



# Iowa Lottery Budget Overview

Presented to:  
Administration and Regulation Appropriations Subcommittee  
Iowa Legislature  
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Terry Rich, CEO  
Iowa Lottery



# Iowa Lottery Authority Created In 2003

- Iowa Lottery began in 1985, but became the Iowa Lottery Authority on July 1, 2003.
- Authority is an instrumentality of the state, but not a state agency. It is entirely self funded. Monies of the state cannot be used to pay its expenses.
- Authority has limited powers to buy real estate and borrow money.
- Other issues: competitive bidding, retailer licensing, prizes, legal representation, law enforcement investigations, open records, advertising expenditure limit.



# Guiding Principles For Iowa's Lottery Found in State Law

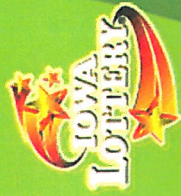
## Iowa Code Chapter 99G:

- “ ... the state should create a public instrumentality of the state in the form of a nonprofit authority known as the Iowa Lottery Authority with comprehensive and extensive powers to operate a state lottery in an entrepreneurial and businesslike manner ... ”
- “ ... lottery games shall be operated and managed in a manner that provides continuing entertainment to the public, maximizes revenues and ensures that the lottery is operated with integrity and dignity and free from political influence ... ”



# Lottery Budget Focus

- Focus is on long-term proceeds vs. sales.
- Goals built upon a 5-year rolling average for reliable results.
- Vital to sustained proceeds: investments in modernizing operations, product R&D, diversity of products, and maintaining the highest level of lottery integrity.
- Continually monitor the social impact.
- When ILOT spends \$1, we must sell \$4 to break even.
- \$68 million in annual lottery proceeds is the new norm.



# Audits and Reports

- Lottery Authority reports quarterly and annually to the Governor, Auditor and Legislature.
- Authority also reports twice a year to Government Oversight Committees. The Authority comes under legislative review, but is not subject to appropriations process.
- Authority is audited annually.
- Lottery Authority proceeds benefit state programs.





# Budget for Lottery Fund

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 BOARD APPROVED BUDGET	FY 2017 BOARD APPROVED BUDGET
<b>Resources</b>				
Lottery sales	314,055,429	309,500,000	312,700,000	312,700,000
Interest income	51,716	500,000	500,000	500,000
Application fees	4,375	5,000	5,000	5,000
Other	99,932	5,000	5,000	5,000
<b>Total Resources</b>	<b>314,211,452</b>	<b>310,010,000</b>	<b>313,210,000</b>	<b>313,210,000</b>
<b>Expenses and Change in Net Assets</b>				
Prizes	186,948,985	181,346,675	184,122,172	184,122,172
Retailer compensation	20,131,428	20,037,982	20,044,543	20,044,543
Advertising production and media purchases	6,933,352	12,380,000	12,508,000	12,508,000
Retailer Lottery system/Terminal Communications	6,453,429	7,248,100	7,388,828	7,311,608
Instant/Pull-tab ticket expense & machine maintenance	4,077,813	4,295,000	4,328,000	3,728,000
Vending machines/Ticket dispensers	81,787	250,000	1,723,333	2,018,000
Courier delivery of instant tickets	322,729	610,000	660,000	660,000
Interest expense (ITVM/PTVM/Building)	12,622	-	3,220	-
Lottery operating expense	12,073,776	13,478,358	13,264,328	13,264,328
Building (purchase and sale)	3,432,016	1,964,000	-	-
Increase (decrease) in net assets	(202,339)	(308,030)	25,400	(185,000)
<b>Total Expenses and Change in Net Assets</b>	<b>240,265,598</b>	<b>241,302,085</b>	<b>244,067,824</b>	<b>243,471,651</b>
<b>Proceeds</b>				
Proceeds Transfer to General Fund	72,141,420	66,507,915	66,942,176	67,538,349
Proceeds Transfer to Veterans Trust Fund	1,804,434	2,200,000	2,200,000	2,200,000
<b>Total Proceeds Transfers</b>	<b>73,945,854</b>	<b>68,707,915</b>	<b>69,142,176</b>	<b>69,738,349</b>
<b>Total Expenses and Proceeds</b>	<b>314,211,452</b>	<b>310,010,000</b>	<b>313,210,000</b>	<b>313,210,000</b>



# Lottery Operations

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 BOARD APPROVED BUDGET	FY 2017 BOARD APPROVED BUDGET
Administrative payroll*	9,461,004	10,145,328	10,145,328	10,145,328
Travel	400,279	495,000	495,000	495,000
Supplies	88,328	125,000	125,000	125,000
Printing	20,435	16,000	20,000	20,000
Postage	6,993	6,500	7,000	7,000
Communications	178,880	160,000	180,000	180,000
Rentals	307,286	310,000	310,000	310,000
Utilities	120,101	128,000	84,000	84,000
Professional fees	123,287	260,000	260,000	260,000
Outside services and repair	256,838	449,500	246,000	246,000
Data processing	89,573	60,000	90,000	90,000
Equipment	220,684	300,000	320,000	320,000
Reimbursement to state agencies	424,834	495,000	495,000	495,000
Depreciation	287,356	423,030	400,000	400,000
Other expenses	87,898	105,000	87,000	87,000
<b>Total operating expenses</b>	<b>\$ 12,073,776</b>	<b>\$ 13,478,358</b>	<b>\$ 13,264,328</b>	<b>\$ 13,264,328</b>

\* 2016 and 2017 Proposed Budget for "Administrative Payroll" does not include salary and benefit cost increase projections by DOM



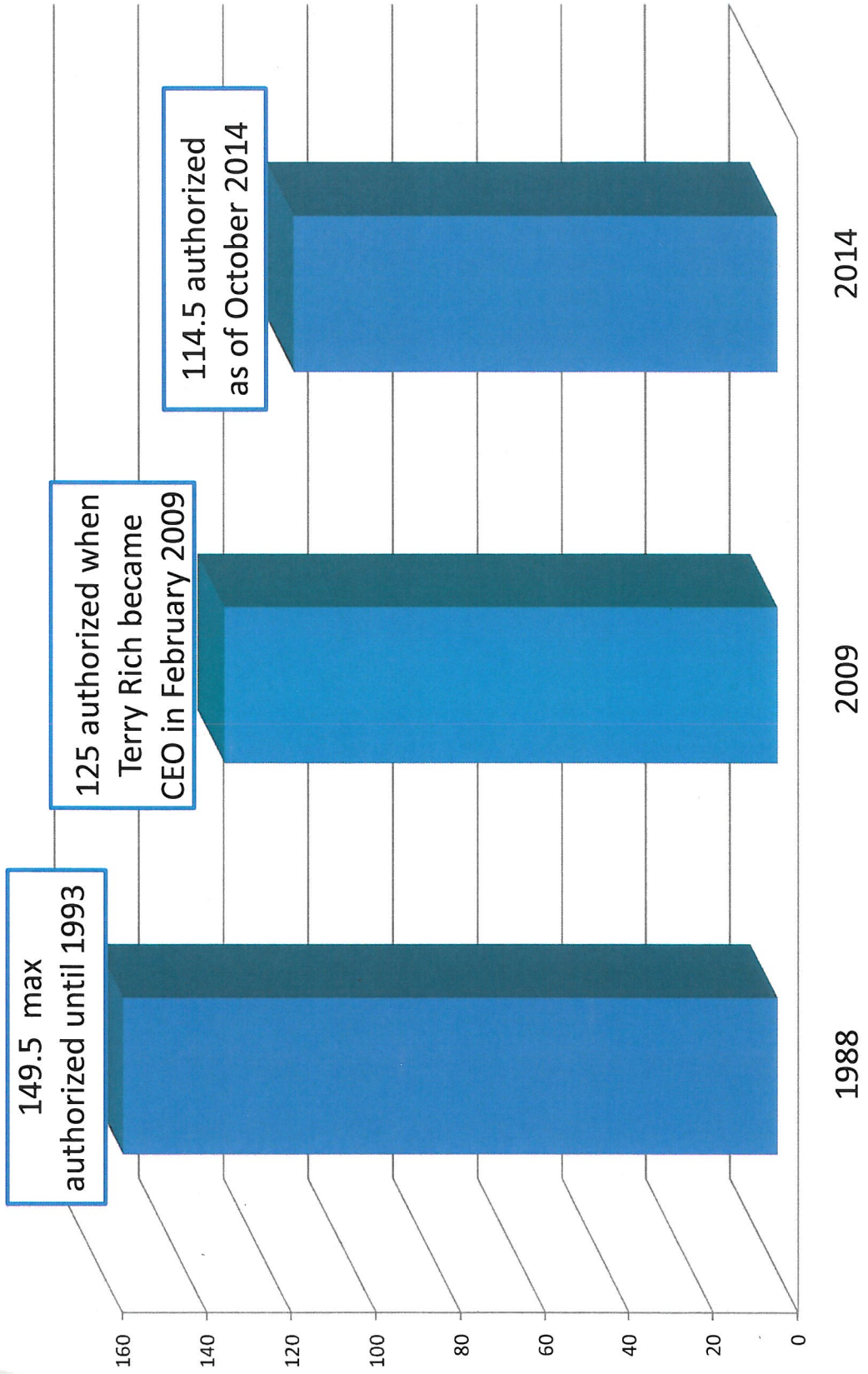
# Personnel Budget Details

- Lottery CEO appointed by governor and confirmed by Senate, but serves a set four-year term.
- Lottery Authority personnel are public employees.
- With Lottery Board approval, CEO may designate some non-contract employees as key personnel. They are exempt from the merit system and report jointly to the CEO and Board.
- All other employees are employed in accordance with Iowa Code Chapters 19A and 20.



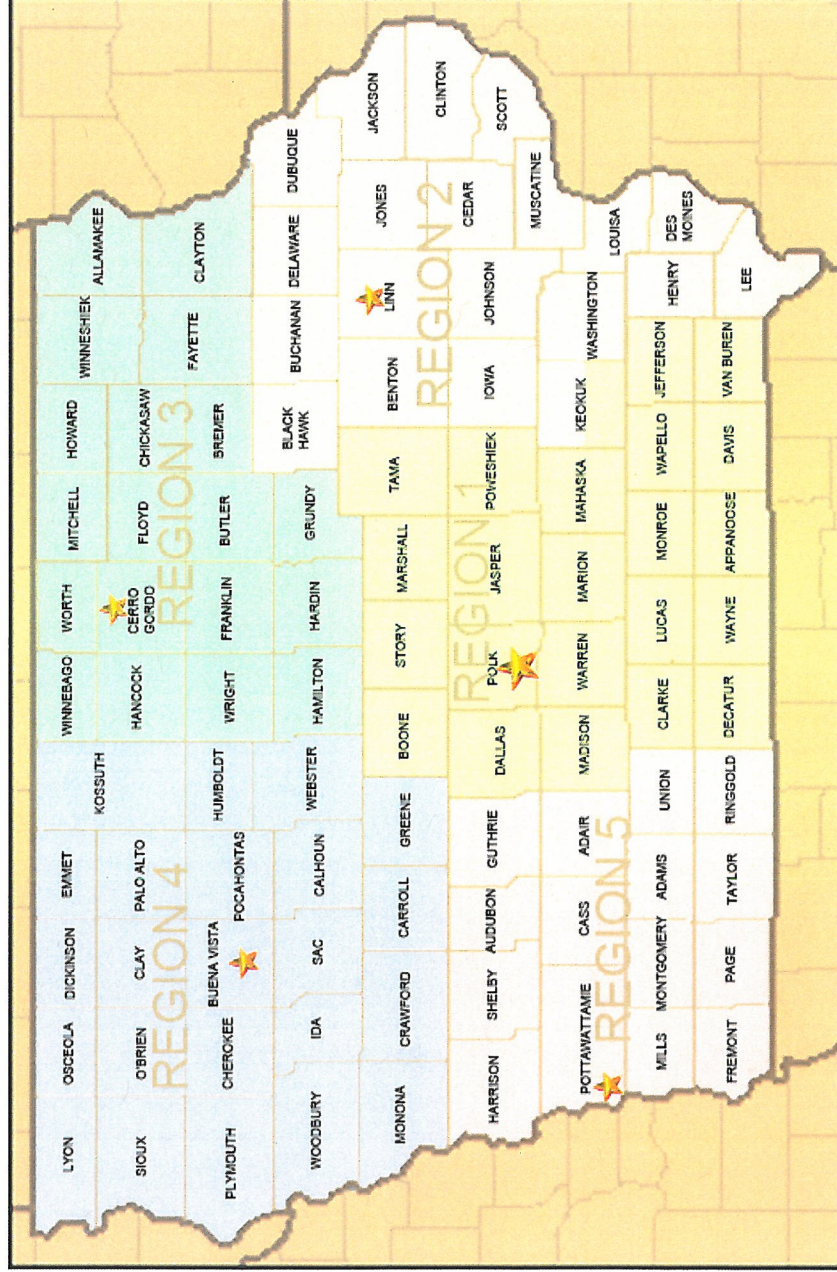


# Full-time Equivalents (FTEs)





# Lottery Office Locations



- Headquarters in Clive, main warehouse in Ankeny.
- Regional offices in Council Bluffs, Storm Lake, Mason City and Cedar Rapids.



# Current Issues With Impact

- Security and integrity must always remain at the heart of the lottery's operations.
- The lottery must keep up with the competition, both from a technological perspective and in product development.
- Lotto jackpot luck – you never know when the next big one will hit!
- The pull-tab product has reached maturation.
- There is concentration of retailers in Iowa – 40 percent of lottery sales come from four corporations.



# Priorities For Continued Strong Lottery Proceeds

- Continue current practices = \$68 million in proceeds.
- Continue ticket-delivery modernization.
- Lottery HQ move to Clive completed and fully paid.
- Investigate and continue to implement scratch-ticket refreshers.
- Stabilize proceeds to the Iowa Veterans Trust Fund.
- Strengthen lotto game line-up.
- Continue to monitor and maintain integrity.
- Modernize ILOT products.



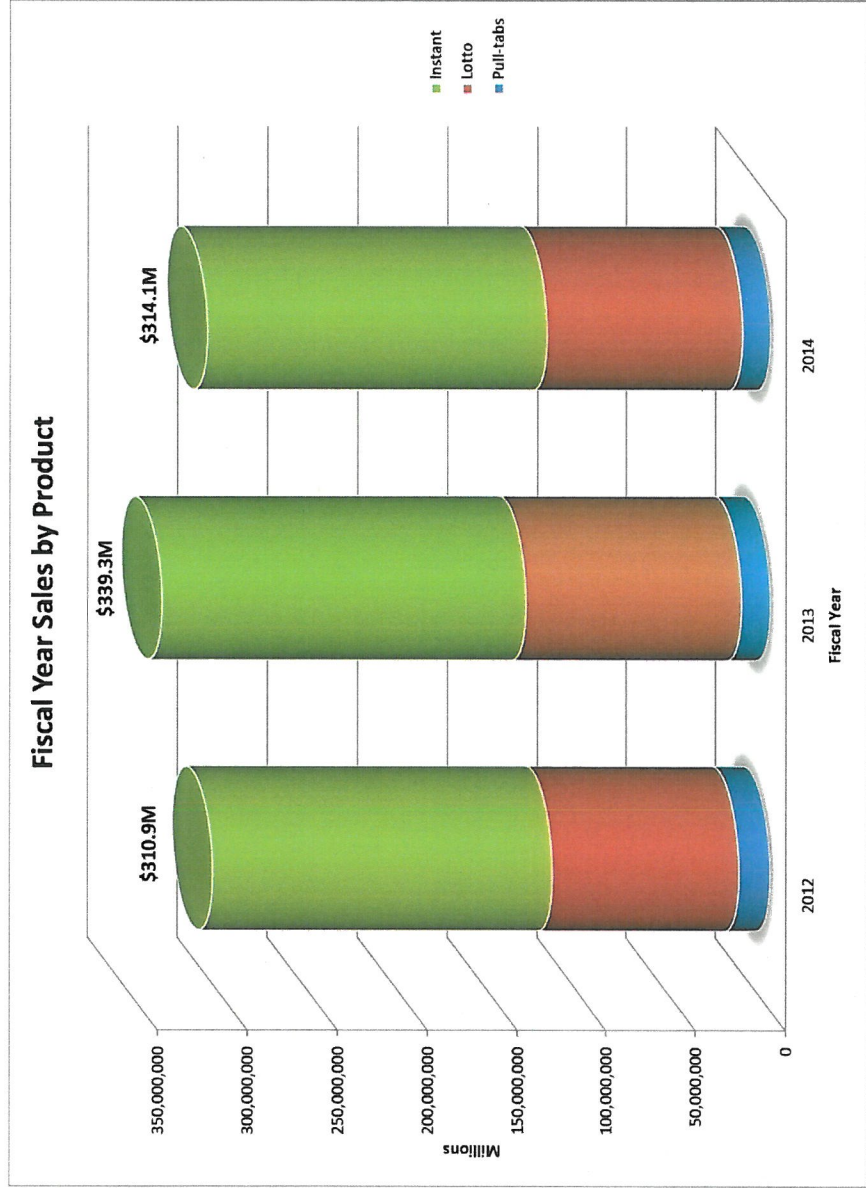
# Integrity & Success

## Focus on:

- Security checks and investigations.
- IT programming, testing and threat prevention.
- Clean audits.
- Proper procurement and expense control.
- Continued transparency in our operations.

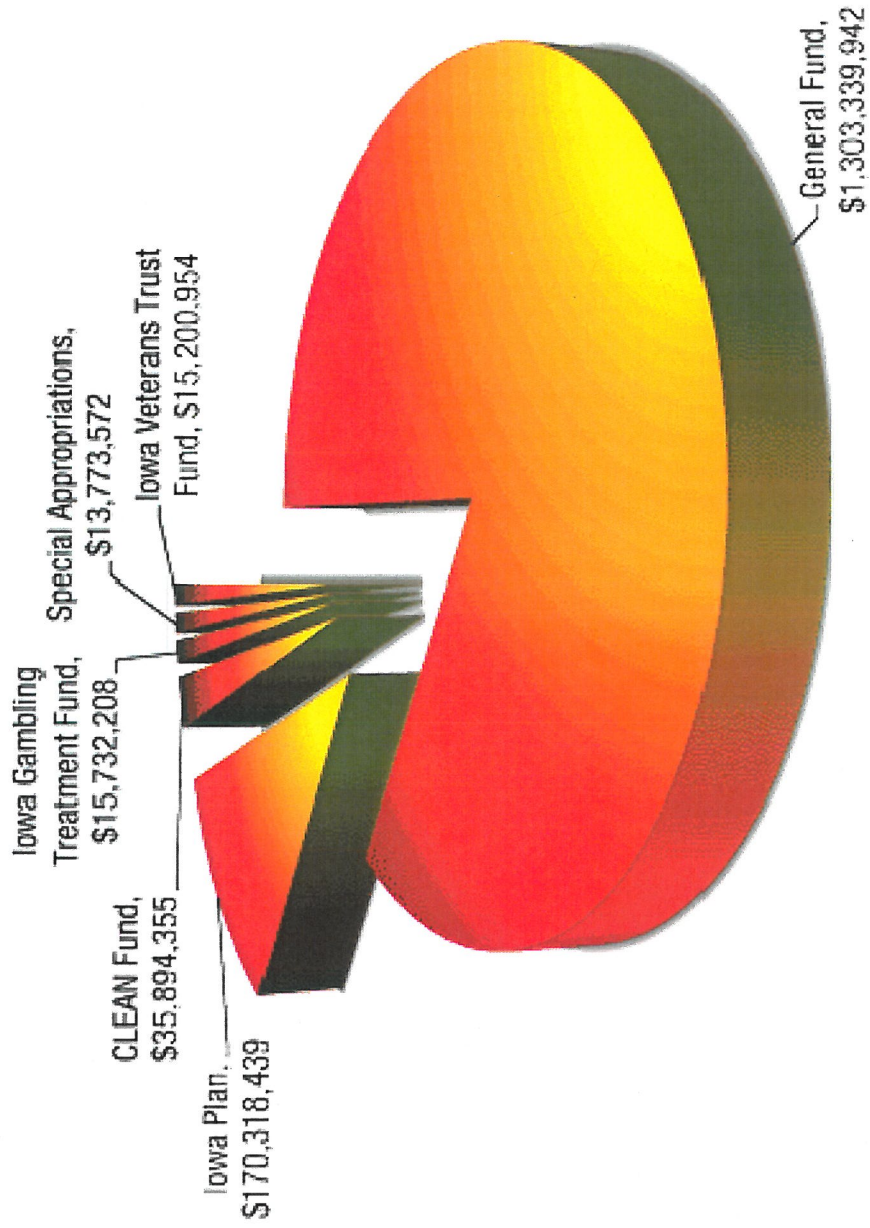


# Sales By Category





# Where The Money Goes



Figures current through June 30, 2014.

FY	Sales	Proceeds	Prizes	Use of Proceeds Details
1986	85,031,583.52	27,631,613	39,269,612	Iowa Plan, \$23,950,347; Gamblers Assistance, \$413,310; General Fund, \$3,267,956
1987	98,292,365.60	31,157,797	47,255,945	Iowa Plan, \$26,901,355; Gamblers Assistance, \$475,966; General Fund, \$3,780,476
1988	128,948,560.00	40,090,157	65,820,798	Iowa Plan, \$34,507,059; Gamblers Assistance, \$623,538; General Fund, \$4,959,560
1989	172,488,594.00	49,183,227	92,563,898	Iowa Plan, \$41,714,111; Gamblers Assistance, \$834,939; General Fund, \$6,634,177
1990	168,346,888.00	50,535,644	90,818,207	Iowa Plan, \$43,245,567; Gamblers Assistance, \$815,197; General Fund, \$6,474,880
1991	158,081,953.00	44,053,446	86,382,329	CLEAN Fund, \$35,894,355; Gamblers Assistance, \$764,655; General Fund, \$7,394,436
1992	166,311,122.00	45,678,558	92,939,035	General Fund, \$45,678,558
1993	207,192,724.00	56,092,638	116,820,274	General Fund, \$56,092,638
1994	206,941,796.00	56,654,308	116,502,450	General Fund, \$56,654,308
1995	207,648,303.00	58,159,175	112,563,375	General Fund, \$44,289,014; Gamblers Assistance, \$596,589; Special Appropriations, \$13,272,572
1996	190,004,182.00	51,337,907	102,820,278	General Fund, \$50,292,784; Gamblers Assistance, \$545,123; Special Appropriations, \$500,000
1997	173,655,030.00	43,282,909	96,897,120	General Fund, \$42,784,141; Gamblers Assistance, \$498,768
1998	173,876,206.00	42,947,928	96,374,445	General Fund, \$42,477,860; Gambling Treatment Program, \$500,068
1999	184,065,581.00	45,782,809	101,981,094	General Fund, \$45,254,983; Gambling Treatment, \$527,826
2000	178,205,366.00	44,769,519	98,392,253	General Fund, \$44,258,394; Gambling Treatment, \$511,125
2001	174,943,317.00	44,250,798	96,712,105	General Fund, \$43,748,182; Gambling Treatment, \$502,616
2002	181,305,805.00	48,165,186	99,996,233	General Fund, \$47,632,412; Gambling Treatment, \$532,774
2003	187,829,568.00	47,970,711	104,199,159	General Fund, \$47,428,581; Gambling Treatment, \$542,130
2004	208,535,200.00	55,791,763	114,456,963	General Fund, \$55,160,347; Gambling Treatment, \$631,416
2005	210,669,212.00	51,094,109	113,455,673	General Fund, \$50,036,035; Gambling Treatment, \$1,058,074
2006	339,519,523.00	80,875,796	122,258,603	General Fund, \$79,166,575; Gambling Treatment, \$1,709,221
2007	235,078,910.00	58,150,437	133,356,860	General Fund, \$56,970,554; Gambling Treatment, \$1,179,883
2008	249,217,468.00	56,546,118	144,669,575	General Fund, \$55,296,265; Gambling Treatment, \$1,249,853
2009	243,337,101.00	60,553,306	138,425,341	General Fund, \$56,550,792; Veterans Trust Fund, \$2,783,377; Gambling Treatment, \$1,219,137
2010	256,255,637.00	57,907,066	150,453,787	General Fund, \$55,245,512; Veterans Trust Fund, \$2,661,554
2011	271,391,047.00	68,001,753	158,961,078	General Fund, \$64,896,382; Veterans Trust Fund, \$3,105,371
2012	310,851,725.00	78,731,949	182,442,447	General Fund, \$76,012,455; Veterans Trust Fund, \$2,719,494
2013	339,251,420.00	84,890,729	200,801,768	General Fund, \$82,764,005; Veterans Trust Fund, \$2,126,724
2014	314,055,429.00	73,972,114	186,948,985	General Fund, \$72,167,680; Veterans Trust Fund, \$1,804,434
	<b>6,021,331,616.11</b>	<b>1,554,259,470</b>	<b>3,304,539,690</b>	