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JULY 21, 2020.....Despite seeing sales plummet in March and April as the pandemic closed many businesses and changed consumer habits, the Massachusetts Lottery had its third-best year in terms of revenue in fiscal year 2020 and projects that it will return \$979 million in profit to the state to use as local aid.

The Lottery's unaudited accounting of the fiscal year that ended June 30 surpassed the agency's previous projection that it would produce \$967 million in net profit for the state in fiscal 2020, and Executive Director Michael Sweeney said the Lottery could have challenged the record-setting \$5.509 billion in revenue it generated in fiscal 2019 if not for the pandemic.

All told, the Lottery produced \$979 million in profit from \$5.252 billion in revenue during fiscal 2020, compared to \$1.104 billion in net profit from \$5.509 billion in revenue during fiscal 2019.

"We really have had a phenomenal record over the last five years of setting various records every year, either in the area of sales or particular products or overall products, and also on the profit side," Sweeney said. "But I really have to say that given the unprecedented situation that developed in March, and really the complete need to reengineer and reformulate how we operated the Lottery -- everything from distribution to interaction with our customers -- this \$979 million profit number is actually the number that I'm the proudest of."

Almost every Lottery product experienced a decrease in sales in fiscal 2020, and the Lottery's overall sales in March, April and May alone were down a combined \$244.6 million compared to the same three months in

fiscal year 2019. During April, Sweeney said, the Lottery had downgraded its own profit projection to around \$920 to \$925 million, but learned a lot during April and "made a lot of internal adjustments."

The multi-state draw games -- Mega Millions and Powerball -- saw the greatest sales declines in FY20. Mega Millions sales were down \$79 million, or about 51 percent, from FY19 while Powerball sales were down \$62.5 million, or about 47 percent. Sweeney said that those drop-offs were primarily due to smaller jackpot prizes for those games, a trend that the Lottery was watching well before the pandemic took hold this spring.

Sales of Keno -- a game often played in bars, restaurants and convenience stores -- saw sales drop by \$77.3 million, or more than 7 percent, during FY20, in large part due to forced business closures to slow the spread of the highly-contagious coronavirus. With restaurants operating with limited capacity and bars closed until there is a vaccine and/or reliable COVID-19 treatment, Sweeney said the loss of Keno sales warrants close attention.

"This is a long term thing to watch, particularly as we continue to monitor the virus's impact both in Massachusetts and the surrounding states that have citizens coming into Mass. to buy lottery products, but also the impact on retailers, restaurants and bars, who are trying to reopen or, simply as I mentioned earlier, will not be reopening," he said. "I think this negative Keno impact certainly has the potential of being at least two to three years long, and something we'll have to continue to watch and try to find some solutions to."

Keno sales have been a point of emphasis for Treasurer Deborah Goldberg, who oversees the Lottery, and in fiscal year 2019 exceeded \$1 billion for the first time since Massachusetts launched the game in 1993. If it weren't for the pandemic, Sweeney said, "We were most likely on track to have another record year for Keno sales."

Though the Lottery produced more in profit for the state than it had been projecting, Sweeney said the Lottery is hampered by being primarily a

cash-only and in-person business. Goldberg and Sweeney have for years been calling on the Legislature to authorize the Lottery to sell its products online, but lawmakers have been cool to the idea and it has not gained significant traction on Beacon Hill.

This session, the Joint Committee on Consumer Protection and Professional Licensure sent bills related to online lottery sales to a study.

"Nothing is close to back to normal yet, particularly for a business that cannot avail itself of direct online sales," Sweeney said.

Gov. Charlie Baker included language in his fiscal year 2021 budget proposal that would allow players to purchase Lottery products using smartphone apps for cashless payment or with debit cards, but not online or with credit cards. Baker's budget remains in the House Ways and Means Committee and neither the House nor Senate has produced its own budget plan yet.

A finalized accounting of the Lottery's fiscal year 2020 performance is expected to be completed by the middle of September.

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