

State of Maine



Department of Administrative and Financial Services

Annual Report of the Bureau of Alcoholic Beverages and Lottery Operations

As required by 8 M.R.S. §371 - 389 and 28-A M.R.S. §81 - 90

February 15, 2021

Kirsten LC Figueroa, Commissioner
Gregory R. Mineo, Director

Section 1.A. 28-A M.R.S. §84, sub-§7, ¶A, the following is a complete statement of the revenues and expenses for the Bureau for calendar year 2020:

Bureau Revenue

Lottery Ticket Sales	\$ 343,301,429
Lottery Miscellaneous Revenue	4,929,117
Spirits Sales	225,661,215
Licensing and Enforcement Revenue	<u>21,608,443</u>
Total Bureau Revenue	\$ 595,500,204

Bureau Expenses

Lottery Expenses	\$ 280,762,849
Spirits Expenses	164,783,582
Licensing and Enforcement Expenses	<u>1,157,339</u>
Total Bureau Expenses	\$ 446,703,769

Bureau Profit

Lottery Profit ¹	\$ 67,467,698
Spirits Profit ²	60,877,633
Licensing and Enforcement Profit ³	<u>20,451,104</u>
Total Bureau Profit Generated	<u>\$ 148,796,436</u>

Section 1.B. Change recommendations:

- 28-A M.R.S. §84, sub-§7, any recommendations for changes to this Title:
 - The Bureau recommends this annual report be submitted using fiscal year data rather than calendar year in keeping with other state accounting practices.
 - The Bureau recommends the requirements of 8 M.R.S. §372, sub-§2, ¶K, sub-¶(5) and 8 M.R.S. §372, sub-§2, ¶K, sub-¶(6) be combined. The requirements are reflected in sections 6 and 7 of this report.
- 8 M.R.S. §372, sub-§2, ¶K, sub-¶(7): Any recommendations for changes to this chapter:
 - The Bureau recommends this annual report be submitted using fiscal year data rather than calendar year in keeping with other state accounting practices.

¹ Lottery Profit represents the amount transferred to the General and Outdoor Heritage Funds.

² Spirits Profit represents the amount transferred to the Maine Municipal Bond Bank for the Liquor Revenue Bonds.

³ Licensing and Enforcement Profit represents the amount deposited directly into the General Fund.

Lottery Operations

Section 2. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(1): A list of the decisions made by the commission and resulting actions for the preceding calendar year relevant to lottery operations.

January 14, 2020:

- Commissioner Davis made a motion to accept the new instant games as presented. Commissioner Fitzgerald seconded and the motion passed unanimously. Approved games are as follows:

Lucky 777	\$ 2.00
\$50 or \$100	\$10.00
25X	\$10.00

February 11, 2020:

- Director Mineo reviewed the 2019 Annual Report (Lottery portion) to be approved by the commission.
Commissioner Fitzgerald suggested the Bureau recommendations be listed on its own page.
- Commissioner Davis made a motion to accept the new instant games as presented. Commissioner Fitzgerald seconded and the motion passed unanimously. Approved games are as follows:

333	\$ 1.00
Baseball	\$ 1.00
Joker's Wild	\$ 2.00
Quick Cash	\$ 2.00
Crossword Multiplier	\$ 5.00

March 10, 2020:

- There were no new games presented for approval, and no items requiring Commission vote or decision.

April 14, 2020:

- Commissioner Fitzgerald made a motion to accept the new instant games as presented. Commissioner Sheehan seconded and the motion passed unanimously. The approved games are as follows:

Double Dollars	\$ 2.00
Outdoor Heritage Wild Winnings	\$ 3.00

May 12, 2020:

- Commissioner Fitzgerald made a motion to accept the new instant games as presented. Commissioner Sheehan seconded and the motion passed unanimously. Approved games are as follows:

Loose Change	\$ 1.00
Lucky Corners	\$ 2.00
Aces and 8's	\$ 5.00
Keys N Cash	\$ 5.00
\$50 or \$100	\$10.00

June 16, 2020:

- There were no new games presented for approval, and no items requiring Commission vote or decision.

July 14, 2020:

- Commissioner Davis made a motion to accept the new instant games as presented. Commissioner Fitzgerald seconded and the motion passed unanimously. Approved games are as follows:

2 for \$1	\$ 1.00
Path to Riches	\$ 3.00
Lady Luck	\$ 5.00
\$250,000 Spectacular	\$10.00

August 11, 2020:

- Commissioner Davis made a motion to accept the new instant games as presented. Commissioner Sheehan seconded and the motion passed unanimously. Approved games are as follows:

Boo Koo Bucks	\$ 3.00
Bingo	\$ 3.00
\$100,000 Cash Bonus	\$ 5.00
20X The Cash Bonus Edition	\$ 5.00
The Big Spin	\$ 5.00
10X Crossword	\$ 5.00
\$50,000,000 Cash Blast	\$25.00

September 8, 2020:

- Commissioner Davis made a motion to accept the new instant games as presented. Commissioner Sheehan seconded and the motion passed unanimously. Approved games are as follows:

Holiday Fun	\$ 1.00
Cash Flurry	\$ 2.00
Holiday Fun	\$ 2.00
Holiday Fun	\$ 5.00
\$50 or \$100	\$10.00
\$250,000 Bonus	\$10.00
\$50,000 Bucks	\$20.00

October 13, 2020:

- Commissioner Davis made a motion to accept the new instant game as presented. Commissioner Sheehan seconded and the motion passed unanimously. Approved game below:

Lucky Win	\$ 1.00
Hard Rock	\$ 2.00
Maine Crossword	\$ 3.00
Wild Winners	\$ 3.00
Cash \$500's	\$ 3.00
\$50 or \$100	\$10.00
25X The Cash	\$10.00

November 10, 2020:

- Commissioner Davis made a motion to accept the new games as presented. Commissioner Sheehan seconded and the motion passed unanimously. Approved games are as follows:

50X The Money	\$20.00
---------------	---------

December 8, 2020:

- Commissioner Sheehan made a motion to accept the new game as presented. Commissioner Davis seconded and the motion passed unanimously. Approved game below:

Ca\$h Dash	\$ 1.00
Poker Night	\$ 5.00
Bonus Bucks	\$ 5.00
10X Crossword	\$ 5.00

Section 3. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(2): A complete statement of lottery revenues, prize disbursements and expenses and appropriations from the General Fund, if any, for the preceding calendar year.

Summary Table for calendar year 2020:

Revenue	
Ticket Sales	\$ 343,301,429
Miscellaneous Revenue	<u>4,929,117</u>
Total Revenue	\$ 348,230,547
Expenses	
Personnel	\$ 1,812,924
Operating	2,555,380
Agent Commissions/Bonuses	24,540,286
Vendor Fees	12,089,089
Tri-State	2,790,611
Prizes	<u>236,974,559</u>
Total Expenses	<u>\$ 280,762,849</u>
Profit	
Total Profit	<u>\$ 67,467,698</u>
Profit Distribution	
General Fund Transfer	\$ 66,906,126
Heritage Transfer	\$ 561,572

No General Fund appropriation is provided to the Bureau for the operation of the Maine Lottery.

Section 4. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(3): A 5-year history of the account used to manage lottery operations, which must include the amount of revenues deposited into the State Lottery Fund and the amounts transferred to the General Fund:

Summary Table for Calendar Years 2016 through 2020:

	2016	2017	2018	2019	2020
Revenue					
Ticket Sales	\$ 276,385,732	\$ 275,954,296	\$ 298,648,087	\$ 299,433,229	\$ 343,301,429
Miscellaneous Revenue	<u>4,753,934</u>	<u>4,044,667</u>	<u>5,080,368</u>	<u>4,898,386</u>	<u>4,929,117</u>
Total Revenue	\$ 281,139,665	\$ 279,998,962	\$ 303,728,455	\$ 304,331,615	\$ 348,230,547
Expenses					
Personnel	\$ 1,579,005	\$ 1,547,421	\$ 1,690,621	\$ 1,762,785	\$ 1,812,924
Operating	3,440,825	2,802,986	2,864,496	4,110,946	2,555,380
Agent Commissions/Bonuses	22,109,435	18,383,141	21,420,743	20,961,016	24,540,286
Vendor Fees	9,731,576	9,716,375	10,516,032	10,543,111	12,089,089
Tri-State	2,740,265	3,077,464	3,503,742	2,989,490	2,790,611
Prizes	<u>182,687,943</u>	<u>182,233,804</u>	<u>199,910,266</u>	<u>202,625,013</u>	<u>236,974,559</u>
Total Expenses	<u>\$ 222,289,049</u>	<u>\$ 217,761,192</u>	<u>\$ 239,905,899</u>	<u>\$ 242,992,361</u>	<u>\$ 280,762,849</u>
Profit					
Total Profit	<u>\$ 58,850,616</u>	<u>\$ 62,237,770</u>	<u>\$ 63,822,556</u>	<u>\$ 61,339,254</u>	<u>\$ 67,467,698</u>
Profit Distribution					
General Fund Transfer	\$ 58,428,164	\$ 61,544,080	\$ 63,235,463	\$ 60,803,422	\$ 66,906,126
Heritage Transfer	\$ 422,453	\$ 693,690	\$ 587,093	\$ 535,832	\$ 561,572

Section 5. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(4):

Expenditures made to promote lottery sales through marketing, advertising and recruitment of agents for the preceding calendar year (2019):

Total spending by category (includes net media and production costs)

Television	\$805,155
Radio	\$688,917
Digital	\$160,000
POS/Collateral	\$52,069
Sales Promotion/Promotional Items	\$40,458
Sponsorships & Other	\$15,677

Section 6. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(5): A description of Lottery marketing and advertising activities for the preceding calendar year (2019). The description must identify each radio station and television station, if any, that broadcast or distributed advertising.

Marketing and advertising activity promoting the Maine Lottery during calendar 2019 included statewide Broadcast (Television and Radio), Digital, Point of Sale (POS), Sales Promotion/Promotional Items, and Sponsorships. Advertising schedules were executed to generate visibility across Maine for promoting selected instant games, draw games and Fast Play games.

Television stations utilized:

Market	Station
Bangor	5704 SPECTRUM, Bangor, ME-Cable
Bangor	WABI-TV
Bangor	WFVX-TV
Bangor	WLBZ-TV
Bangor	WVII-TV
Portland, ME	0181 SPECTRUM, Portland, ME – OTT/Streaming
Portland, ME	7646 SPECTRUM, Portland-Auburn IC, M-Cable
Portland, ME	8448 NEW ENGLAND SPORTS NETWORK, NESN/Portland, ME-Cable
Portland, ME	NESN-TV
Portland, ME	WCSH-TV
Portland, ME	WGME-TV
Portland, ME	WMTW-TV
Portland, ME	WPFO-TV
Presque Isle	WAGM-TV
Presque Isle	2477 SPECTRUM, Presque Isle, ME-Cable

Radio stations utilized:

Market	Station
Augusta-Waterville, ME	WEBB-FM
Augusta-Waterville, ME	WFMX-FM
Augusta-Waterville, ME	WMME-FM
Augusta-Waterville, ME	WTOS-FM
Augusta-Waterville, ME	WABK-FM
Augusta-Waterville, ME	WCTB-FM
Bangor	WBFB-FM
Bangor	WBZN-FM
Bangor	WHOU-FM
Bangor	WKIT-FM
Bangor	WKSQ-FM
Bangor	WNSX-FM

Bangor	WQCB-FM
Bangor	WVOM-FM
Bangor	WWMJ-FM
Bangor	WEZQ-FM
Calais, ME (u)	WCRQ-FM
Calais, ME (u)	WQDY-FM
Farmington, ME (u)	WKTJ-FM
Portland, ME	WBLM-FM
Portland, ME	WBQX-FM
Portland, ME	WCLZ-FM
Portland, ME	WCYY-FM
Portland, ME	WFNK-FM
Portland, ME	WHOM-FM
Portland, ME	WHTP-FM
Portland, ME	WJBQ-FM
Portland, ME	WJJB-FM
Portland, ME	WMGX-FM
Portland, ME	WPEI-FM
Portland, ME	WPOR-FM
Portland, ME	WTHT-FM
Portland, ME	WYNZ-FM
Portland, ME	WHXR-FM
Presque Isle (u)	WBPW-FM
Presque Isle (u)	WCXU-FM
Presque Isle (u)	WOZI-FM
Presque Isle (u)	WQHR-FM

Digital networks or channels utilized:

Site
AdTheorent
Katz Digital Group
Q1 Media
Undertone
WMTW

Section 7. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(6): For each radio station and television station identified pursuant to subparagraph (5), the format of advertising activity and amount of expenditures for the preceding calendar year (2019) associated with each station.

The format of Maine Lottery advertising on television is a mix of 30-second spots and 15-second spots equally across all stations, according to campaign messaging. On radio, the Maine Lottery uses exclusively 30-second spots across all stations.

For Digital advertising, the Maine Lottery uses a variety of formats according to each digital buy. Typical formats include animated banners such as 728x90, 250x300, and 250x600. Rich media formats are sometimes used allowing the Maine Lottery to take advantage of the newest capabilities of the medium. These have included expandable ads, video pre-roll and other rich media formats.

Point of Sale is most often executed as 11x17 posters, 8.5 x 11 mini-posters, 8x10 counter cards, with occasional window clings and other formats.

Total expenditures by station (net media cost):

Television

Market	Station	Total 2020
Bangor	5704 SPECTRUM, Bangor, ME - Cable	\$11,660
Bangor	WABI-TV	\$66,185
Bangor	WFVX-TV	\$7,230
Bangor	WLBZ-TV	\$42,343
Bangor	WVII-TV	\$9,427
Portland	0181 SPECTRUM, Portland, ME - OTT	\$47,660
Portland	7646 SPECTRUM, Portland Auburn IC	\$47,428
Portland	8448 NEW ENGLAND SPORTS NETWORK	\$54,213
Portland	NESN-TV	\$13,269
Portland	WCSH-TV	\$134,007
Portland	WGME-TV	\$70,673
Portland	WMTW-TV	\$83,241
Portland	WPFO-TV	\$22,398
Presque Isle	2477 SPECTRUM, Presque Isle, ME - Cable	\$3,194
Presque Isle	WAGM-TV	\$72,900
Presque Isle	EAGM-TV	\$1,080
Presque Isle	WWPI-TV	\$2,040

Radio

Market	Station	Total 2020
Augusta/Waterville	WABK-FM	\$10,490
Augusta/Waterville	WCTB-FM	\$5,467
Augusta/Waterville	WEBB-FM	\$13,705
Augusta/Waterville	WFMX-FM	\$14,276
Augusta/Waterville	WMME-FM	\$16,030
Augusta/Waterville	WTOS-FM	\$12,629
Bangor	WBFB-FM	\$6,362
Bangor	WBZN-FM	\$19,458
Bangor	WEZQ-FM	\$4,903

Bangor	WHOU-FM	\$9,642
Bangor	WKIT-FM	\$18,819
Bangor	WKSQ-FM	\$8,708
Bangor	WNSX-FM	\$10,780
Bangor	WQCB-FM	\$28,831
Bangor	WVOM-FM	\$12,172
Bangor	WWMJ-FM	\$10,492
Calais	WCRQ-FM	\$11,897
Calais	WQDY-FM	\$12,136
Farmington	WKTJ-FM	\$19,582
Portland	WBLM-FM	\$48,603
Portland	WBQX-FM	\$12,342
Portland	WCLZ-FM	\$8,568
Portland	WCYY-FM	\$18,564
Portland	WFNK-FM	\$45,144
Portland	WHOM-FM	\$21,509
Portland	WHTP-FM	\$8,925
Portland	WHXR-FM	\$4,692
Portland	WJBQ-FM	\$40,915
Portland	WJJB-FM	\$21,188
Portland	WMGX-FM	\$33,970
Portland	WPOR-FM	\$34,136
Portland	WTHT-FM	\$34,986
Portland	WYNZ-FM	\$21,302
Presque Isle	WBPW-FM	\$13,260
Presque Isle	WCXU-FM	\$12,172
Presque Isle	WOZI-FM	\$11,812
Presque Isle	WQHR-FM	\$12,235

Digital

Market	Channel/Network	Total 2020
Maine	AdTheorent	\$55,000
Maine	Katz Digital Group	\$20,000
Maine	Q1 Media	\$12,500
Maine	Undertone	\$50,000
Maine	WMTW	\$22,500

Section 8. 8 M.R.S. §372, sub-§2, ¶K, sub-¶(7): Any recommendations for changes to this chapter.

The Bureau recommends this annual report be submitted using fiscal year data rather than calendar year in keeping with other state accounting practices.

The Bureau recommends Sections 5 and 6 be combined.

Liquor Operations

Section 9. 28-A M.R.S. §84, sub-§7, ¶B, the information required by 28-A M.R.S. §83-B, sub-§11: A complete statement of expenses and revenues collected in accordance with the licensing and enforcement functions of the Bureau including a statement of the revenues collected under chapter 65 for calendar year 2020.

<u>Revenue Sources/Description</u>	<u>Total</u>
0411 - Excise Tax Beer	\$ 11,127,570
0412 - Excise Tax Table Wine ME Products	51,209
0413 - Excise Tax Table Wine Out State	2,879,031
0414 - Excise Tax Sparkling Wines	586,824
0454 - Liquor Premium	2,930,830
0455 - Low Alcohol Spirits Tax	40,879
0460 - FMB Excise Tax	42,853
1101 - Class I	970,970
1102 - Class I P-T	50
1103 - Small Distillery	2,800
1105 - Class A Restaurant/Lounge	487,140
1106 - Bed & Breakfast Liquor License	24,255
1107 - Civic Organizations	2,730
1108 - Agency Liquor. Store Full Time	178,000
1109 - Agency Liquor Store Resale	10,100
1110 - Class I-A	111,900
1111 - Class I-A P-T	2,200
1113 - Small Brewery	7,150
1114 - Brewery	13,100
1115 - Class X	148,000
1116 - Auxiliary License	2,900
1117 - Winery	3,050
1120 - Class II	550
1121 - Dual Liquor License	600
1122 - Minibar License Hotel	200
1124 - Minibar Room Fee Hotel	670
1126 - Wine Direct Shipper License	16,700
1127 - Wine Direct Shipper Registration Fee	8,200
1128 - Direct Shipper Renewal	23,700
1129 - B.Y.O.B. - Function Permit	1,280
1130 - Bottle Club Registration	650
1131 - Spec Cater Off Prem S & V	4,290

<u>Revenue Sources/Description (continued)</u>	<u>Total</u>
1132 - Class III	87,565
1133 - Class III P-T	1,000
1138 - Class IV	96,895
1140 - Class V	12,375
1150 - Class VIII	366,450
1152 - Liquor Fees-Golf Carts	3,720
1153 - Wholesaler Table Wine	12,600
1154 - Wholesale Wine Only Spec	1,200
1155 - Class VI	253,580
1158 - Malt Liquor Cert of Approval	120,600
1159 - Wine Cert of Approval	315,903
1161 - Wholesaler Malt Liquor	12,250
1162 - Wholesale Special	4,800
1164 - Cert of Wine 120	11,600
1165 - Class VI-A P-T	2,450
1176 - Class VII	252,820
1181 - Farmer's Market Permit	1,725
1182 - Self Sponsored Event Permit	9,290
1960 - Certification Fee	5,540
2631 - Registration Fees	89,905
2632 - Filing Fees	60,648
2637 – Misc. Services & Fees	3,400
2686 – Misc.-Income	1,550
Total Revenue	<u>\$ 21,407,438</u>

Expenses

Personnel Services	\$ 884,502
All Other Operating Expenses	272,837
Total Expenses	<u>\$ 1,157,339</u>

Profit

Total Profit	<u><u>\$ 20,250,099</u></u>
---------------------	------------------------------------

Section 10. 28-A M.R.S. §84, sub-§7, ¶C, the information required by 28-A M.R.S. §83-C, sub-§7: A complete statement of revenues from and expenses for the sale of spirits by the Bureau for calendar year 2020.

Revenue		Total
	Gross Sales ⁴	<u>\$ 225,661,215</u>
	Total Revenue	\$ 225,661,215
Expenses		
	Cost of Goods Sold	\$ 147,036,452
	Warehousing & Distribution Contract Costs	10,786,219
	Trade Marketing Contract Costs	4,790,369
	Operating Expenses ⁵	<u>2,170,541</u>
	Total Expenses	<u>\$ 164,783,582</u>
Operating Profit		
	Operating Profit	\$ 60,877,633
Adjustments		
	Outstanding Receivables	\$ 1,367,655
	Other Adjustments ⁶	<u>6,732</u>
	Total Adjustments	<u>\$ 1,374,387</u>
Profit		
	Transferred to MMBB	<u>\$ 59,503,246</u>

⁴ Gross sales include agency liquor store payments for products, depletion allowance payments from brokers for price reduction and suppliers' payments for bailment charges.

⁵ Operating expenses include Personal Services, All Other and marketing and advertising expenses.

⁶ Other adjustments include unusual revenues and expenses such as initial 50ml bottle size redemption costs, refunds and bad debt write-offs.

Section 11. 28-A M.R.S. §84, sub-§7, ¶D, the information required by 28-A M.R.S. §83-C, sub-§9: A report on expenditures and investments made by the Bureau, including, but not limited to, reductions in the retail price at which spirits are sold and incentives offered to agency liquor stores. Also included is the impact of those spending initiatives on the number of cases of spirits sold in the State and on sales of spirits generally.

During CY2020, the Bureau participated with spirits suppliers to reduce the retail price of products that are key to the overall success of Maine's Spirits business.

Investments toward price reductions:

Bureau's investments:	\$ 2,836,795
Suppliers' investments:	\$ 7,947,491
Total investments:	\$ 10,784,287
Bureau's percentage of total investments:	26.30%

Impact of investments on sales:

Total increase in case sales from investments ⁷ :	\$ 80,175
Net increase in case sales for all products ⁸ :	\$ 100,245

Impact of investments on gross profit:

The Bureau's investment on price reductions resulted in an increase gross profit to the State of \$ 4,516,235

Other expenditures by the Bureau to support Maine's spirits business

Marketing and advertising expenses ⁹ :	\$ 1,395,024
Agency Liquor Store incentives ¹⁰ :	\$ 3,487,792

Section 12. 28-A M.R.S. §84, sub-§7, any recommendations for changes to this Title:

The Bureau recommends this annual report be submitted using fiscal year data rather than calendar year in keeping with other state accounting practices.

⁷ The increase in case sales here are only on products when investments were made to reduce prices by both the Bureau and spirits suppliers.

⁸ Net increases include both increases in case sales for products and decreases in case sales for products. This increase is partly impacted by organic growth of a number of spirits products as well as the pandemic.

⁹ Marketing and advertising expenses that include, but may not necessarily have a direct impact on price reduction promotions, are ad agency monthly fee, television production costs, television, radio, social media and newspaper ad run costs, social media (Facebook, Instagram, Pinterest) content development and maintenance, mobile app development and maintenance and special taste testing events.

¹⁰ Agency liquor stores qualified for a sales increase incentive during CY2020 effective on July 1, 2020. Based on the incentive criteria as defined in [18 553 C.M.R. ch. 2, §III, sub-§B \(2014\)](#), agency liquor stores received a 2.5% increase in both tiers of discount rate, raising tier 1 from 13.5% to 16% and tier 2 from 15.5% to 18%.