



13001 University Avenue  
Clive Iowa 50325-8225  
www.ialottery.com  
515.725.7900

Kim Reynolds · Governor  
Adam Gregg · Lt. Governor  
Matthew N. Strawn · Chief Executive Officer

## **Iowa Lottery Report On Operations**

**To: Members of the House Government Oversight Committee and Senate Government Oversight Committee, Iowa General Assembly**

**From: Matthew N. Strawn, CEO**

**Date: June 2024**

### **Introduction**

The Iowa Lottery is poised to achieve record sales in fiscal year 2024 and for a second consecutive year, will have delivered proceeds to state causes exceeding \$100 million. On behalf of the Lottery's team of public-minded Iowans, it is a privilege to report the Lottery continues to achieve its promise of responsibly and reliably generating revenues for state causes.

The Lottery's consistent performance is built upon a number of factors, with strategic business planning efforts that included the launch of the Powerball Double Play® initiative, a third-party product portfolio study, innovative promotions offering unique experiences with popular Iowa brands, and growing the Lottery's fleet of self-service vending kiosks available at retail locations to best serve customers.

Iowa Lottery sales in FY 2024 were led by performance growth in instant-scratch games, the Lottery's leading product category, and a strong performance by the Powerball game, which twice during the year saw the jackpot surpass the \$1 billion mark.

However, the positive news comes with a note of caution as the start of FY 2025 approaches. The retail sector is experiencing headwinds affecting all manner of consumer goods and products. Lottery sales are not immune to that development. While final Lottery sales numbers for June will not be available until late next month, there has been a slight downward sales trend for the month, particularly for scratch tickets, which are traditionally the lottery products most quickly impacted by larger economic trends.

It is likewise important to understand that Lottery results can and do fluctuate over time. That is why the Iowa Lottery budgets conservatively, factoring in the natural fluctuations that will occur and should be expected.

In general, the particular type of Lottery product that sells best in a given time period has a significant impact on overall Lottery results. Scratch games have a smaller profit margin than lotto games like Powerball, while sales in lotto games are significantly jackpot driven and can vary greatly from week to week and month to month.

The Lottery's staff and its partners continue to work on game development and prize innovations to ensure the Lottery continues to meet the expectations of Iowa consumers into the future.

This bi-annual Report on Operations details the Lottery’s latest work in continuing to fulfill its mission.

### **FY 2024 Lottery Product Sales**

Through May, the latest month for which complete figures are available, annual Iowa Lottery sales in FY 2024 totaled \$456.9 million, a 3 percent increase from the previous year’s total for the same time period. Annual Lottery proceeds to state causes were \$101.7 million through May, up about 1 percent from the total for the same time period in the previous year.



Prizes to players during the first 11 months of the fiscal year totaled \$291.3 million, while Lottery sales commissions to Iowa businesses totaled \$29.8 million for the time period, with both figures up more than 3 percent from the year before.

Also of note, the Lottery’s operational expenses remained about \$2.2 million under budget through May 2024, down about 4 percent from the previous year.

Scratch games and lotto games continue as the Lottery’s leading product categories. The strategic introduction of innovative game themes and play styles helped drive growth in scratch-ticket sales, while lotto sales saw a lift as jackpots in Powerball® and Mega Millions® both topped \$1 billion during the fiscal year.

The Iowa Lottery continues to work with other lotteries around the country to proactively explore ideas that could expand the pool of eligible players, control operational costs, and increase lotto sales through jackpot growth. Lotteries likewise are evaluating existing products, especially multi-jurisdiction lotto and draw games and their value proposition, to ensure these products continue to provide all lotteries with a sustainable source of revenue for the future.

The Iowa Lottery will likewise continue its own efforts to produce innovative products, responsible promotions and efficient operations that will allow it to remain a meaningful source of proceeds for state causes in Iowa.

Here is a year-to-year comparison of Lottery sales (July-May) by product:

	<b><u>FY 2024</u></b>	<b><u>FY 2023</u></b>
Instant-scratch games	\$279.3 million	\$268.3 million
InstaPlay games	\$25.8 million	\$28.4 million
Pick 3	\$8.4 million	\$8.4 million
Powerball	\$74.1 million	\$61.8 million
Mega Millions	\$37.7 million	\$41.7 million
Pick 4	\$5.4 million	\$5.3 million
Lucky for Life	\$7.9 million	\$7.7 million
Lotto America	\$6.2 million	\$9.9 million
Pull-tab games	\$12.1 million	\$12.0 million

As referenced in the introduction to this report, Lottery sales and proceeds fluctuate from year to year based upon the strength of sales in particular product categories.

As always, the Iowa Lottery continuously monitors its results and will keep the Government Oversight Committees apprised of significant developments. The Lottery also provides regular updates regarding sales and proceeds through the State of Iowa's accounting system. The Lottery's latest monthly financial statement for May 2024 is included in this report as **Attachment A**.

### **FY 2025 Budget Approval**

The Iowa Lottery's FY 2025 budget has been approved by the Director of the Department of Revenue and was presented to the Iowa Lottery Board at its June 25 meeting.

Increases in sales, prizes, retailer compensation and proceeds along with retailer system costs were made to the budget to reflect the continued anticipated growth in sales for Lottery products overall. The Lottery's operating expenses are anticipated to decrease slightly for the year, with decreases in particular in administrative payroll and reimbursement to outside state agencies.

Copies of the Iowa Lottery's overall Budget and Operating Expenses for FY 2025 are included with this report as **Attachment B** and **Attachment C**.



Mick Connealy



Josh Cook



Katie New



Mary Rathje



Dana Wingert

The members of the Lottery Board are: Mick Connealy, a managing partner at Crary Huff Law Firm in Sioux City; Josh Cook, president and CEO of the Johnston-based Community Choice Credit Union; Katie New, a CPA at Ellipsis Iowa in Des Moines; Mary Rathje, manager and controller at Rathje Construction Co. in Marion; and Dana Wingert, chief of police in Des Moines.

### **Lottery Board Transitioning To Lottery Commission**

As a result of legislation passed during the 2024 session of the Iowa Legislature, the Iowa Lottery Board on July 1 will transition to the Iowa Lottery Commission.

Senate File 2385, which was signed into law on May 17, made changes to numerous boards, commissions, committees, councils and other entities within state government, including the Lottery Board.

On July 1, the current members of the Lottery Board will become members of the Lottery Commission, which will continue to provide the Director of the Department of Revenue and the Lottery CEO with private-sector perspectives on the lottery as a complex public-benefit business enterprise.

The Commission likewise will continue to approve, amend or modify the terms of major lottery procurements recommended by the Lottery CEO; adopt policies and procedures and promulgate administrative rules relating to the management and operation of the Iowa Lottery; and adopt game-specific rules for Lottery products.

Members of the Lottery Commission must be residents of the state of Iowa and will continue to be appointed by the Governor, with their appointment subject to confirmation by the Iowa Senate. Commission members will serve staggered four-year terms and no more than three Commission members can be from the same political party.

Iowa Code section 99G.8 requires that the Lottery Commission have a member who is an accountant; a member who is or has been a law enforcement officer; a member who is an attorney admitted to practice law in Iowa; and a member with expertise in marketing.

### **Responsible Gambling**

This spring, the Iowa Lottery secured a strong support statewide for its annual public-service campaign to highlight the help available in Iowa for those impacted by gambling disorders. The Lottery also has expanded on its play healthy messaging in new ways this year, with the goal of helping everyone – not just Lottery players – have an accurate understanding about what it means to play the Lottery.

Each March, the Iowa Lottery works with the Problem Gambling Services Program within the Iowa Department of Health and Human Services to produce a public-service campaign in support of National Problem Gambling Awareness Month.



Throughout March 2024, the Lottery's 30-second public-service announcement was aired for a total of 88 hours through traditional channels such as broadcast television, cable and radio. In addition, nearly 3.3 million impressions for the message were delivered statewide through digital billboards, more than 102,000 emails were delivered, and more than 523,000 impressions were achieved through other annual efforts such as drive-time radio messages, e-newsletters, and cable weather crawls.

A direct link to the television PSA for Problem Gambling Awareness Month is here:  
<https://youtu.be/vs7fR50fBNc>

The Iowa Lottery believes that utilizing a broad range of placements for its problem-gambling messages is critical to reaching Iowans in all demographic groups to ensure they know where they can find help for themselves or a loved one.

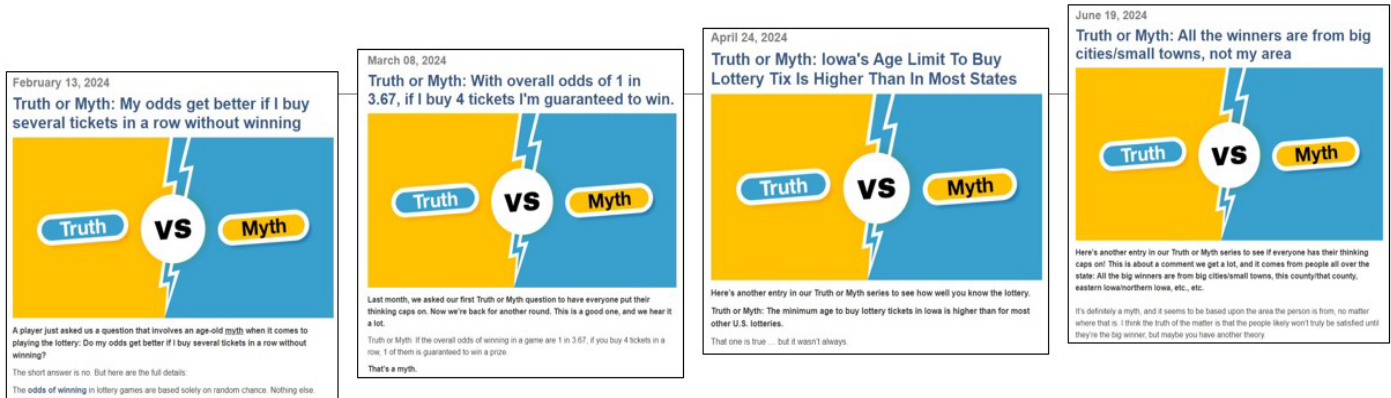
The Lottery's annual support of Problem Gambling Awareness Month supplements its ongoing commitment to educating and informing Iowans year-round. And in that regard, the Lottery has expanded its messaging in calendar year 2024 through a new informational campaign asking whether a particular belief about lotteries is a truth or a myth.

The campaign is designed to educate everyone about what it means to play the Lottery. The series discusses myths about lotteries while presenting the facts involved. The Lottery has produced a series of entries in the Truth or Myth campaign, thus far discussing lottery odds, the minimum purchasing age for Lottery tickets in Iowa, and where Lottery winners are from in our state.

All of the topics originate from questions the Iowa Lottery regularly receives – and the answers it provides to individual inquiries. But this new informational campaign amplifies those answers across the Lottery’s social media audience and through traditional channels such as newsletters.

The Lottery plans to continue this informational series throughout calendar year 2024 and is considering additional ways to provide the details, including redesigning its website to move play healthy details into a higher profile.

This meaningful work is part of the Lottery’s commitment to integrity in responsibly providing proceeds to state causes.



## Partnerships Highlighting The Stories Of Iowa

Throughout any given year, the Iowa Lottery is proud utilize the ingenuity of its team in strategically working with other organizations to highlight the stories of Iowa. That has again been the case in FY 2024, with the Lottery partnering with:

- Hawkeye Sports Properties to give away ticket prize packages to The University of Iowa football games, men’s and women’s basketball games and men’s wrestling meets.
- Cyclone Sports Properties to give away ticket prize packages to Iowa State University football games and men’s and women’s basketball games.
- The NBA’s Minnesota Timberwolves and G-League Iowa Wolves to give away ticket prize packages to pro basketball games.
- NASCAR® and the Iowa Speedway® to give away ticket prize packages to Cup Series races in Newton.
- The Des Moines Arts Festival to give away ultimate art experience packages for the festival in Des Moines.
- Hy-Vee, IndyCar and the Iowa Speedway to give away VIP concert infield experiences and race tickets to the Hy-Vee IndyCar Race Weekend in Newton.
- The Iowa Cubs, Cedar Rapids Kernels and Quad Cities River Bandits to give away ticket prize packages to professional baseball games in Iowa.
- Iowa concert venues to give away ticket prize packages to popular summer performances.

And in April 2024, the Iowa Lottery and Iowa State Fair announced a Lottery game nearly 40 years in the making. Tickets in the “Iowa State Fair” scratch game debuted April 16. It is the first game branded for the State Fair, Iowa’s single largest event.

Players can win instant prizes of up to \$50,000 on tickets in the \$5 game, and can enter any nonwinning tickets from it into the Lottery's "Fair Fever" promotion. That gives them a chance to be a contestant on a live Lottery game show on opening day of the 2024 Iowa State Fair.

The Lottery will hold a drawing in July to select the 20 game show contestants. Each contestant will win at least \$10,000, and the prize amounts go up the longer they stay in the contests in the show. The final contestant that day will win a grand prize of at least \$500,000 and have a chance at \$5 million.



The State Fair and Lottery have been partners since the very first day of Lottery sales in Iowa. A kick-off celebration was held on August 22, 1985, at the State Fairgrounds to allow fairgoers to be among the very first in the state to buy tickets on the inaugural day of Iowa Lottery sales.

In the mid-1990s, Iowa Lottery proceeds were dedicated for four years to capital improvements on the Iowa State Fairgrounds. Among the projects that received Lottery funding was the extensive 1997 renovation of the Iowa State Fair Grandstand.

The Iowa Lottery has held many events at the Iowa State Fair through the years, including hosting a Powerball drawing on the Grand Concourse in 2006. In recent years, the Iowa Lottery has sponsored the annual Veterans Day at the Iowa State Fair.

The live game show on August 8 at the 2024 State Fair will continue to build on that shared history.

### **Administrative Rules Review**



A review of the Iowa Lottery's Administrative Rules is underway as part of a larger rules review effort by the Iowa Department of Revenue for all of its divisions pursuant to the Governor's Executive Order 10.

Pursuant to the Executive Order, the Department is required to review from a zero-base approach and re-adopt administrative rule chapters under a designated timeline. The overall goal of Executive Order 10 is to remove obsolete, redundant, and unnecessary language, in addition to removing language that is duplicative of statute. The reduction of restrictive language as well as page and word count of the administrative code are also identified benefits to the review.

Since the fall of 2023, Department staff have been performing a comprehensive review of the Department's administrative rule chapters. The agency procedure rules impacted by alignment for review are dedicated to Department organization, declaratory orders, contested cases, public information and open records, and rulemaking and rule waivers. In addition, Lottery-specific rule chapters are also being reviewed.

Because the Lottery Board is charged by statute to “adopt policies and procedures and promulgate administrative rules pursuant to chapter 17A relating to the management and operation of the Iowa Lottery,” and because the Department is combining many rules related to management of the Lottery with rules related to managing tax and alcohol, the Lottery Board must review agency procedure rules that include alcohol and tax to the extent those rules now relate to Lottery management.

At its June 25 meeting, the Lottery Board voted to approve the submissions of Notices of Intended Action to modify the Lottery’s Administrative Code and the Department of Revenue’s Administrative Code pursuant to Executive Order 10.

The Department will evaluate any feedback received and make updates or have follow up discussions as needed to determine if changes are appropriate. The timeline is subject to change based on feedback received, but the current tentative timetable would have the updated rule chapters taking effect in February 2025.

**Lottery Security-Compliance Reviews At Retail**



A priority action by the Iowa Lottery’s Security Department each year is to conduct unannounced security checks at retail locations across the state to ensure that winning tickets are being handled appropriately by Lottery retail licensees and that the placement of Lottery equipment is in compliance with Lottery requirements.

During the compliance checks, undercover Iowa Lottery investigators visit retail locations and pose as customers presenting Lottery tickets for validation and payment.

In FY 2024, the Lottery met its performance target of its investigators conducting compliance checks in at least 25 percent of the 2,500 retail locations that are licensed to sell Iowa Lottery products.

The Iowa Lottery is committed to conducting its games with fairness and integrity and invites anyone with a question or concern about the Lottery or its products to contact Iowa Lottery Security directly at 515-725-7900 or [wmaster@ialottery.com](mailto:wmaster@ialottery.com).

**\$500,000 Unclaimed Prize In Mason City**

The Iowa Lottery continues to remind Iowans to check their tickets and claim prizes before they expire.

A \$50,000 Powerball prize in Des Moines expired this month without being claimed. And a \$500,000 Powerball Double Play prize won in March in Mason City has passed the halfway point in its claim period.

The Mason City prize will expire on September 12 if it isn't claimed in time.

There have only been two Lottery prizes larger than that which expired in Iowa without being claimed. Both were \$1 million prizes, in Nevada and in Ames. They expired in 2019 and 2023, respectively.

If the \$500,000 prize is still unclaimed in August as the one-month mark approaches until its expiration date, the Iowa Lottery plans to hold an event at the Mason City store where the winning ticket was purchased to call attention to it.

The money from Lottery prizes that expire in Iowa without being claimed goes into the Lottery's prize pools for future games and promotions, so it will be used to pay prizes, just not those prizes that have expired.

**IOWA LOTTERY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Eleven Months Ending Friday, May 31, 2024**

	Month ended 5/31/2024	Month ended 5/31/2023	Year-to-date 5/31/2024	Year-to-date 5/31/2023
Operating revenues:				
Scratch ticket sales	\$25,559,667.00	\$27,853,551.00	\$279,326,088.00	\$268,305,239.00
InstaPlay sales	3,532,863.00	2,384,301.00	25,807,945.00	28,390,120.00
Pick 3 sales	779,214.50	816,187.50	8,351,063.00	8,350,958.00
Powerball sales	3,091,569.00	3,294,687.50	74,132,355.50	61,771,654.00
Mega Millions Sales	2,552,344.00	1,538,581.00	37,665,778.00	41,720,579.00
Pick 4 sales	518,505.00	488,422.50	5,436,759.50	5,334,065.00
Lucky for Life sales	711,396.00	721,416.00	7,892,194.00	7,724,180.00
Lotto America sales	481,864.00	580,798.00	6,196,672.00	9,854,213.00
Pull-tab sales	1,217,535.46	1,107,052.26	12,076,965.13	11,969,741.19
Application fees	625.00	275.00	5,375.00	5,525.00
Other	2,011.85	12,696.11	9,840.84	21,417.63
Total operating revenues	<u>38,447,594.81</u>	<u>38,797,967.87</u>	<u>456,901,035.97</u>	<u>443,447,691.82</u>
Operating expenses:				
Scratch ticket prizes	16,930,852.00	18,855,358.00	192,996,422.31	182,246,354.69
InstaPlay prizes	2,596,177.46	1,614,192.14	18,638,537.02	20,833,146.77
Pick 3 prizes	467,528.70	489,712.50	5,010,637.80	5,010,574.80
Powerball prizes	1,558,518.80	1,647,699.50	37,097,553.19	30,804,235.75
Mega Millions prizes	1,276,172.00	769,290.50	18,832,889.00	20,945,032.70
Pick 4 prizes	423,414.20	293,053.50	3,374,366.90	3,490,576.50
Lucky for Life prizes	422,807.55	428,762.79	4,671,276.94	4,590,750.53
Lotto America prizes	240,932.00	290,399.00	3,098,336.00	4,927,106.50
Pull-tab prizes	760,782.62	690,032.52	7,552,529.27	7,481,922.19
Advertising/publicity	920,360.72	877,663.35	10,662,770.37	8,419,929.05
Retailer compensation expense	2,502,600.95	2,534,452.33	29,792,791.53	28,806,973.51
Ticket expense	278,966.75	240,055.74	2,959,691.07	3,247,709.28
Vendor compensation expense	613,863.57	624,142.62	7,334,834.72	7,054,454.71
Salary and benefits	831,639.16	928,256.81	9,507,563.46	9,674,168.35
Travel	21,969.91	28,787.03	245,373.77	301,545.32
Supplies	41,910.66	27,103.28	99,692.86	125,657.40
Printing	55.00	90.05	2,690.89	1,775.92
Postage	320.38	182.73	7,294.66	7,379.11
Communications	16,748.78	14,869.58	194,848.37	167,075.82
Rentals	8,623.08	8,583.15	97,703.55	103,646.79
Utilities	5,823.48	5,962.88	91,772.48	100,573.21
Professional fees	34,787.69	38,045.20	210,794.59	233,616.28
Vending machine maintenance	26,006.40	25,200.00	282,381.98	270,176.64
Outside services and repairs	133,836.86	140,009.15	1,402,617.32	1,387,377.09
Data processing	7,370.34	12,764.04	127,452.95	140,287.83
Equipment	67,960.56	69,110.17	243,854.67	480,932.95
Reimbursement to other state agencies	33,567.62	34,162.39	406,614.91	442,997.78
Depreciation	39,311.63	36,403.11	443,844.02	442,202.34
Amortization	45,884.70	45,884.70	504,731.70	502,300.86
MUSL/Lotto administrative expense	9,380.83	17,996.67	122,534.19	178,514.43
Debit card fees	20,336.25	15,226.87	239,221.78	146,000.75
Other	5,273.07	5,663.89	56,362.54	78,569.39
Total operating expenses	<u>30,343,783.72</u>	<u>30,809,116.19</u>	<u>356,309,986.81</u>	<u>342,643,565.24</u>
Operating income	<u>8,103,811.09</u>	<u>7,988,851.68</u>	<u>100,591,049.16</u>	<u>100,804,126.58</u>
Non-operating revenue (expenses):				
Proceeds to state causes	(7,462,046.63)	(8,308,957.17)	(101,706,660.42)	(101,020,559.35)
Interest income	176,144.66	98,993.36	1,259,504.12	616,453.19
Interest expense	(2,155.87)	(2,671.84)	(26,682.87)	(31,093.87)
Gain (Loss) on disposal of capital assets	-	(1,655.00)	30,735.00	5,822.11
Net non-operating revenues (expenses)	<u>(7,288,057.84)</u>	<u>(8,214,290.65)</u>	<u>(100,443,104.17)</u>	<u>(100,429,377.92)</u>
Change in net position	815,753.25	(225,438.97)	147,944.99	374,748.66
Net position beginning of period	6,241,026.19	6,168,529.75	6,908,834.45	5,568,342.12
Net position end of period	<u>7,056,779.44</u>	<u>5,943,090.78</u>	<u>7,056,779.44</u>	<u>5,943,090.78</u>

## Budget For Lottery Fund

	FY 2023 Actual	FY 2024 Spending Plan	FY 2025 Department Request	FY 2025 Spending Plan
<b>Resources</b>				
Lottery sales	\$ 481,533,143	\$ 397,685,000	\$ 402,685,000	\$ 417,685,000
Interest income	757,312	500,000	500,000	500,000
Application fees	5,750	5,000	5,000	5,000
Other	23,299	5,000	5,000	5,000
<b>Total Resources</b>	<b>482,319,504</b>	<b>398,195,000</b>	<b>403,195,000</b>	<b>418,195,000</b>
<b>Expenses and Change in Net Assets</b>				
Prizes	305,254,192	247,597,000	251,012,458	264,389,826
Retailer compensation	31,307,795	26,645,900	26,980,896	27,985,896
Advertising production and media purchases	9,235,256	15,907,400	16,107,400	16,707,400
Retailer Lottery system/Terminal Communications	8,191,177	8,334,867	8,471,163	9,186,996
Scratch/Pull-tab ticket expense	3,496,322	4,734,400	4,734,400	4,734,400
Vending machines & maintenance/Ticket dispensers	497,403	571,120	571,120	571,120
Courier delivery of instant tickets	1,321,114	1,335,000	1,335,000	1,360,000
Lottery operating expense	13,218,903	15,815,149	15,916,258	15,580,379
Interest Expense	33,724	35,000	35,000	35,000
Increase (decrease) in net assets	1,345,246	2,360,680	2,099,571	598,204
<b>Total Expenses and Change in Net Assets</b>	<b>373,901,132</b>	<b>323,336,516</b>	<b>327,263,266</b>	<b>341,149,221</b>
<b>Proceeds</b>				
Proceeds Transfer to Veterans Trust Fund	2,500,000	2,500,000	2,500,000	2,500,000
Proceeds Transfer to Public Safety Survivor Benefit Fund	100,000	100,000	100,000	100,000
Proceeds Transfer to Department of Corrections Survivor Benefits Fund	100,000	100,000	100,000	100,000
Proceeds Transfer to General Fund	105,718,373	72,158,484	73,231,734	74,345,779
<b>Total Proceeds Transfers</b>	<b>108,418,373</b>	<b>74,858,484</b>	<b>75,931,734</b>	<b>77,045,779</b>
<b>Total Expenses and Proceeds</b>	<b>482,319,505</b>	<b>398,195,000</b>	<b>403,195,000</b>	<b>418,195,000</b>

## Lottery Operations - Budget Detail

Attachment C

	FY 2023 Actual	FY 2024 Spending Plan	FY 2025 Department Request	FY 2025 Spending Plan
Administrative payroll	\$ 9,764,281	\$ 11,532,905	\$ 11,532,905	\$ 11,413,559
Travel & Transportation	322,051	407,500	407,500	407,500
Supplies	125,172	103,000	103,000	103,000
Printing	3,173	10,500	10,500	10,500
Postage	7,582	10,000	10,000	10,000
Communications	193,849	192,400	192,400	192,400
Rentals	112,216	179,617	179,617	179,617
Utilities	106,350	120,500	120,500	120,500
Professional fees	258,286	204,000	204,000	204,000
Outside services and repair	268,178	262,957	262,957	262,957
Data processing	153,058	150,000	150,000	150,000
Equipment	306,259	651,184	651,184	651,184
Reimbursement to state agencies	504,191	531,900	531,900	406,000
Depreciation	482,770	723,320	984,429	893,796
Amortization	548,185	489,366	489,366	489,366
Other expenses	63,302	246,000	86,000	86,000
<b>Total operating expenses</b>	<b>13,218,903</b>	<b>15,815,149</b>	<b>15,916,258</b>	<b>15,580,379</b>