

Iowa Lottery Budget Overview

Presented to:

Administration and Regulation Appropriations Subcommittee

Iowa Legislature

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Iowa Lottery



ILOT Budget Guiding Principles

- Focus is on long-term proceeds vs. sales.
- Goals built upon a rolling 5-year average for reliable results.
- Investments in modernizing operations, product R&D, diversity of products and maintaining the highest level of lottery integrity are vital to sustained proceeds.
- Continually monitor the social impact.
- When ILOT spends \$1, we must have \$4 in revenue to break even.
- \$69 million in state 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, with a clean report released by State Auditor's Office in January:
<http://auditor.iowa.gov/reports/1660-6270-B000.pdf>
- Lottery Authority proceeds benefit state programs.



Budget for Lottery Fund



	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 BOARD APPROVED FINAL BUDGET	FY 2017 BOARD APPROVED BUDGET
Resources				
Lottery sales	314,055,429	324,767,416	321,150,000	321,020,000
Interest income	51,716	76,038	500,000	500,000
Application fees	4,375	3,800	5,000	5,000
Other	99,932	6,220	5,000	5,000
Total Resources	314,211,452	324,853,474	321,660,000	321,530,000
Expenses and Change in Net Assets				
Prizes	186,948,985	196,882,289	190,207,767	189,611,640
Retailer compensation	20,131,428	20,977,399	20,586,201	20,735,345
Advertising production and media purchases	6,933,352	6,766,994	12,846,000	12,840,800
Retailer Lottery system/Terminal Communications	6,453,429	6,733,505	7,643,516	7,503,301
Instant/Pull-tab ticket expense & machine maintenance	4,077,813	3,890,208	4,593,000	3,942,000
Vending machines/Ticket dispensers	81,787	177,000	1,723,333	2,018,000
Courier delivery of instant tickets	322,729	572,194	710,000	660,000
Interest expense	12,622	8,046	3,805	-
Lottery operating expense	12,073,776	12,408,648	14,161,362	14,559,330
Building (purchase and sale)	3,432,016	-	-	-
Increase (decrease) in net assets	(202,339)	1,920,125	25,400	(85,000)
Total Expenses and Change in Net Assets	240,265,598	250,336,406	252,500,384	251,785,416
Proceeds				
Proceeds Transfer to General Fund	72,141,420	72,365,900	66,659,616	67,244,584
Proceeds Transfer to Veterans Trust Fund	1,804,434	2,151,167	2,500,000	2,500,000
Total Proceeds Transfers	73,945,854	74,517,068	69,159,616	69,744,584
Total Expenses and Proceeds	314,211,452	324,853,474	321,660,000	321,530,000

Lottery Operations



	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 BOARD APPROVED FINAL BUDGET	FY 2017 BOARD APPROVED BUDGET
Administrative payroll*	9,461,004	9,565,122	10,965,362	11,443,330
Travel	400,279	410,225	495,000	435,000
Supplies	88,328	99,454	125,000	105,000
Printing	20,435	6,291	20,000	20,000
Postage	6,993	6,118	7,000	7,000
Communications	178,880	227,509	180,000	180,000
Rentals	307,286	308,922	320,000	320,000
Utilities	120,101	126,902	101,000	101,000
Professional fees	123,287	157,782	260,000	220,000
Outside services and repair	256,838	289,302	246,000	315,000
Data processing	89,573	105,400	90,000	110,000
Equipment	220,684	329,016	370,000	386,000
Reimbursement to state agencies	424,834	418,625	495,000	480,000
Depreciation	287,356	278,004	400,000	350,000
Other expenses	87,898	79,976	87,000	87,000
Total operating expenses	\$ 12,073,776	\$ 12,408,648	\$ 14,161,362	\$ 14,559,330

* FY 2017 Budget for "Administrative Payroll" includes salary and benefit cost increases per DOM projections
(as a change from FY 2016 Final)

ILOT Proceeds Priorities

- Continue current practices = \$69 million
- Integrity is keystone of operations
- Scratch-ticket refreshers
- Strengthen the lotto game line-up and jackpots
- Modernization of ILOT products



Details To Date: FY 2015 & 2016

- Lottery's FY 2015 results were among Top 4 in its 30-year history.
- FY 2016 sales & proceeds are running ahead of budget, helped in large part by January's world- record Powerball jackpot.
- Lottery is positioned well to meet its budget targets for the year.
- Total Iowa Lottery sales in January exceeded \$54 million, the highest monthly sales total for the lottery in its history. Powerball sales (\$28.4 million) and instant-scratch ticket sales (\$20.8 million) in Iowa also set monthly records in January.
- A new \$2 lotto game just debuted in Iowa, with sales in Lucky for Life beginning Jan. 24.



Integrity Success

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



Possible Negative Impacts

- Any loss of integrity
- Keeping up with the competition and border states
- Lotto jackpot luck
- Pull-tab maturation and vending machine/kiosk distribution
- Concentration of retailers
 - 40 percent of sales controlled by four corporations



