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Kim Reynolds · Governor
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 Terry Rich · Chief Executive Officer

Iowa Lottery Report On Operations

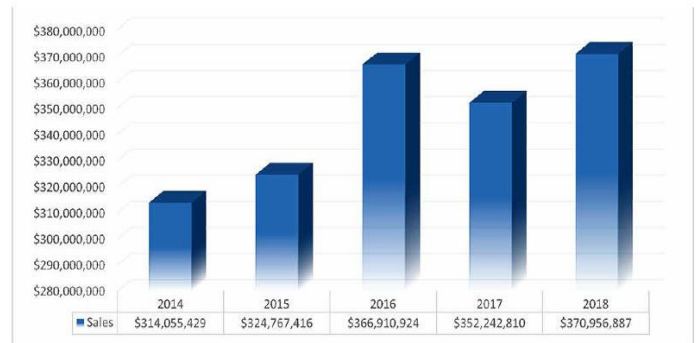
To: Members of the House Government Oversight Committee and Senate Government Oversight Committee

From: Terry Rich, CEO

Date: December 2018

The Iowa Lottery finished fiscal year 2018 with results among the most successful in its history and has seen a strong start to the new financial year, led by continued growth in sales of instant-scratch games and a surge in sales from simultaneous big jackpots in Powerball® and Mega Millions®. An Iowa woman also won a Powerball jackpot in late October, an event that generally spurs sales in the lotto category as other players look anew at their chance to win.

5-Year Fiscal Year Sales



At the Iowa Lottery, we remain confident that we will achieve the lottery’s stated goals for the current fiscal year. We continue to budget conservatively, however, understanding that lottery results can and do fluctuate over time, and larger consumer trends stand to impact the lottery in the years ahead. The lottery has proposed legislation for the 2019 session that would allow it to modernize its operations to keep up with changes in consumer behavior and enable it to continue to provide the vital proceeds for state causes that are expected.

Lottery sales and proceeds for fiscal year 2019 through November, the latest full month for which results are available, were ahead of projections and ahead of the lottery’s results for the same time period in FY 2018. Strong sales of instant-scratch tickets continue to lead the way, but lotto sales also got a boost when the jackpots in Powerball and Mega Millions both climbed into the stratosphere at the same time. The Mega Millions jackpot climbed to \$1.54 billion before it was won in the Oct. 23 drawing by a ticket purchased in South Carolina. The Powerball jackpot had climbed to \$687.8 million when it was split in the drawing on Oct. 27 by two tickets purchased in Iowa and New York.

October’s events highlight the unpredictable factor of lottery jackpots: You just never know when the next big one will hit. That “chance factor” has made a positive difference in the lottery’s FY 2019 results thus far.

Final year-end numbers for FY 2018 show that the Iowa Lottery finished the year well ahead of budget projections and its annual results were in its Top 2. The lottery generated \$87.1 million in

proceeds to state causes during the year. It was the fifth time that the lottery's annual proceeds topped the \$80-million mark in the organization's 33-year history. Annual lottery sales in FY 2018 were a record \$370.1 million, exceeding the \$300 million mark for the seventh year in a row. Prizes to players totaled a record \$227.5 million, while lottery sales commissions to retailers during the year totaled \$24.2 million.

We at the Iowa Lottery continue to base our sales and proceeds projections on a five-year rolling average. We do our best to factor in the natural fluctuations in lottery results that will occur and should be expected.

Here is a year-to-year comparison of lottery sales by product for the past two fiscal years:

<u>Product</u>	<u>FY 2018 Sales</u>	<u>FY 2017 Sales</u>
Scratch games	\$244.3 million	\$237.6 million
InstaPlay games	\$9.7 million	\$5.8 million
Pick 3	\$7.7 million	\$7.3 million
Powerball	\$58.5 million	\$54.3 million
Mega Millions	\$21.3 million	\$15 million
Hot Lotto*	\$3.8 million	\$8.2 million
Pick 4	\$4.3 million	\$3.9 million
All or Nothing*	-----	\$3.2 million
Lucky for Life	\$5.6 million	\$5.6 million
Lotto America*	\$4.9 million	-----
Pull-tab games	\$10.9 million	\$11.3 million

*The All or Nothing game ended sales on June 30, 2017, while Hot Lotto ended on Oct. 28, 2017. The Lotto America game debuted Nov. 12, 2017.

As always, we are closely tracking lottery results and will keep your committees apprised of significant developments. We also provide regular updates about sales and proceeds through the state's I-3 accounting system. The lottery's latest monthly financial statement is included in this report as **Attachment A**. The lottery's year-end statement of revenues, expenses and changes in net position for FY 2017 is included as **Attachment B**.

FY 2018 Audit Report of Lottery & Our Annual Report



In late December, the State Auditor's Office released the results of its FY 2018 audit of the Iowa Lottery. The Iowa Lottery is committed to

In short, it was another "clean report" for the lottery. In its Dec. 19 announcement, the Auditor's Office noted that the financial statements of the lottery for FY 2018 "present fairly, in all material respects, the financial position of the Iowa Lottery Authority as of June 30, 2018, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles."

The Iowa Lottery is committed to the transparency, accuracy and integrity of its operations and is proud to have received these audit results.

Under state law, the Auditor reviews the lottery's operations annually. That review is in addition to the security and integrity standards the lottery uses throughout its operations to ensure the veracity of its games.

A direct link to the report from the office of State Auditor Mary Mosiman is available here: <https://www.auditor.iowa.gov/reports/file/55236/embed>

The lottery's annual report for FY 2018 also is now available. A link to it is here: <https://ialottery.com/PDF/2018AnnualReport.pdf>

FY 2020 and 2021 Budget Updates

At the Lottery Board's meeting on Sept. 20, the Iowa Lottery Board approved the lottery's preliminary budgets for FY 2020 and 2021 in accordance with state budgeting guidelines.

The lottery's anticipated results for sales and proceeds during both years are an increase from its budgeted figures for FY 2019.

Copies of the lottery's Overall Budget and Operating Expenses for FY 2019, 2020 and 2021 are included with this report as **Attachment C** and **Attachment D**.



Connor Flynn



Sherrae Hanson



Mary Junge



John Quinn



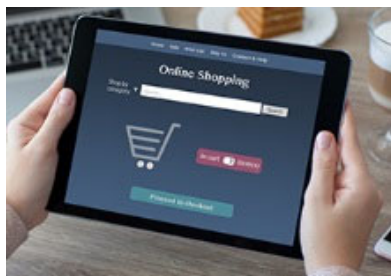
Mary Rathje



Michael Fitzgerald

The members of the Lottery Board are: Connor Flynn Jr., chairman of an advertising agency in Des Moines, where he also resides; Sherrae Hanson of Ankeny, tax manager at a CPA firm in West Des Moines; Mary Junge of Cedar Rapids, a CPA and practicing tax- and estate-planning attorney; John Quinn of Urbandale, who serves as the chief of police in Waukee; Mary Rathje, manager and controller at a construction company in Marion, where she resides; and State Treasurer Michael Fitzgerald, who serves on the Board as a nonvoting member.

Legislation For Lottery Modernization



The Iowa Lottery has filed legislation for the 2019 session that we believe is necessary for our organization's continued business success. At focus is an issue that the lottery has discussed with lawmakers for at least the past nine years – one that we said we would take steps to address when we believed lottery proceeds could be at risk. That time has come.

Across the country, gaming options are evolving and consumer preferences are quickly changing when it comes to the retail experience. That larger picture stands to have a huge impact on the Iowa Lottery as we move ahead.

The legislation we have filed makes changes in several different sections of Iowa Code Chapter 99G, which authorizes and defines Iowa's lottery. We believe these changes are necessary for the Iowa Lottery to continue to deliver the proceeds for state causes that people count on and expect.

The Iowa Lottery is currently in a very strong position. We have introduced new products in recent years like our InstaPlay games and have enhanced and re-invigorated our long-term product lines to keep our game selection fresh. But no one would say that a selection of solely paper products will withstand the test of time.

Without the ability to modernize our products, we anticipate that lottery proceeds will only be able to continue at their current levels for a few more years, and then we anticipate a downturn, due to the decreased use of cash and the overall trend towards e-commerce. We understand our responsibility to advise lawmakers of the trends we see developing so that we can work together to best plan for the future.

This discussion is not unique to Iowa. Ten U.S. lotteries currently sell products online, and the issue is under discussion in other jurisdictions across the country. Our legislation takes into account the realities occurring and would give the Iowa Lottery the ability to securely move into e-commerce while maintaining strong retailer involvement.

Several factors are involved:

Because the Iowa Lottery isn't yet selling its products online, we have had to push back against illegal apps that are re-selling lottery tickets through illegal means. From a consumer-protection perspective, there is no way for anyone to be certain that the people who use the apps are receiving the winnings which they are due. Beyond that, the purchases through the apps are illegal because they aren't being made through licensed lottery retailers that have undergone background and financial checks. The lottery has taken steps to shut down apps or prevent them from doing business in Iowa, but they continue to multiply, in large part because of the vacuum created by our lottery's lack of e-commerce.

The steep decline in the use of cash also makes the need for this discussion clear.

Two large recent research projects show that fewer and fewer Americans carry cash, and millennials (those age 18-35) are driving that trend. The national research came in November 2017 from US Bank and in March 2018 from Capital One.

In the Capitol One poll, just 41 percent of respondents said they regularly carry cash. In the US Bank survey, half the respondents said they carry cash less than half the time. When they do carry it, nearly half say they have less than \$20 in cash.

E-commerce also is a driving factor. As consumers, we're buying even everyday staples like groceries online. Many times, we don't go to the store anymore. We have someone else get the items for us and then we want our order brought out to our car or delivered to our home. And a maximum two-day delivery is a normal that consumers demand for nearly any kind of product purchased online.

Our legislation makes it clear that the lottery can sell any of its tickets through personal consumer electronic devices. As you know, Chapter 99G already allows the lottery to sell its

lotto games online, but we have not yet taken that step. This legislation would allow the sale of any of our products via personal consumer electronic devices, and we believe that for its ongoing success, the lottery must enter the world of e-commerce.

The lottery's legislation adds a definition of "eticket" to the other types of lottery tickets that already are defined in Iowa Code Chapter 99G. In our definition, eticket means a lottery ticket or share for which an electronic visual facsimile of the game is made available to the player on a personal consumer electronic device.

The legislation adds language so that our statewide gaming system could involve telecommunications connections or connections by other technological means. We anticipate that at some point in the future, new technology none of us have even envisioned today will be involved in communications networks, and this broader language would allow for use of future technologies in our lottery system.

Another change in the bill updates the definition of payment types that the lottery can accept to include cash, check, money order, debit card, prepaid gift card, non-deferred electronic payments through electronic wallets or mobile applications, electronic funds transfer or other form of cash-based payment **so long as credit is not used**. The electronic wallets reference would allow for the use of advance-deposit wagering by lottery players who would establish e-wallets or electronic accounts with the lottery. The reference to "other form of cash-based payment" again is designed to allow for new forms of payments as they come into being.

Our proposal also would allow for the use of automated drawings. That change is something that we anticipate would be needed for e-commerce by the Iowa Lottery, and could be utilized with some of our existing games.

We believe there are many ways that we can and indeed want to ensure retail involvement in any e-commerce system at the Iowa Lottery. For example, in Michigan, the lottery sells online game cards through its lottery terminals and self-service kiosks in retail locations. Customers can buy those game cards in increments from \$10 up to \$100 and use them to fund their e-wallets with the Michigan Lottery. The game cards can be eligible for bonuses, meaning that the player can win an amount above and beyond what they purchased. The bonus system provides consumers with an incentive to buy the game cards at retail locations, thereby providing retailers with a sales commission from the lottery for that purchase. Twenty-five percent of online players in Michigan have funded their accounts with a game card.

Since the Michigan Lottery launched its online games in August of 2014, it has seen double-digit sales increases in traditional instant-scratch tickets at retail, demonstrating that the lottery's online component has complemented and helped drive sales of its traditional games, increasing overall sales and benefitting both retailers and the state as a whole. Lottery statistics in other areas with an even longer history of online sales also demonstrate that sales of traditional products at retail increase along with the introduction of online sales, as the added convenience creates an "omni-channel" approach to lottery sales.

State-of-the-art age-gating and geo-gating are being used by all of the lotteries that offer online gaming, ensuring that players are of the legal minimum purchasing age for lottery products and that they are physically located within the borders of that state in order to play.

We also recognize the enhanced Responsible Gaming opportunities that online sales would allow. It's virtually impossible to set any type of spending restrictions involving cash, but deposit

limits are a standard feature for lotteries that utilize electronic player accounts. Players also have the ability to put in place their own personal deposit limits that are even more stringent than those established by the lottery, and players can electronically self-exclude themselves from playing online for a period of time or permanently if they are concerned about problem gambling.

Other sections of the lottery's legislation specifically address lottery security. You have heard us reference many times through the years that the lottery will only pay prizes from tickets that have been legally purchased, legally possessed and legally presented. That is the threshold we have always used, but the Code language involved is currently in several different sections of state law, including the Iowa Lottery Chapter, Iowa's general criminal Code, and Iowa's vice Code. We believe it would be best to clearly state the language all in one Code section. For that reason, we have added it to Iowa Code section 99G.31(2). The proposed language is not intended to create any new criminal offense or civil cause of action. Rather, it has been intentionally placed in the "Prizes" statute to provide additional clarification.

Iowa Code Section 99G.31(1) would be updated to best enable us to fight the illegal online apps we have referenced. A new subsection will be added that would allow the lottery to revoke the license to sell lottery products from any business with involvement in the sale or transfer of Iowa Lottery tickets or prizes to those outside the state of Iowa.

Multiple changes also would be made to Iowa Code 99G.36 that we believe puts clear emphasis on the intent of those in crimes involving Iowa Lottery products. For example, it is perfectly legal for someone to give a lottery ticket as a gift to someone else, but not if the intent of doing so is to circumvent the law. Our legislation makes that clear. We also have added language that we believe makes it clear that it is a crime to knowingly lie while claiming a lottery prize, applying for a lottery license or conducting lottery business.

Sports Betting Discussion



The Iowa Lottery has tracked sports-betting developments across the country and participated in the discussions here in Iowa with a focus on what would be best for the state when it comes to that issue.

Those states that have already gone live with sports betting or passed legislation to do so all appear to be doing it a little differently. Some jurisdictions are offering sports betting through a variety of retail locations as well as casinos, and some are offering the product only through casinos. The ultimate decision appears to come down to the wishes and expectations of the citizens in each jurisdiction.

Delaware, the first additional state to go live with full-scale sports betting following the U.S. Supreme Court's decision on the topic in May 2018, offers the product at both retail locations and casinos. That state appears to be doing a good job of making sports betting available in a secure and convenient manner – two key facets that experts cite as necessary in overcoming as much of the illegal black market as possible.

The Iowa Lottery is aware that sports-betting legislation already has been requested for the upcoming 2019 legislative session here in Iowa, and from our perspective, we don't believe it

would be in the best interests of the state for the lottery to file a sports-betting proposal that would appear to be in competition with that other legislation.

Retail locations have expressed to the Iowa Lottery that they want the option of offering sports betting as a lottery product here in Iowa. The lottery has asked them to make their voices heard to Iowa legislators so that our state's lawmakers can understand their wishes and concerns. We believe that Iowa businesses should be leading that discussion by sharing their perspective. The lottery can lend its expertise and guidance as we have in the past as one of the state's subject-matter experts on gaming matters. We stand ready to offer details about the technical and legal aspects involved, possible timeframes for go-live, revenue potentials, and what sports lottery products here in Iowa could look and feel like.

Iowa Lottery CEO Terry Rich Will Retire Dec. 31

Iowa Lottery CEO Terry Rich, who announced earlier this year that he intended to retire, has set Dec. 31 as his retirement date. Rich has led the Iowa Lottery since February 2009 and is just the second person to serve as its CEO.



The Iowa Lottery has achieved a number of milestones under Rich's leadership:

- Annual lottery proceeds to state causes have increased from the \$60 million range in 2009 to the \$80 million range today, driven in large part by repeated record sales of instant-scratch tickets.
- The Iowa Lottery received a clean audit from the state Auditor's Office each year that Rich was CEO.
- Fiscal year 2016 went into the books as the lottery's best year to date, with record sales, proceeds to state causes, prizes to players and retailer commissions. The lottery generated a record \$88 million in proceeds that year.
- The Iowa Lottery won an international gaming-compliance award in April 2018 for its work in the long-running lottery jackpot investigation case that uncovered fraud against U.S. lotteries and resulted in confessions and guilty pleas from Eddie Tipton and two other men. GamblingCompliance named the lottery its 2018 recipient for outstanding achievement in compliance.
- The Iowa Lottery's "Game Book" was named the 2013 best new scratch game by the North American Association of State and Provincial Lotteries (NASPL), an industry group that represents lotteries in the United States, Canada and Mexico.

During his years heading the Iowa Lottery, Rich also was selected by his peers to lead the North American Association of State and Provincial Lotteries as its president for 2014-2015.

Rich is retiring midway through his current four-year term in office, which ends April 30, 2021. His successor will be named by Iowa Gov. Kim Reynolds. Until that occurs, Iowa Lottery Executive Vice President Larry Loss will serve as acting Lottery CEO as specified in Iowa Code 99G.7(1)(b).

Iowa's Biggest Lottery Prize Winner

In October, a central Iowa woman became the winner of Iowa's largest lottery prize to date when she claimed a \$343.9 million Powerball jackpot.

Lerynne West of Redfield claimed her prize Nov. 5 and said she realized it was a life-changing moment. She said she was excited to share her winnings with family and friends, planned to purchase a new car, and looked forward to a long vacation – or several. She also announced that she planned to give to the causes and organizations important to her family through the Callum Foundation (www.callumfoundation.org). West established the foundation, naming it after her grandson, Callum, who was born prematurely in April and lived just a day.

West, 51, worked for years in the insurance industry in the Des Moines area, but retired early after learning she'd won the lottery.

West's ticket split the Powerball jackpot in the Oct. 27 drawing with a ticket purchased in New York City. Her half of the jackpot – the third-largest prize in the 26-year history of the game – was \$343.9 million annuity, or \$198.1 million lump-sum option.

West bought her jackpot-winning ticket at Casey's, 425 Second St. in Redfield, a Dallas County community where she had recently purchased a house. She was moving into her new home in late October and she and her sister stopped at Casey's for pizza and coffee. While they were there, West bought an easy-pick Powerball ticket that went on to win the jackpot.

The Iowa and New York tickets both matched all six numbers selected in the Oct. 27 Powerball drawing to split that night's \$687.8 million grand prize. The winning numbers were: 8-12-13-19-27 and Powerball 4. The Power Play number was 3.

Casey's received a \$10,000 bonus from the Iowa Lottery for selling the jackpot winning ticket at one of its stores and donated its bonus money to worthy organizations in the Redfield area. Casey's gave \$5,000 to West Central Valley High School, \$2,500 to the Redfield Fire Department, and \$2,500 to the Redfield First Responders.

Powerball jackpot winners can choose to receive their prizes in annuitized payments over time or as a one-time, lump-sum payment. West chose to receive her winnings in a lump-sum payment.

Prize Details

Annuity

Payments Totaling: \$343.9 million

The annuity total would be paid in 30 graduated payments over 29 years. Federal withholding of 24 percent and state withholding of 5 percent would be applied to each payment.

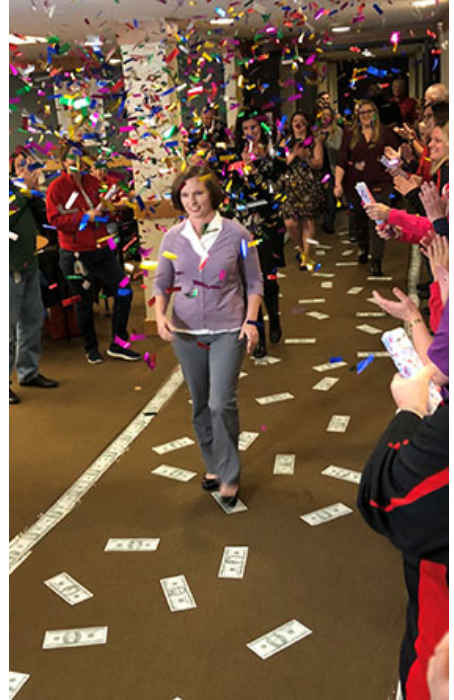
Chosen To Receive As Lump-Sum Option

Prize: \$198.1 million

Federal withholding: \$47.5 million (24 percent)

State withholding: \$9.9 million (5 percent)

After-tax prize: \$140.6 million



IOWA LOTTERY
 PERFORMANCE MEASURES
 FY 2018
 November 30, 2018

MONTH		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales	Budget FY 2019	26,907,680	26,646,774	25,665,624	25,790,341	27,867,514	27,718,136	32,669,568	29,969,493	30,324,545	28,192,020	30,399,422	26,148,883
	Actual '19	29,622,964	28,137,578	27,038,517	48,165,957	29,214,539	-	-	-	-	-	-	-
Prize Expense	Budget FY 2019	14,819,287	15,718,890	14,916,775	15,443,662	16,549,800	16,676,303	19,647,909	18,255,876	18,821,805	18,125,368	19,116,971	16,579,354
	Actual '19	18,466,693	17,856,707	17,053,365	28,218,927	18,178,870	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2019	1,276,128	1,321,713	1,186,388	1,346,163	1,283,532	1,233,496	1,326,637	1,183,908	1,224,446	1,275,522	1,332,607	1,376,768
	Actual '19	1,094,102	1,047,192	1,037,029	1,160,083	1,163,937	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2019	5,603,220	5,491,034	5,375,901	5,247,963	5,840,833	5,852,737	7,023,546	6,477,028	6,527,124	5,931,679	6,438,077	5,308,881
	Actual '19	7,025,446	5,608,787	5,986,711	13,960,288	6,543,459	-	-	-	-	-	-	-

YEAR TO DATE

Gross Sales	Budget FY 2019	26,907,680	53,554,454	79,220,078	105,010,419	132,877,933	160,596,069	193,265,637	223,235,130	253,559,675	281,751,695	312,151,117	338,300,000
	Actual '19	29,622,964	57,760,542	84,799,059	132,965,016	162,179,555	-	-	-	-	-	-	-
Prize Expense	Budget FY 2019	14,819,287	30,538,177	45,454,952	60,898,614	77,448,414	94,124,717	113,772,626	132,028,502	150,850,307	168,975,675	188,092,646	204,672,000
	Actual '19	18,466,693	36,323,400	53,376,765	81,595,692	99,774,562	-	-	-	-	-	-	-
Operating Expenses	Budget FY 2019	1,276,128	2,597,841	3,784,229	5,130,392	6,413,924	7,647,420	8,974,057	10,157,965	11,382,411	12,657,933	13,990,540	15,367,308
	Actual '19	1,094,102	2,141,294	3,178,323	4,338,406	5,502,343	-	-	-	-	-	-	-
Total Proceeds	Budget FY 2019	5,603,220	11,094,254	16,470,155	21,718,118	27,558,951	33,411,688	40,435,234	46,912,262	53,439,386	59,371,065	65,809,142	71,118,023
	Actual '19	7,025,446	12,634,233	18,620,944	32,581,232	39,124,691	-	-	-	-	-	-	-

	Current Month	Year to Date
Prize Payout - Budget	59.39%	58.29%
Prize Payout - Actual	62.23%	61.52%
Sales - Actual increase (decrease) vs. Budget		22.05%
Proceeds - Actual increase (decrease) vs. Budget		41.97%

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Twelve Months Ending Saturday, June 30, 2018

	Month ended 6/30/2018	Month ended 6/30/2017	Year-to-date 6/30/2018	Year-to-date 6/30/2017
Operating revenues:				
Instant-scratch ticket sales	19,117,950.73	19,635,274.00	244,260,963.73	237,617,703.00
InstaPlay sales	1,008,695.00	608,480.00	9,733,769.00	5,820,274.00
Pick 3 sales	623,516.00	628,003.50	7,705,163.00	7,318,686.00
Powerball sales	3,104,500.00	5,139,655.00	58,471,047.50	54,292,902.00
Mega Millions Sales	1,738,381.00	1,272,065.00	21,293,740.00	14,957,109.00
Hot Lotto sales	-	743,419.00	3,761,425.00	8,210,714.00
Pick 4 sales	336,042.00	337,338.50	4,341,103.00	3,946,272.50
All or Nothing sales	-	246,581.00	-	3,186,443.00
Lucky for Life sales	420,326.00	436,098.00	5,600,490.00	5,599,966.00
Lotto America sales	653,810.00	-	4,872,494.00	-
Pull-tab sales	957,457.51	838,935.29	10,916,691.67	11,292,740.27
Application fees	250.00	100.00	3,725.00	3,600.00
Other	444.29	620.10	8,135.30	18,841.41
Total operating revenues	27,961,372.53	29,886,569.39	370,968,747.20	352,265,251.18
Operating expenses:				
Scratch ticket prizes	12,169,661.00	12,099,487.00	160,144,267.81	155,043,946.65
InstaPlay prizes	652,426.17	406,040.41	6,351,026.09	3,781,705.83
Pick 3 prizes	368,309.60	372,582.10	4,567,777.80	4,261,970.20
Powerball prizes	1,551,190.29	2,521,186.71	28,512,041.42	25,876,219.71
Mega Millions prizes	892,691.52	598,885.50	10,764,359.06	7,351,574.63
Hot Lotto prizes	(8,883.00)	364,255.50	1,782,452.18	4,000,053.00
Pick 4 prizes	200,190.20	238,120.10	2,519,311.80	2,367,035.50
All or Nothing prizes	(1,843.09)	144,702.63	(31,061.09)	1,882,219.97
Lucky for Life prizes	230,113.88	185,160.08	3,305,690.74	3,521,939.77
Lotto America prizes	326,905.00	-	2,436,247.00	-
Pull-tab prizes	600,751.34	523,804.18	6,826,208.15	7,056,493.93
VIP Club prize expense	32,552.62	14,894.75	197,001.06	252,465.45
Promotional prize expense	5,334.32	13,167.38	115,749.86	224,942.73
Advertising/publicity	515,603.83	555,441.56	7,162,017.78	6,592,551.64
Retailer compensation expense	1,811,526.35	1,966,339.43	24,213,812.03	22,914,755.08
Ticket expense	215,455.64	272,948.55	3,170,681.81	3,264,974.90
Vendor compensation expense	625,248.85	622,629.10	8,227,402.92	7,183,035.12
Salary and benefits	1,197,678.10	1,148,124.60	10,936,612.42	10,714,712.56
Travel	23,811.83	19,477.01	256,766.19	278,278.77
Supplies	61,377.61	15,175.68	157,977.57	109,650.58
Printing	-	-	10,087.74	3,201.90
Postage	237.48	247.50	5,560.85	5,817.18
Communications	18,453.41	114,922.06	170,146.00	253,908.18
Rentals	25,239.17	25,414.24	305,224.78	304,713.92
Utilities	12,612.84	12,156.48	95,756.58	90,824.36
Professional fees	11,838.62	45,182.18	157,930.02	191,333.99
Vending machine maintenance	19,922.00	37,045.59	294,907.33	526,285.21
Outside services and repairs	85,773.00	71,462.46	827,274.28	791,219.47
Data processing	9,927.01	8,245.21	94,977.05	117,020.94
Equipment	67,542.69	91,057.03	610,776.45	1,071,249.44
Reimbursement to other state agencies	50,558.53	30,042.99	440,448.68	427,884.20
Depreciation	45,031.68	45,884.70	546,260.22	460,967.26
Other	(27,598.49)	6,189.39	57,646.94	68,936.24
MUSL/Lotto administrative expense	758.57	12,862.30	8,055.58	154,543.33
Total operating expenses	21,790,398.57	22,583,134.40	285,241,395.10	271,146,431.64
Operating income	6,170,973.96	7,303,434.99	85,727,352.10	81,118,819.54
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(7,039,446.82)	(7,523,811.46)	(84,596,199.72)	(78,274,726.75)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Interest income	108,846.18	48,682.21	313,693.60	182,107.48
Gain (Loss) on disposal of capital assets	-	3,252.02	(139,571.99)	(722,748.04)
Net non-operating revenues (expenses)	(6,930,600.64)	(7,471,877.23)	(86,922,078.11)	(81,315,367.31)
Change in net position	(759,626.68)	(168,442.24)	(1,194,726.01)	(196,547.77)
Net position beginning of period, as restated	5,709,820.38	6,525,971.95	6,144,919.71	6,554,077.48
Net position end of period	4,950,193.70	6,357,529.71	4,950,193.70	6,357,529.71

Budget for Lottery Fund

	FY 2018 ACTUAL	FY 2019 BOARD APPROVED FINAL BUDGET	FY 2020 BOARD APPROVED FINAL BUDGET	FY 2021 BOARD APPROVED FINAL BUDGET
<u>Resources</u>				
Lottery sales	370,956,887	338,300,000	346,500,000	354,650,000
Interest income	313,694	500,000	500,000	500,000
Application fees	3,725	5,000	5,000	5,000
Other	8,135	5,000	5,000	5,000
Total Resources	371,282,441	338,810,000	347,010,000	355,160,000
<u>Expenses and Change in Net Assets</u>				
Prizes	227,491,072	204,672,000	209,944,600	215,185,050
Retailer compensation	24,213,812	22,667,100	23,216,500	23,762,550
Advertising production and media purchases	7,162,018	13,532,000	13,860,000	14,186,000
Retailer Lottery system/Terminal Communications	8,290,135	6,521,491	7,800,085	9,131,645
Instant/Pull-tab ticket expense	3,198,940	3,977,250	4,120,750	4,263,375
Vending machines & maintenance/Ticket dispensers	525,394	531,928	531,928	531,928
Courier delivery of instant tickets	612,121	660,000	660,000	660,000
Interest expense	-	-	-	-
Lottery operating expense	13,747,904	15,367,308	15,351,608	15,251,608
Increase (decrease) in net assets	(262,764)	(237,100)	(482,600)	(512,600)
Total Expenses and Change in Net Assets	284,978,631	267,691,977	275,002,871	282,459,556
<u>Proceeds</u>				
Proceeds Transfer to General Fund	84,596,200	68,618,023	69,507,129	70,200,444
Proceeds Transfer to Veterans Trust Fund	2,500,000	2,500,000	2,500,000	2,500,000
Total Proceeds Transfers	87,096,200	71,118,023	72,007,129	72,700,444
Total Expenses and Proceeds	372,074,831	338,810,000	347,010,000	355,160,000

Lottery Operations - Budget Detail

	FY 2018 ACTUAL	FY 2019 BOARD APPROVED FINAL BUDGET	FY 2020 PROPOSED BUDGET	FY 2021 PROPOSED BUDGET
Administrative payroll*	10,936,612	11,637,508	11,637,508	11,637,508
Travel	252,945	410,000	417,800	417,800
Supplies	122,963	105,000	105,000	105,000
Printing	5,288	20,000	20,000	20,000
Postage	5,561	7,000	7,000	7,000
Communications	147,069	186,000	186,000	186,000
Rentals	305,225	320,000	320,000	320,000
Utilities	95,757	101,000	101,000	101,000
Professional fees	150,430	259,500	259,500	259,500
Outside services and repair	224,823	419,000	379,000	279,000
Data processing	94,977	125,000	125,000	125,000
Equipment	364,117	494,200	494,200	494,200
Reimbursement to state agencies	440,449	506,000	506,000	506,000
Depreciation	546,260	691,100	707,600	707,600
Other expenses	55,428	86,000	86,000	86,000
Total operating expenses	\$ 13,747,904	\$ 15,367,308	\$ 15,351,608	\$ 15,251,608

* 2020 and 2021 Proposed Budgets for "Administrative Payroll" do not include salary and benefit cost increases