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Lt. Governor



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 2011

Iowa Lottery players took home two Hot Lotto® jackpots in 2011, but a third Iowa jackpot won in the game remained unclaimed with just days to go before its expiration date.

Someone who bought a ticket at a Des Moines convenience store for the Hot Lotto drawing on Dec. 29, 2010, won the \$16.5 million jackpot that night, but no one has ever come to the lottery to claim the prize – and the winning ticket has never been checked on a lottery terminal in Iowa. The big prize is set to expire at 4 p.m. on Dec. 29, 2011, if it is not claimed by then.



Should that come to pass, the money from the jackpot will go back to the 15 lotteries that offer Hot Lotto in proportion to the percentage of sales that came from each state. Iowa law specifies that the money from unclaimed prizes goes into the lottery's prize pools for future games or special promotions, so it will be used to pay prizes to Iowa players, just not those particular prizes that have expired.

And as the Hot Lotto jackpot's deadline approached, so did that for a \$77 million Powerball jackpot in Georgia. The prize-claim period for Powerball prizes in that state is 180 days, so the jackpot won there on June 29 expired Dec. 26 when no one claimed it by that time. The Iowa Lottery also stood to receive back a percentage of that unclaimed prize money.

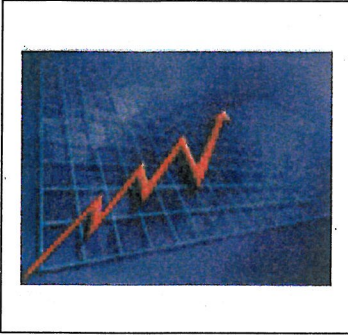


While final plans can't be put in place until after the prize-claim periods expire, the lottery is discussing offering a spring promotion to give away the unclaimed jackpot money to Iowa Lottery players with the theme of "everyone deserves a second chance." The total that would be given away in the promotion would be about \$1.9 million, the amount that the lottery would receive back from the unclaimed jackpots.

In comparison to those two instances, Iowa's latest Hot Lotto jackpot winner claimed his prize within a few days of winning it. Wally Markham of Waterloo, who is retired after working for

36 years at the Deere & Co. plant there, won the \$7.54 million Hot Lotto jackpot in the drawing on Nov. 5. Markham, 65, said he planned to invest his winnings and planned to continue playing the lottery because he definitely intends to win again.

FY 2011 Results and FY 2012 Budget



A five-year comparison of lottery sales, expenses and proceeds is included in this report as **Attachment A**. Overall lottery proceeds were more than \$68 million in FY 2011 compared to \$57.9 million the previous year. The lottery's latest financial performance figures are included in this report as **Attachment B**, again showing positive proceeds to state causes.

Lottery proceeds through November, the latest month for which complete figures are available, were running about 15 percent ahead of FY 2011 figures for the same time period. That is especially positive news, given that FY 2011 was the best year in the lottery's history for lottery proceeds from its current products (lotto games, instant-scratch games and pull-tab games).

We believe the lottery's continued sales success even during the current negative economic conditions comes from the current creative line-up of games and promotions, which produces variety and choices in the lottery entertainment options available; but also from the basic concept of a lottery itself. Lottery products remain today what they have always been: an affordable, local entertainment option. And, while consumers may be cutting back on larger entertainment expenditures, lottery products are something that is still available for just a dollar or two in local areas.

Lottery proceeds have increased at a higher rate than lottery sales for the year for a few different reasons. One of the biggest is the fluctuation in lottery prize claims, which is cyclical and may vary from year to year, but bears out to anticipated levels over time.

As always, we are closely tracking lottery results and providing regular updates about sales and proceeds through the state's I-3 accounting system.

During its Sept. 29 meeting, the Iowa Lottery Board approved the lottery's FY 2013 budget. That budget took into account several upcoming factors, including the \$2 price point change for Powerball in January that is expected to increase sales revenues, and the lottery's plans to go out to bid for ticket-vending machines. The current machines have been in the field for a number of years and need to be replaced to maintain service. The budget took into account predictions of continued U.S. economic difficulties and conservatively projected a 2 percent growth in lottery proceeds from FY 2012 to FY 2013.

The lottery projects that its sales will total at least \$277.6 million in FY 2013 while lottery proceeds to state causes will total at least \$60.5 million.

As part of standard procedures, the lottery's budget figures have been entered into the state's I-3 accounting system and are available for review by all interested parties. In addition, detailed updates to the lottery's sales and budget figures are also regularly provided through the state's I-3 accounting system.

Copies of the lottery's Overall Budget and Operating Expenses are both included with this report as **Attachments C** and **Attachment D**.



The members of the Lottery Board are: Chairperson Brad Schroeder of Pleasant Hill, an attorney whose law practice is based in Des Moines; Mike Klappholz of Cedar Rapids, a retired police chief; Mary Junge of Cedar Rapids, a CPA and practicing tax and estate-planning attorney; Herman Richter, president of The Three Sons clothing store in Milford and a co-founder of the popular and mythical University of Okoboji; Deb Burnight, a certified professional facilitator and trainer from Sioux City; and State Treasurer Michael Fitzgerald, who serves on the board as a nonvoting member.

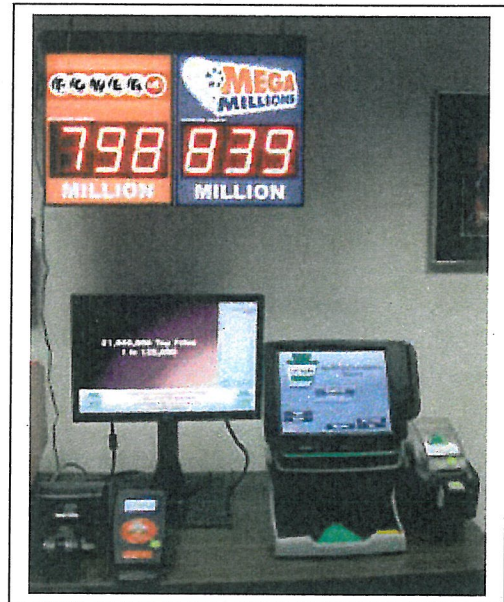
New Statewide Gaming System

After a 2½-year implementation project, the Iowa Lottery's new statewide gaming system became fully functional on July 3, providing lottery retail locations and players with valuable advances in technology.

In general, the lottery systems that are used to sell and validate tickets are replaced about every 10 years. The Iowa Lottery's lease for its previous system that had been in use since 2001 expired July 2. The lottery's contract with Georgia-based Scientific Games International for its new equipment is for seven years with three possible one-year extensions and is worth about \$50 million. It is the largest contract involved in the operation of the lottery.

Some highlights of the new gaming system include:

- Self-checkers all retail locations, allowing lottery players to check tickets on their own rather than giving them to the clerk to check.
- Lighted jackpot signs in many locations that communicate wirelessly with the lottery terminal to automatically update and display the latest jackpot amounts in Powerball® and Mega Millions®.
- Flat-screen monitors in many locations that display customer transaction details as well as lottery marketing messages.
- An updated version of the lottery's longtime VIP Club customer rewards program that players can join to participate in exclusive promotions and drawings. The update to the club allows the lottery to shift some of its prize payouts away from cash prizes and into merchandise with the



goal of broadening the lottery's player base by offering greater variety in the prizes that players can win. Nearly 40,000 Iowa lottery players have joined the enhanced club since it was re-launched in May.

- A smart phone app that lottery players can use to check winning numbers and get the latest updates from the lottery.
- Bar-code scanning equipment being tested that may enable retail locations to scan customers' IDs for age-compliance purposes.

Updates To Powerball Game



As Powerball moves into its 20th year in 2012, the game is being redesigned to bring more value to its players. Beginning Jan. 15, the game's ticket price will be \$2. Powerball's starting jackpots will double to \$40 million and the jackpot will be easier to win. The overall odds of winning any prize also will be easier, and there will be more

chances to win a prize of at least \$1 million cash.

Since getting its start in April 1992 in 15 states with jackpots that started at a guaranteed \$2 million, Powerball has grown into one of the world's biggest and most recognizable lottery games. Today it's sold by 44 lotteries across the nation, with players buying more than \$3 billion annually in Powerball tickets. And the biggest jackpot in the game so far was a \$365 million prize split by eight co-workers at a Nebraska meat-packing plant in February 2006.

But with that success comes a demand for innovation to keep things fresh. U.S. lottery directors in June approved the upcoming changes to the game.

The \$2 Powerball game will debut Jan. 15. Players in the newly designed game will still choose their first five numbers from a pool of 59. But the group of numbers in the Powerball pool will shrink from 39 to 35, producing better overall odds of winning a prize in the game. Players today have a 1 in 35 overall chance of winning, which will improve to 1 in 31.8 in the revamped game. The Powerball jackpots will start at \$40 million, double the current starting jackpot of \$20 million.

By changing Powerball's ticket price to \$2, U.S. lotteries are following the same successful business model they've used for years with lottery scratch games by offering various tickets at different prices. The Mega Millions jackpot game and other in-state lotto, instant-scratch and pull-tab games will still be available for those players who prefer the \$1 price level of play.

The new Powerball game will still offer players nine ways to win prizes, with its second prize moving up to \$1 million in cash from the current \$200,000, and the lowest prize level (for those who match just the Powerball) being elevated to \$4 from \$3.

Internet Gambling

For the past two years, the Iowa Lottery has been keeping you updated about the issue of Internet gaming. Discussions on the topic continue both in Washington, D.C., and here in Iowa, with one of the most recent developments coming Dec. 23 from the U.S. Department of Justice. That day, the department sent a letter to the New York Lottery regarding the federal Wire Act. In its letter, the department said it had concluded that the Wire Act prohibits only the transmission of communications relating to bets or wagers on sporting events or contests.

New York has argued that the Wire Act is inapplicable to lotteries as it pertains to non-sports Internet wagering.

Several states around the country have begun to closely examine the issue of introducing lottery games on the Internet following release of the Department of Justice letter. The Iowa Lottery has not proposed any legislation or programs on the issue, but does continue to monitor it, as it is an important topic of discussion nationwide.

Additionally, legislation has been introduced both in Congress and in individual states to allow for the regulation of Internet gambling. In both the 2010 and 2011 sessions, legislation was introduced here in Iowa to allow different forms of Internet gambling.

The lottery remains cognizant of its responsibility to provide proceeds for state causes and understands that for its products to remain relevant to today's consumers, it must keep abreast of advances in technology that change the way society communicates and conducts business. Current technology in many ways means that lotteries are using an offline business model in an online world. The lottery will continue to monitor and evaluate proper use of new technology to meet citizens' demands. We will provide updates to your committees and the Legislature as a whole about the changes that could be involved in Iowa and the impact such issues could have on the state budget.

We will continue to offer ourselves as a business analyst to offer outside perspective, advice and revenue projections in these discussions.

Working Cooperatively & Promoting Iowa

Throughout this past summer and fall, the Iowa Lottery continued its efforts to highlight important state causes by working on a summer travel promotion with the Iowa Tourism Office and a fall tailgating promotion with the University of Iowa, Iowa State University and the University of Northern Iowa.

In July, the lottery released the nostalgia-themed "Monopoly™" scratch game and at the same time, began a promotion that allowed players to use their nonwinning Monopoly tickets as entries into a drawing for the chance to win Iowa vacation packages.

The promotion was offered through the lottery's VIP Club. During the promotion drawing on Sept. 7, the following winners took these home getaway packages, which can be used into 2012:

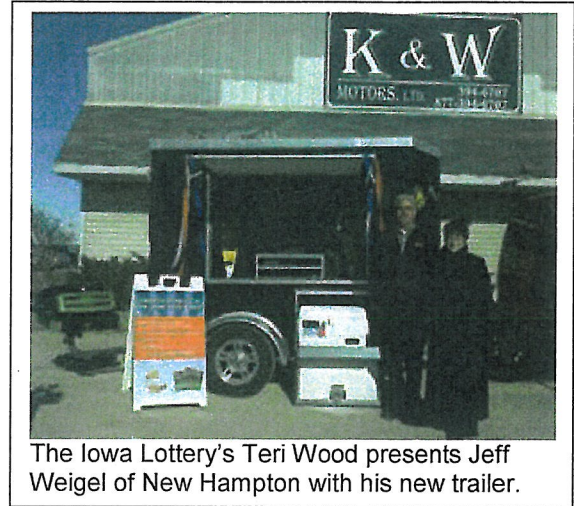
- Tiffany Delarme of Marshalltown - Honey Creek Resort State Park near Moravia
- Tim Messler of Des Moines - Boone Scenic Valley Railroad & Hilton Garden Inn
- Krystal Ahrens of Fostoria - The Inn at Okoboji
- Glaine Coleman of Cedar Rapids - King's Pointe Resort in Storm Lake
- Gary McKown Jr. of Cedar Rapids - Historic Park Inn Hotel in Mason City
- David Yackle of Eagle Grove - Hotel Julien in Dubuque
- Daniel Cramer of Des Moines - Harrah's in Council Bluffs
- Elizabeth Hansen of Cedar Falls - The Blackhawk Hotel in Cedar Falls.

In August, the lottery released the sports-themed "Great State Tailgate" scratch game and began a promotion that allowed players to use nonwinning tickets in the game as entries into a drawing for a chance to win a towable tailgate trailer or one of five cash prizes of \$1,000. The lottery took the trailer to

a total of 11 home games at the Iowa, Iowa State and UNI, encouraging people to get out and enjoy fall football in our state.

That promotion also was offered through the lottery's VIP Club. During the drawing on Dec. 8, five players won prizes of \$1,000 cash while Jeff Weigel, a car salesman from New Hampton, was selected as the grand-prize winner of the towable tailgate trailer, which came equipped with:

- 42-inch LCD HDTV with DirecTV® receiver and HD auto satellite antenna
- SONY® theater system with iPOD® Direct Connect
- Hitch-mounted tailgating gas grill and 54-qt. cooler on full slide system
- 1000W portable generator
- 30 AMP electrical panel box
- \$2,000 cash for customizing the trailer, travel, and spending money.



The Iowa Lottery's Teri Wood presents Jeff Weigel of New Hampton with his new trailer.

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR FISCAL YEARS 2007 THROUGH 2011
FINAL

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
OPERATING REVENUES					
Instant-scratch ticket sales	\$165,329,031	143,759,258	136,268,555	\$137,917,848	\$125,147,976
Pick 3 sales	6,573,020	6,531,001	6,534,765	6,373,362	6,282,529
Powerball sales	47,124,656	59,190,012	58,220,203	63,761,024	61,548,520
Mega Millions sales	16,051,016	5,544,128	0	0	0
Hot Lotto sales	11,608,730	13,653,746	14,329,610	11,724,416	14,453,908
Raffle sales	0	789,200	0	1,425,460	0
Pick 4 sales	2,701,949	2,662,191	2,555,237	2,315,469	2,224,092
\$100,000 Cash Game sales	3,687,370	3,908,785	4,113,307	4,291,933	4,362,916
Touch Play Machine (Net Receipts)					(77,671)
Pull-tab sales	18,315,275	20,217,316	21,315,424	21,407,956	21,058,969
Application fees	5,575	3,975	3,680	5,150	6,325
Other revenue	138,133	22,147	65,449	47,962	147,426
Total operating revenues	271,534,755	256,281,759	243,406,230	249,270,580	235,154,990
OPERATING EXPENSES					
Scratch ticket prize expense	103,652,725	91,479,848	81,846,620	85,907,684	76,461,872
Pick 3 prize expense	3,894,422	3,958,003	3,834,735	3,763,710	3,710,127
Powerball prize expense	22,553,385	28,558,287	28,118,140	30,749,779	29,416,275
Mega Millions prize expense	8,365,976	2,879,811	0	0	0
Hot Lotto prize expense	5,608,729	6,610,476	7,015,713	5,668,710	7,097,545
Raffle prize expense	0	392,876	(10,500)	1,200,000	0
Pick 4 prize expense	1,596,054	1,544,018	1,473,587	1,352,661	1,202,769
\$100,000 Cash Game prize expense	1,745,257	2,005,333	2,271,476	2,525,366	2,212,777
Pull-tab prize expense	11,458,672	12,702,718	13,389,649	13,397,429	13,103,358
Promotional prize expense	85,858	322,417	485,921	104,236	152,137
Advertising/Publicity	6,647,468	7,539,052	7,007,617	7,307,529	6,277,829
Retailer compensation expense	17,284,432	16,109,637	15,298,641	15,650,431	14,674,744
Ticket expense	2,784,308	2,683,364	2,674,067	2,444,025	2,626,607
Vendor compensation expense	5,848,081	8,168,273	7,796,934	7,823,721	7,339,692
Salary and benefits	8,650,620	9,819,749	8,759,206	9,435,111	8,412,628
Travel	415,007	369,153	404,876	443,445	396,384
Supplies	110,465	104,863	110,739	107,592	97,168
Printing	13,830	14,477	9,582	17,737	22,485
Postage	5,112	6,166	4,718	4,528	44,942
Communications	518,708	562,025	568,096	574,029	544,149
Rentals	277,163	285,660	290,254	277,173	276,385
Utilities	103,438	98,468	103,240	114,292	91,013
Professional fees	118,062	165,833	121,965	144,953	91,137
Vending machine maintenance	526,196	488,697	489,809	492,495	492,576
Outside services & repairs	306,730	403,083	197,386	264,151	182,157
Data processing	46,670	37,700	40,929	37,998	38,380
Equipment	387,674	152,832	204,598	155,425	238,897
Reimbursement to other state agencies	432,878	455,697	435,976	500,235	350,385
Depreciation	117,508	864,963	1,403,051	1,407,901	1,415,964
Other	58,006	104,355	132,141	129,169	124,649
MUSL administrative expense	40,528	17,818	0	0	(32,454)
Total operating expenses	203,653,962	198,905,652	184,479,166	192,001,515	177,062,577
Operating income (loss)	67,880,793	57,376,107	58,927,064	57,269,065	58,092,413
Non-operating revenue (expense)					
Interest income	146,178	364,957	421,090	699,922	821,922
Interest expense	(42,418)	(45,702)	(48,986)	(109,467)	(175,147)
Income before transfers	67,984,553	57,695,362	59,299,168	57,859,520	58,739,188
Transfers to:					
Gambler's Treatment Program	0	0	(1,219,137)	(1,249,853)	(1,179,883)
Veterans Trust Fund	(3,105,371)	(2,661,554)	(2,783,377)	0	0
State General Fund	(64,896,382)	(55,245,512)	(56,550,792)	(55,296,265)	(56,970,554)
Total Transfers	(68,001,753)	(57,907,066)	(60,553,306)	(56,546,118)	(58,150,437)
Change in net assets	(17,200)	(211,704)	(1,254,138)	1,313,402	588,751
Net assets, beginning of period	4,201,939	4,413,643	5,667,781	4,354,379	3,765,628
Net assets, end of period	\$4,184,739	\$4,201,939	\$4,413,643	\$5,667,781	\$4,354,379

Attachment B

**IOWA LOTTERY AUTHORITY
PERFORMANCE MEASURES
FY 2012**

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales												
Budget '12	20,609,581	22,918,806	21,175,340	21,309,099	21,799,177	22,728,637	23,617,742	22,584,290	25,693,244	23,747,534	23,303,424	21,913,126
Actual '11	20,683,463	20,526,860	20,268,736	20,707,755	22,414,149	23,638,991	23,866,645	22,592,711	27,156,908	24,150,580	22,962,332	22,423,397
Actual '12	21,873,877	24,265,848	21,821,737	24,435,865	25,093,494							
Prize Expense												
Budget '12	12,323,936	13,704,786	12,662,243	12,742,227	13,035,280	13,691,070	14,122,729	13,504,755	15,363,820	14,200,341	13,934,776	13,103,418
Actual '11	12,779,039	11,692,728	11,763,446	12,293,596	12,390,886	14,042,187	13,741,084	14,281,690	15,042,753	13,796,588	13,991,657	13,145,424
Actual '12	12,753,428	13,913,842	12,543,873	14,418,330	13,955,317							
						59.80% 3)						
						55.28% 4)						
						55.61% 5)						
Operating Expenses												
Budget '12	457,565	940,363	940,363	940,363	1,376,859	811,259	946,511	946,511	946,511	946,511	1,386,080	1,530,701
Actual '11	539,097	693,153	884,831	807,776	1,184,565	703,967	828,828	936,391	850,695	888,354	1,287,987	1,101,338
Actual '12	460,879	794,576	991,760	874,688	1,261,482							
Proceeds to General Fund												
Budget '12	4,731,498	4,830,115	4,391,147	4,424,824	4,111,720	4,911,339	4,999,945	4,739,743	5,522,513	5,032,624	4,481,237	3,986,568
Actual '11	4,714,318	5,198,524	4,295,667	5,010,008	6,255,411	5,606,161	6,208,866	4,335,482	7,234,879	6,253,580	4,814,963	5,023,213
Actual '12	5,684,111	6,061,167	5,029,059	5,818,860	7,365,377							
Proceeds to Veterans Trust												
Budget '12	87,190	400,958	282,864	170,140	139,576	130,277	137,554	254,521	402,317	199,855	155,648	139,000
Actual '11	131,645	382,640	441,669	251,116	208,123	203,448	184,063	267,748	472,319	229,155	180,569	152,856
Actual '12	57,594	350,656	391,066	165,122	128,253							
Total Proceeds												
Budget '12	4,818,688	5,231,073	4,674,111	4,594,964	4,251,296	5,041,616	5,137,499	4,994,264	5,924,830	5,232,479	4,636,885	4,125,568
Actual '11	4,845,963	5,581,164	4,737,336	5,261,124	6,463,534	5,809,609	6,392,929	4,603,230	7,707,198	6,482,735	4,995,552	5,176,069
Actual '12	5,741,705	6,431,823	5,420,125	5,983,982	7,493,630							
YEAR TO DATE												
Gross Sales												
Budget '12	20,609,581	43,528,387	64,703,727	86,012,826	107,812,003	130,540,640	154,158,382	176,742,672	202,435,916	226,183,450	249,486,874	271,400,000
Actual '11	20,683,463	41,210,343	61,479,079	82,186,834	104,600,963	128,239,974	152,106,619	174,699,330	201,856,238	226,006,818	248,969,150	271,392,547
Actual '12	21,873,877	46,139,725	67,961,462	92,397,327	117,490,821							
Prize Expense												
Budget '12	12,323,936	26,028,722	38,690,965	51,433,192	64,468,472	78,059,542	92,185,271	105,687,026	121,050,846	135,251,187	149,185,963	162,289,381
Actual '11	12,779,039	24,471,767	36,235,213	48,528,809	60,919,695	74,961,882	88,702,966	102,984,656	118,027,409	131,823,997	145,815,654	159,961,078
Actual '12	12,753,428	26,667,270	39,211,143	53,629,473	67,584,790							
Operating Expenses												
Budget '12	457,565	1,397,828	2,338,291	3,278,854	4,655,513	5,466,772	6,413,283	7,359,794	8,306,305	9,252,816	10,638,896	12,169,597
Actual '11	539,097	1,232,250	2,117,081	2,924,857	4,109,422	4,813,389	5,642,217	6,578,608	7,429,303	8,317,657	9,605,644	10,706,982
Actual '12	460,879	1,255,455	2,247,215	3,121,903	4,383,385							
Proceeds to General Fund												
Budget '12	4,731,498	9,561,613	13,952,760	18,377,584	22,489,304	27,400,643	32,400,588	37,140,331	42,662,844	47,695,468	52,176,705	56,163,273
Actual '11	4,714,318	9,912,842	14,208,509	19,218,517	25,473,928	31,080,089	37,288,955	41,624,437	48,859,316	55,112,896	59,927,859	64,951,072
Actual '12	5,684,111	11,765,278	16,794,337	22,613,197	29,978,574							
Proceeds to Veterans Trust												
Budget '12	87,190	488,148	771,112	941,252	1,080,828	1,211,105	1,348,659	1,603,180	2,005,497	2,205,352	2,361,000	2,500,000
Actual '11	131,645	514,285	955,954	1,207,070	1,415,193	1,618,641	1,802,704	2,070,452	2,542,771	2,771,926	2,952,515	3,105,371
Actual '12	57,594	408,250	799,316	964,438	1,092,691							
Total Proceeds												
Budget '12	4,818,688	10,049,761	14,723,872	19,318,836	23,570,132	28,611,748	33,749,247	38,743,511	44,666,341	49,900,820	54,537,705	58,663,273
Actual '11	4,845,963	10,427,127	15,164,463	20,425,587	26,889,121	32,698,730	39,091,659	43,694,869	51,402,087	57,884,822	62,880,374	68,056,443
Actual '12	5,741,705	12,173,528	17,593,653	23,577,635	31,071,265							

1) Actual FY12 compared to Budget FY12
 2) Actual FY12 compared to Actual FY11
 3) Budget FY12 Prize Payout
 4) Actual FY11 Prize Payout
 5) Actual FY12 Prize Payout

Budget for Lottery Fund

	2012 APPROVED BUDGET	2013 APPROVED BUDGET
<u>Resources</u>		
Lottery sales	271,400,000	277,100,000
Interest income	500,000	500,000
Application fees	5,000	5,000
Other	5,000	5,000
Total Resources	271,910,000	277,610,000
<u>Expenses and Change in Net Assets</u>		
Prizes	162,289,381	163,072,678
Retailer compensation	17,061,705	17,648,025
Advertising production and media purchases	10,856,000	11,084,000
Retailer Lottery system/Terminal communications	6,491,856	6,392,184
Instant/Pull-tab ticket expense & machine maintenance	3,259,167	3,400,000
Terminal equipment/Ticket dispensers/Vending machines	525,000	2,200,000
Courier delivery of instant tickets	506,272	683,000
Interest expense (ITVM/PTVM/Building)	39,408	245,000
Lottery operating expense	12,169,597	12,310,869
Increase (decrease) in net assets	48,341	48,341
Total Expenses and Change in Net Assets	213,246,727	217,084,097
<u>Proceeds</u>		
Proceeds Transfer to General Fund	56,163,273	57,725,903
Proceeds Transfer to Veterans Trust Fund	2,500,000	2,800,000
Total Proceeds Transfers	58,663,273	60,525,903
Total Expenses and Proceeds	271,910,000	277,610,000

Lottery Operations - Budget Detail

	2012 APPROVED BUDGET	2013 APPROVED BUDGET
Administrative payroll	9,711,869	9,711,869 *
Travel	400,000	420,000
Supplies	104,500	105,000
Printing	14,500	15,000
Postage	6,500	6,000
Communications	150,000	170,000
Rentals	300,000	300,000
Utilities	100,000	105,000
Professional fees	65,000	135,000
Outside services and repair	414,228	350,000
Data processing	40,000	50,000
Equipment	100,000	170,000
Reimbursement to state agencies	475,000	450,000
Depreciation	191,000	223,000
Other expenses	97,000	100,000
Total operating expenses	\$ 12,169,597	\$ 12,310,869

* 2013 Proposed Budget for "Administrative Payroll" does not include salary and benefit cost increases. Consistent with prior years, salary and benefit cost increases will be requested as a budget amendment in June 2012.

IOWA LOTTERY AUTHORITY
 PERFORMANCE MEASURES
 FY 2012

Month		JUL	AUG	SEP	OCT	NOV	DEC			JAN	FEB	MAR	APR	MAY	JUN
Gross Sales	Budget '12	20,609,581	22,918,806	21,175,340	21,309,099	21,799,177	22,728,637			23,617,742	22,584,290	25,693,244	23,747,534	23,303,424	21,913,126
	Actual '11	20,683,463	20,526,880	20,268,736	20,707,755	22,414,149	23,638,991			23,866,645	22,592,711	27,156,908	24,150,580	22,962,332	22,423,397
	Actual '12	21,873,877	24,265,848	21,821,737	24,435,865	25,093,494	26,243,111								
Prize Expense	Budget '12	12,323,936	13,704,786	12,662,243	12,742,227	13,035,280	13,591,070	59.80% 3)		14,122,729	13,504,755	15,363,820	14,200,341	13,934,776	13,103,418
	Actual '11	12,779,039	11,692,728	11,763,446	12,293,596	12,390,886	14,042,187	59.40% 4)		13,741,084	14,281,690	15,042,753	13,796,588	13,991,657	13,145,424
	Actual '12	12,753,428	13,913,842	12,543,873	14,418,330	13,955,317	16,548,952	63.06% 5)							
Operating Expenses	Budget '12	457,565	940,363	940,363	940,363	1,376,859	811,259			946,511	946,511	946,511	946,511	1,386,080	1,530,701
	Actual '11	539,097	693,153	884,831	807,776	1,184,565	703,967			828,828	936,391	850,695	888,354	1,287,987	1,101,338
	Actual '12	460,879	794,576	991,760	874,688	1,261,482	757,874								
Proceeds to General Fund	Budget '12	4,731,498	4,830,115	4,391,147	4,424,824	4,111,720	4,911,339			4,999,945	4,739,743	5,522,513	5,032,624	4,481,237	3,986,568
	Actual '11	4,714,318	5,198,524	4,295,667	5,010,008	6,255,411	5,606,161			6,208,866	4,335,482	7,234,879	6,253,580	4,814,963	5,023,213
	Actual '12	5,684,111	6,081,167	5,029,059	5,818,860	7,365,377	5,345,966								
Proceeds to Veterans Trust	Budget '12	87,190	400,958	282,964	170,140	139,576	130,277			137,554	254,521	402,317	199,855	155,648	139,000
	Actual '11	131,645	382,640	441,669	251,116	208,123	203,448			184,063	267,748	472,319	229,155	180,589	152,856
	Actual '12	57,594	350,656	391,066	165,122	128,253	155,046								
Total Proceeds	Budget '12	4,818,688	5,231,073	4,674,111	4,594,964	4,251,296	5,041,616			5,137,499	4,994,264	5,924,830	5,232,479	4,636,885	4,125,568
	Actual '11	4,845,963	5,581,164	4,737,336	5,261,124	6,463,534	5,809,609			6,392,929	4,603,230	7,707,198	6,482,735	4,995,552	5,176,069
	Actual '12	5,741,705	6,431,823	5,420,125	5,983,982	7,493,630	5,501,012								
YEAR TO DATE															
Gross Sales	Budget '12	20,609,581	43,528,387	64,703,727	86,012,826	107,812,003	130,540,640	10.11% 1)		154,158,382	176,742,672	202,435,916	226,183,450	249,486,874	271,400,000
	Actual '11	20,683,463	41,210,343	61,479,079	82,186,834	104,600,983	128,239,974	12.08% 2)		152,106,619	174,699,330	201,856,238	226,006,818	248,969,150	271,392,547
	Actual '12	21,873,877	46,139,725	67,961,462	92,397,327	117,490,821	143,733,932								
Prize Expense	Budget '12	12,323,936	26,028,722	38,690,965	51,433,192	64,468,472	78,059,542	59.80% 3)		92,182,271	105,687,026	121,050,846	135,251,187	149,185,963	162,289,381
	Actual '11	12,779,039	24,471,767	36,235,213	48,528,809	60,919,695	74,961,882	58.45% 4)		88,702,966	102,984,656	118,027,409	131,823,997	145,815,654	158,961,078
	Actual '12	12,753,428	26,667,270	39,211,143	53,629,473	67,584,790	84,133,742	58.53% 5)							
Operating Expenses	Budget '12	457,565	1,397,928	2,338,291	3,278,654	4,655,513	5,466,772			6,413,283	7,359,794	8,306,305	9,252,816	10,638,896	12,169,597
	Actual '11	539,097	1,232,250	2,117,081	2,924,857	4,109,422	4,813,389			5,642,217	6,578,608	7,429,303	8,317,657	9,605,644	10,706,982
	Actual '12	460,879	1,255,455	2,247,215	3,121,903	4,383,385	5,141,259								
Proceeds to General Fund	Budget '12	4,731,498	9,561,613	13,952,760	18,377,584	22,489,304	27,400,643			32,400,588	37,140,331	42,662,844	47,695,468	52,176,705	56,163,273
	Actual '11	4,714,318	9,912,842	14,208,509	19,218,517	25,473,928	31,080,089			37,288,955	41,624,437	48,859,316	55,112,896	59,927,859	64,951,072
	Actual '12	5,684,111	11,765,278	16,794,337	22,613,197	29,978,574	35,324,540								
Proceeds to Veterans Trust	Budget '12	87,190	488,148	771,112	941,252	1,080,828	1,211,105			1,348,659	1,603,180	2,005,497	2,205,352	2,361,000	2,500,000
	Actual '11	131,645	514,285	955,954	1,207,070	1,415,193	1,618,641			1,802,704	2,070,452	2,542,771	2,771,926	2,952,515	3,105,371
	Actual '12	57,594	408,250	799,316	964,438	1,092,691	1,247,737								
Total Proceeds	Budget '12	4,818,688	10,049,761	14,723,872	19,318,836	23,570,132	28,611,748	27.82% 1)		33,749,247	38,743,511	44,668,341	49,900,820	54,537,705	58,663,273
	Actual '11	4,845,963	10,427,127	15,164,463	20,425,587	26,889,121	32,698,730	11.85% 2)		39,091,659	43,694,889	51,402,087	57,884,822	62,880,374	68,056,443
	Actual '12	5,741,705	12,173,528	17,593,653	23,577,635	31,071,265	36,572,277								

- 1) Actual FY12 compared to Budget FY12
- 2) Actual FY12 compared to Actual FY11
- 3) Budget FY12 Prize Payout
- 4) Actual FY11 Prize Payout
- 5) Actual FY12 Prize Payout

Hot Lotto Jackpot Timeline

Dec. 23, 2010: A \$10 Hot Lotto ticket is purchased at a Des Moines convenience store with two plays for five consecutive drawings.

Dec. 29, 2010: One of the plays on that ticket matches all six numbers selected in that night's Hot Lotto drawing to win the multi-million-dollar jackpot.

Throughout 2011: The lottery issues reminders that the winning ticket is still unclaimed and the deadline to claim the prize is 4 p.m. Dec. 29, 2011.

Dec. 29, 2011: The winning ticket is presented at lottery headquarters in Des Moines with less than two hours to go until the prize would have expired. No member of Hexam Investments Trust, the entity claiming the prize, is present. The lawyers who presented the ticket said they didn't have details sought by lottery about who purchased ticket, where it had been for the past year, and who the prize winners were. The lottery continues to seek information.

Jan. 17, 2012: Crawford Shaw, the trustee who had signed the winning ticket on behalf of the trust, meets with lottery officials. He states that he misspelled the name of the trust and that it actually is Hexham Investments Trust. While some documents relating to the trust are presented, they do not provide the details sought by the lottery. Shaw says he is not the prize winner and did not purchase the winning ticket. He also states he does not know the information sought by the lottery.

Jan. 23, 2012: To try to bring closure to a situation that had lingered for 13 months, the Iowa Lottery sets a deadline of 3 p.m. Jan. 27, 2012, for the requested information to be provided or the jackpot claim would be denied.

Jan. 25, 2012: The trust makes an offer to the lottery, stating that if the lottery will pay the prize, the entire prize winnings will be given to charity. However, the necessary information sought by the lottery is still not provided.

Jan. 26, 2012: The lottery denies that request and continues to seek the information it has requested. At 6:05 p.m., the lottery receives confirmation that the jackpot claim has been withdrawn. At 7 p.m., the lottery holds a news conference to share that development. Immediately following, the Iowa Attorney General's Office and Iowa Division of Criminal Investigation issue a joint statement announcing that they have begun an investigation into the matter.