
FISCAL UPDATE Article

Fiscal Services Division

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LOTTERY BOARD MEETING - SEPTEMBER 2017

Meeting. The Iowa Lottery Board met on September 26, 2017, in Clive, Iowa. The quarterly Board meeting included discussion of the following items:

Financial Update. Brenda Nye, Chief Financial Officer of the Iowa Lottery Authority, presented an overview of the close of the FY 2017 budget period as well as the current standing of financial resources for the FY 2018 budget period. The Lottery Board was informed that total proceeds from FY 2017 lottery sales are calculated to be approximately \$81.0 million. Over \$237.6 million of total lottery operating revenue came from instant-scratch ticket sales, which equals approximately 67.0% of the total operating revenue of \$352.3 million.

Additionally, the Board was briefed on the current financial details regarding lottery sales in Iowa. Fiscal Year 2018 sales through August 31, 2017, are calculated to be approximately 15.7% ahead of sales compared to the same period of FY 2017, totaling \$66.8 million. Fiscal Year 2018 proceeds through August 31, 2017, are calculated to be approximately 7.6% ahead of FY 2017 proceeds for the same period, totaling \$16.5 million.

Gaming Contract Extension. The Lottery Authority has contracted with GTECH Printing Corporation (now known as International Game Technology), Pollard Banknote Limited, and Scientific Games International for instant ticket printing and related services since May 2012. The initial contract term for each vendor was two years, and contracts provided the option for four one-year extensions. At the September meeting, Lottery staff asked the Board to approve the fourth and final extension of the contract with all three vendors. The Board unanimously voted to do so, extending the contract through December 31, 2018. Since the inception of the current contract, the Lottery has grown sales from \$188.8 million in FY 2012 to \$238.0 million in FY 2017.

Release of New Lottery Game. Lotto America is a lotto-style game that is set to launch in November 2017, with an initial draw to occur on November 15, 2017, in approximately 15 states. At the September meeting, the Board voted unanimously to approve this new multi-state lotto game and offer it across the State of Iowa. The price point of an individual ticket starts at a \$1 base, and drawings are to be held Wednesdays and Saturdays. The Iowa Lottery is projecting FY 2018 total sales of \$2.5 million and FY 2019 total sales of \$6.0 million. Any expenses associated with the new game will be determined based on the percentage of Iowa's quarterly sales compared to the total quarterly Lotto America sales.

Legal Update. Rob Porter, legal counsel for the Iowa Lottery, provided the Board with a brief discussion of the conclusion of the trial held against Eddie Tipton, a former Iowa Lottery security chief charged with three felony counts of ongoing criminal conduct for playing a central role in manipulating lottery technology to allow him to personally predict and benefit from winning numbers. Tipton was arrested in 2015 and, as of August 22, 2017, was ordered to pay \$3.0 million in restitution. Tipton may spend up to 25 years in prison but could be paroled within three to four years.

Porter also acknowledged the Lottery Authority's participation in a recent unintended release of personal data to the Columbia School of Journalism. Player and lottery prize data dating back to 1985 was requested and released to a journalism professor for research purposes. Lottery officials were recently notified that personal data, including Social Security numbers for approximately 3,000 individual winners in 2011, was made available online through the granting of the request. The information was made public in an online database for 10 days and has since been removed. At its September meeting, the Lottery officially apologized for the mistaken release and stated that it is offering free credit monitoring to the individuals who were affected by the inadvertent release.

Fiscal Year 2019 Budget Proposal. At its September meeting, the Board unanimously voted to accept the Lottery Authority's FY 2019 budget presentation and proposal. The Board approved the decision to set total sales projections for FY 2019 at \$337.3 million, an increase of approximately 0.9% compared to FY 2018. Total proceeds were approved at \$71.1 million for FY 2019.

Next Meeting. The next meeting of the Board has not been scheduled.

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