



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

Kim Reynolds · Governor
Chris Cournoyer · 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
Lottery Division, Iowa Department of Revenue**

Date: December 2024

Introduction

There is a challenge when coming off years of significant revenue growth and record sales, and as the Iowa Lottery has forecasted and already discussed in our June 2024 report to your Committees, a number of external forces have created headwinds for Iowa Lottery sales in the initial months of fiscal year 2025.

Notwithstanding those headwinds, the topline numbers demonstrate that Lottery sales and proceeds for FY 2025 continue to align with and run slightly ahead of budgeted projections, but trail last year's record-setting pace.

Through November, Iowa Lottery sales of \$173.1 million are 6.3 percent ahead of FY 2025 budget projections. For that same timeframe, proceeds of \$33.2 million are 7.8 percent ahead of budget projections for that year. However, both figures are behind those for FY 2024.

Of note, fiscal year-to-date Iowa Lottery operating expenses through November are about \$640,000 under budget.

The biggest impact upon year-over-year sales continues to be the relative lack of big jackpots in the multi-jurisdiction lotto games of Powerball® and Mega Millions®. The current fiscal year has not witnessed the repeated jackpots topping \$1 billion from recent years. Thus, sales in those two premier games are down significantly compared to the same time period in FY 2024.

The Iowa Lottery's numbers mirror national lottery industry sales averages. But there is data to indicate that the Iowa Lottery sales trends for FY 2025 are improving.

Sales of the Iowa Lottery's traditional holiday-themed scratch games are outperforming last year's sales thus far and the Lottery is now seeing year-over-year sales growth in a few product categories.

The Lottery also anticipates improved performance from the scratch-game category in the second half of FY 2025 with the recent installation of 150 new self-service kiosks in retailers across the state. The Lottery Board (now Commission) approved the purchase of those machines nearly 1.5 years ago, a strategic decision that should yield significant net returns over the coming years.

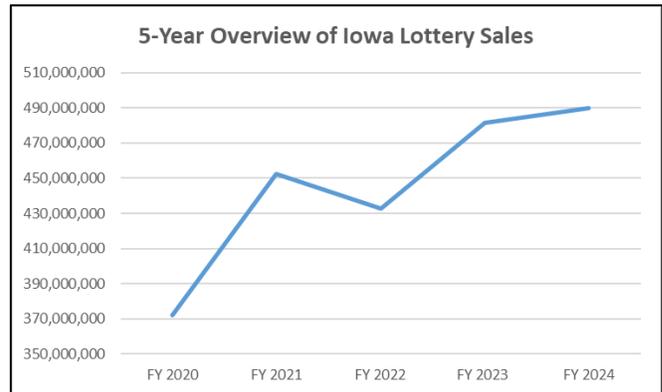
Also of note, the Mega Millions game in the second half of FY 2025 is expected to see a positive impact from a new price point with an increased value proposition for lottery players.

FY 2024 Final Results

The Iowa Lottery achieved record sales and prizes to players in FY 2024 along with proceeds to state causes of nearly \$107 million.

In addition, the Lottery's operating expenses remained well below budget for the year.

The Lottery generated \$106.6 million in proceeds to state causes in the fiscal year that ended June 30. That is the Lottery's second-highest proceeds total, behind only its record \$108.4 million in proceeds in FY 2023.



Annual Lottery sales in FY 2024 were a record \$489.9 million, while prizes to players totaled a record \$312.6 million. Lottery sales commissions to the local businesses across the state that sell tickets totaled \$31.9 million, a record for traditional Lottery products.

The time period of FY 2021-2024 is now the most successful four years in Iowa Lottery history. They are the only years in which total annual Iowa Lottery sales exceeded \$430 million while the Lottery surpassed \$97 million in annual proceeds for the State of Iowa.

The Iowa Lottery extends sincere thanks to its staff, retailers, customers and policymakers for their continued support of Lottery entertainment in Iowa.

Iowa Lottery sales in FY 2024 increased 1.7 percent from the previous year's total of \$481.5 million, a sales record at the time. Lottery proceeds to state causes in FY 2024 decreased about 1.6 percent from the previous year, while prizes to players increased 2.4 percent from the previous year's total. Lottery sales commissions to Iowa businesses increased 2 percent from the previous year.

The Lottery's FY 2024 results were led by two main factors: continued growth in sales of scratch games and a strong year for the Powerball game.

While the jackpots in Mega Millions and Powerball simultaneously topped \$800 million in March 2024, the Powerball jackpot in particular exceeded \$1 billion a total of three times during the year. That, along with the November 2023 introduction of the Double Play® option in the game, led to an annual increase in Powerball sales of nearly 18 percent.

Sales of scratch games, which have always been the Iowa Lottery’s leading product, continued a strong run in FY 2024, growing 2.9 percent from the previous year and accounting for about 62 percent of the Lottery’s overall sales.

That, in turn, had an impact on Lottery proceeds. In a year like FY 2024 when scratch tickets sell particularly well, Lottery proceeds may be a smaller percentage of total sales because scratch games have a smaller profit margin than lotto games like Powerball. But while sales in lotto games are significantly jackpot driven and can vary greatly from week to week and month to month, sales of scratch tickets are more stable over time.

A highlight for FY 2024 was the \$2.5 million the Lottery raised for the Iowa Veterans Trust Fund to benefit the state’s veterans and their families. With the Lottery’s latest transfer to the Veterans Trust Fund in October 2024, the Lottery now has raised more than \$42 million for that cause since it began providing proceeds to it in 2008.

The Lottery also provides proceeds to the Public Safety Survivor Benefits Fund and Department of Corrections Survivor Benefits Fund, which help with ongoing insurance costs for the families of Iowa peace officers, firefighters and corrections employees who die in the line of duty. Lottery proceeds also benefit the state General Fund to help pay for everything from education to agricultural programs.

Here is a year-to-year comparison of annual sales by Lottery product:

<u>Product</u>	<u>FY 2024 Sales</u>	<u>FY 2023 Sales</u>
Scratch games	\$302.1 million	\$293.6 million
InstaPlay games	\$28.0 million	\$31.8 million
Pick 3	\$9.1 million	\$9.1 million
Powerball	\$77.3 million	\$65.6 million
Mega Millions	\$39.1 million	\$43.8 million
Pick 4	\$5.9 million	\$5.8 million
Lucky for Life	\$8.6 million	\$8.4 million
Lotto America	\$6.7 million	\$10.4 million
Pull-tab games	\$13.1 million	\$13.0 million

A five-year comparison of Lottery revenues and expenses is included in this report as **Attachment A**.

FY 2025 Initial Results

As referenced in the introductory section of this report, FY 2025 Lottery sales and proceeds through November, the latest full month for which results are available, are running behind FY 2024’s record pace.

Lottery operational expenses for the first five months of the fiscal year remained below budgeted projections. The Lottery's November financial statement is included in this report as **Attachment B**.

Scratch games were the Lottery's largest sales category in the initial months of FY 2025, accounting for more than 66 percent of all sales through November. Lotto game sales accounted for about 24 percent of overall sales in that same time period, with Powerball and Mega Millions sales in particular impacted by the overall relative lack of big jackpots. However, the Mega Millions jackpot had climbed to \$970 million for the drawing on December 24, 2024, and sales in that game had risen in recent weeks.

Through the years, the Lottery has emphasized that sales in multi-jurisdictional lotto games are subject to peaks and valleys that correspond with the games' jackpot prize amounts.

Lottery proceeds for the first five months of FY 2025 totaled \$33.2 million, and the Lottery remains confident that it will achieve the organization's stated goals for the current fiscal year. It continues to budget conservatively while proactively seeking to identify issues and trends that may affect future Lottery revenues.

Mega Millions Revamp



At its meeting on December 18, the Iowa Lottery Commission voted unanimously to approve updated Mega Millions game rules that define and address a redesign of the game that is slated to go live in April 2025.

The update will involve only the second price adjustment since the first Mega Millions ticket was sold more than 20 years ago and the first change since the game's current game matrix was adopted in 2017.

The changes in Mega Millions are designed to continue to provide the variety of options, excitement, and big jackpots that players want from today from premier lotto games.

The first drawing in the revamped game is set for Tuesday, April 8, 2025. Among the changes that players will notice:

- Tickets in the redesigned game will cost \$5 each. The Mega Millions starting jackpot will more than double, to \$50 million.
- With the redesign, the jackpot will grow faster and there will be bigger jackpots more often. The Lottery anticipates more jackpots above the \$1 billion mark.
- There will be bigger prizes at all nine of the prize levels in Mega Millions, from matching the Mega Ball alone all the way up to matching all six numbers to win the jackpot.
- And in a significant change, there will be no "break-even" prizes. The smallest prize in the revamped game will be \$10 – twice the purchase price.
- The Megaplier, which currently is an add-on feature that costs an extra \$1 per play, will be built into the redesigned game and expanded. With the redesign, each play will include a randomly-assigned Multiplier number that will multiply any prize won. The Megaplier currently multiplies prizes by 2-5 times, and the revamped game will add a 10X multiplier.

- The odds of winning the jackpot will improve, dropping from about 1 in 303 million to about 1 in 290 million. The overall odds of winning any prize in the game also will improve.
- The numbers available to play in Mega Millions will change slightly, with one less number in the mix. Under the redesign, players will choose 5 numbers out of 70 for the five white balls and the Mega Ball will come from a separate pool of 24 numbers. The game's current matrix is 5 of 70 + 1 of 25.

Drawings in the new game will continue to be held twice a week at 10 p.m. central time on Tuesdays and Fridays.

This redesign will further differentiate the Powerball and Mega Millions games. Both will continue to be premier big-jackpot games. But they will have different features, different ticket prices, and drawings on different nights.

Iowa is one of 47 lotteries that sell Mega Millions tickets. The others include 44 other states, Washington, D.C., and the U.S. Virgin Islands.

Appropriate Gifting at the Holidays



As it has done for the past several years, the Iowa Lottery is participating during December 2024 in a national effort at the holidays designed to minimize the risks associated with youth gambling.

The annual Gift Responsibly campaign is organized by the National Council on Problem Gambling, the National Association of State and Provincial Lotteries and McGill University. The “Gift Responsibly” image shown here has been part of the Iowa Lottery’s 2024 messaging.

In the campaign, the Lottery highlights research from the National Library of Medicine noting that adolescents and young adults are more vulnerable to the risks of gambling because their brains are still developing.

The Lottery emphasizes that it wants its products to go to those who are mature enough to enjoy that entertainment.

To provide a larger perspective, the Lottery notes that age restrictions apply to many different products. The content of some video games and movies is not appropriate for all ages. Alcohol

and tobacco-related products have age restrictions. Even toys have age-recommendation guidelines.

In Iowa, consumers must be at least 21 years old to buy Lottery tickets, and the Iowa Lottery has always considered its products something for adults. The Lottery's holiday message includes the reminder that people are gambling when they play the Lottery.

Lottery Security Compliance

An important component of the Lottery's security and integrity efforts throughout any year are the unannounced security checks conducted at retail locations by the Lottery's Security Department.



During the compliance checks, undercover Iowa Lottery investigators visit retail locations and pose as customers presenting Lottery tickets for validation and payment. The investigators also ensure that the placement of Lottery equipment is in compliance with requirements.

The Lottery's annual performance target is for its investigators to conduct compliance checks in at least 20 percent of the Lottery's approximately 2,500 licensed retail locations. Through mid-December 2024, the Lottery's investigators had already completed compliance checks in nearly 450 locations, or about 18 percent of the Lottery's retail base.

In calendar year 2025, the Lottery security team plans to incorporate credit card usage into its compliance checks, a move designed to ensure that retailers are complying with state law prohibiting the use of credit in the purchase of Lottery tickets in Iowa.

Iowa Winning Streak In Lucky For Life Game



Prize won on Oct. 23, 2024



Prize won on Nov. 8, 2024



Prize won on Dec. 15, 2024

(Still waiting to meet this winner of \$25,000 a year for life.)

Iowa closed out calendar year 2024 with a winning streak in the multi-state Lucky for Life® game.

In three months (October-December), Iowa saw three winners at the game's top two prize levels. The prizes at those levels are described as "lasting as long as you do," meaning that they are truly for life. The minimum guaranteed payout is 20 years, but the

annuitized payments will last for the winner's lifetime if it continues past that. And, there is a lump-sum option for players who prefer that rather than annuity payments.

In October, an Iowa Lottery player won at Lucky for Life's second prize level of \$25,000 a year for life. In November, another Iowa player won the game's top prize of \$1,000 a day for life. And on December 15, someone who bought a ticket at a Kum & Go in Waukee won at the game's second prize level of \$25,000 a year for life. That winner has yet to claim the prize.

Our state has never previously seen this many big winners in so short a time in Lucky for Life. Iowa is one of 23 U.S. lotteries that offer Lucky for Life.

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2020 THROUGH 2024
FINAL

Attachment A

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
OPERATING REVENUES					
Scratch ticket sales	302,133,445	293,580,116	293,126,549	316,934,651	262,447,704
Instaplay sales	27,985,302	31,817,614	23,436,815	23,478,424	16,279,705
Pick 3 sales	9,098,474	9,128,652	9,265,786	9,540,165	8,502,502
Powerball sales	77,259,703	65,632,085	53,076,000	43,419,695	36,428,043
Mega Millions sales	39,142,572	43,758,227	20,375,167	28,980,779	20,433,854
Pick 4 sales	5,927,189	5,798,109	5,602,823	5,470,758	4,950,001
Lucky for Life sales	8,570,256	8,419,258	8,071,004	5,555,026	5,335,530
Lotto America sales	6,713,029	10,387,460	7,011,217	6,441,090	6,751,811
Pull-tab sales	13,051,144	13,011,623	12,698,408	12,771,423	10,824,344
Application fees	5,550	5,750	5,300	4,700	3,750
Other revenue	10,842	23,299	21,083	6,317	7,436
Total operating revenues	489,897,506	481,562,193	432,690,152	452,603,028	371,964,680
OPERATING EXPENSES					
Scratch ticket prize expense	208,266,846	199,208,532	195,258,147	211,664,732	174,595,972
Instaplay prize expense	20,331,584	23,769,641	17,081,836	17,225,460	11,659,100
Pick 3 prize expense	5,459,084	5,477,191	5,559,472	5,766,802	5,101,502
Powerball prize expense	38,673,976	32,734,985	26,546,085	21,710,608	18,219,035
Mega Millions prize expense	19,571,286	21,963,857	10,185,739	14,490,389	10,216,927
Pick 4 prize expense	3,668,625	3,769,003	3,361,694	3,282,455	3,237,775
Lucky for Life prize expense	5,074,273	5,003,860	4,793,210	3,535,075	3,147,141
Lotto America prize expense	3,356,515	5,193,730	3,505,608	3,220,545	3,375,906
Pull-tab prize expense	8,165,563	8,133,393	7,922,317	7,981,163	6,763,647
Advertising/Publicity	11,427,959	9,235,256	8,393,217	7,421,985	6,780,551
Retailer compensation expense	31,936,417	31,307,795	28,255,266	29,694,891	24,314,334
Ticket expense	3,340,845	3,471,083	3,276,221	3,564,730	3,242,459
Vendor compensation expense	7,835,386	7,801,337	5,271,948	6,237,018	6,058,063
Salary and benefits	9,851,321	9,764,281	9,518,539	11,190,015	10,861,223
Travel	283,071	323,184	278,982	196,657	231,957
Supplies	108,784	180,749	118,521	103,778	94,247
Printing	2,691	3,173	4,571	3,076	1,402
Postage	7,506	7,582	10,130	7,380	7,097
Communications	212,315	193,849	187,447	173,362	188,930
Rentals	106,218	112,216	106,831	304,104	318,204
Utilities	102,841	106,350	94,376	91,331	92,719
Professional fees	218,116	258,286	99,832	119,268	169,265
Vending machine maintenance	308,388	295,377	271,152	261,166	257,040
Outside services & repairs	1,553,660	1,572,327	1,397,712	918,261	870,282
Data processing	139,188	153,058	129,246	128,506	125,918
Equipment	288,180	525,333	481,480	509,009	392,535
Reimbursement to other state agencies	440,335	504,191	514,973	460,093	479,618
Depreciation	482,511	482,770	527,833	457,136	481,223
Amortization	550,616	548,185	429,366	-	-
MUSL administrative expense	136,037	196,780	31,581	9,116	33,596
Debit card fees***	256,888	161,459	-	-	-
Other***	61,542	63,350	73,539	53,094	56,126
Total operating expenses	382,218,567	372,522,163	333,686,871	350,781,205	291,373,794
Operating income (loss)	107,678,939	109,040,030	99,003,281	101,821,823	80,590,886

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2020 THROUGH 2024
FINAL

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
Non-operating revenues (expenses)					
Proceeds to state causes	(106,622,008)	(108,418,373)	(97,951,422)	(101,747,494)	(81,529,332)
Interest income	1,353,191	757,312	87,823	59,467	383,498
Interest expense	(28,797)	(33,724)	(19,546)	-	-
Gain (Loss) on disposal of capital assets	30,735	(4,754)	46,657	18,400	1,647
Net non-operating revenues(expenses)	(105,266,879)	(107,699,539)	(97,836,488)	(101,669,627)	(81,144,187)
Change in net position	2,412,060	1,340,491	1,166,793	152,196	(553,301)
Net position, beginning of period	6,908,834	5,568,343	4,401,550	4,249,354	4,802,655
Net position, end of period	<u>9,320,894</u>	<u>6,908,834</u>	<u>5,568,343</u>	<u>4,401,550</u>	<u>4,249,354</u>

*** beginning in FY23, debit card fees are shown individually. Previously reported as "Other".

IOWA LOTTERY
Statement of Revenues, Expenses and Changes in Net Position
For the Five Months Ending Saturday, November 30, 2024

Attachment B

	Month ended 11/30/2024	Month ended 11/30/2023	Year-to-date 11/30/2024	Year-to-date 11/30/2023
Operating revenues:				
Scratch ticket sales	\$24,234,859.00	\$25,528,475.00	\$115,340,959.00	\$123,892,749.00
InstaPlay sales	2,254,896.00	1,974,483.00	10,994,239.00	10,874,902.00
Pick 3 sales	751,380.00	746,164.00	3,768,675.50	3,757,761.00
Powerball sales	2,909,881.00	3,982,341.50	16,080,446.50	40,088,151.50
Mega Millions Sales	2,467,422.00	1,743,516.00	11,919,669.00	21,469,951.00
Pick 4 sales	475,813.00	499,859.00	2,392,241.50	2,433,437.00
Lucky for Life sales	678,232.00	704,084.00	3,433,398.00	3,662,440.00
Lotto America sales	722,650.00	521,718.00	3,260,472.00	3,115,919.00
Pull-tab sales	1,100,386.56	1,000,036.96	5,896,723.34	5,232,487.80
Application fees	450.00	475.00	2,125.00	2,250.00
Other	660.71	375.63	58,326.33	2,894.75
Total operating revenues	35,596,630.27	36,701,528.09	173,147,275.17	214,532,943.05
Operating expenses:				
Scratch ticket prizes	15,955,569.00	16,218,955.33	79,167,426.85	86,426,058.90
InstaPlay prizes	1,680,304.18	1,318,959.69	8,097,842.94	7,676,883.84
Pick 3 prizes	506,825.40	447,698.40	2,317,202.70	2,254,656.60
Powerball prizes	1,441,606.42	1,972,287.17	8,080,023.52	20,012,411.32
Mega Millions prizes	1,241,202.08	871,758.00	5,984,940.67	10,734,975.50
Pick 4 prizes	285,487.80	299,915.40	1,435,344.90	1,460,062.20
Lucky for Life prizes	403,097.01	418,461.74	2,040,588.58	2,176,716.31
Lotto America prizes	361,325.00	260,859.00	1,597,942.60	1,557,959.50
Pull-tab prizes	688,484.97	633,076.22	3,695,572.30	3,276,321.13
Advertising/publicity	674,206.33	802,660.73	4,463,692.50	5,201,718.62
Retailer compensation expense	2,319,254.67	2,401,556.34	11,258,728.06	13,957,095.20
Ticket expense	258,753.51	231,928.87	1,294,445.95	1,244,164.57
Vendor compensation expense	546,615.09	591,368.43	2,760,868.40	3,452,672.89
Salary and benefits	782,709.34	872,152.01	4,391,391.26	4,388,530.41
Travel	26,812.06	25,335.29	133,994.21	117,381.78
Supplies	6,697.70	2,675.79	42,372.57	24,695.09
Printing	27.50	200.00	318.05	240.00
Postage	261.91	351.27	1,497.01	1,627.70
Communications	16,348.51	21,906.39	85,124.39	94,024.74
Rentals	8,657.07	8,564.67	42,914.76	44,477.70
Utilities	6,758.61	9,123.94	36,602.97	38,869.61
Professional fees	7,256.27	7,066.25	38,391.03	40,446.75
Vending machine maintenance	26,006.40	25,170.00	130,032.00	127,149.98
Outside services and repairs	121,548.15	89,098.86	708,570.22	579,540.42
Data processing	9,978.19	11,631.55	50,216.53	58,051.58
Equipment	81,592.10	32,365.94	278,842.71	98,762.50
Reimbursement to other state agencies	22,158.10	31,105.82	109,735.63	174,762.69
Depreciation	68,610.49	40,738.85	215,925.21	204,681.90
Amortization	45,884.70	45,884.70	229,423.50	229,423.50
MUSL/Lotto administrative expense	(159.35)	11,086.84	45,581.96	54,308.29
Debit card fees	22,402.06	17,493.36	101,588.15	105,389.97
Other	5,019.16	4,837.02	135,373.55	24,402.40
Total operating expenses	27,621,300.43	27,726,273.87	138,972,515.68	165,838,463.59
Operating income	7,975,329.84	8,975,254.22	34,174,759.49	48,694,479.46
Non-operating revenue (expenses):				
Proceeds to state causes	(8,204,276.88)	(9,222,201.90)	(33,189,820.25)	(49,416,943.31)
Interest income	107,639.88	176,346.25	435,023.32	559,186.74
Interest expense	(1,886.86)	(2,406.07)	(10,307.59)	(13,121.42)
Capital Contributions	128,725.00	-	176,150.00	-
Gain (Loss) on disposal of capital assets	-	-	1,885.00	30,735.00
Net non-operating revenues (expenses)	(7,969,798.86)	(9,048,261.72)	(32,587,069.52)	(48,840,142.99)
Change in net position	5,530.98	(73,007.50)	1,587,689.97	(145,663.53)
Net position beginning of period	10,903,052.55	6,836,178.42	9,320,893.56	6,908,834.45
Net position end of period	10,908,583.53	6,763,170.92	10,908,583.53	6,763,170.92