

Part I – Agency Profile

Agency Overview

The Idaho State Lottery is established by Title 67, Chapter 74, *Idaho Code* for the purpose of operating the state lottery at the least public expense and the smallest staffing possible. Organizationally, the Idaho Lottery is categorized as a Self-Governing Agency.

The five-members of the Idaho Lottery Commission are appointed by the Governor and confirmed by the Senate for staggered five-year terms. They are responsible for setting policy for the agency and approving all major procurements. Commission members are: Chairman, Mel Fisher (Boise), Craig Corbett (Grace), Gary Michael (Boise), Susan Kerrick (Lewiston) and Grant Brackebusch (Silverton). Administrative responsibility for the agency rests with the Director, who is appointed by the Governor. The Idaho Lottery Director is Jeffrey R. Anderson.

The agency is organized into four divisions: Administration/Operations, Sales, Marketing, and Security. The Security division oversees a warehouse in Boise used for the storage and distribution of Scratch™ tickets. Lottery headquarters are located at 1199 Shoreline Lane in Boise, with 45 authorized positions. These positions are currently distributed as follows: Lottery Headquarters – 27, Warehouse – 2, Regional Sales Representatives (located throughout the state) – 14, for a total of 43 as of September 1, 2016.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (28%), Scratch™ games (58%), and PullTab games (14%). Draw game sales are comprised of eight games: Powerball PowerPlay (63.8%), Mega Millions Megaplier (15.6%), Wild Card (1.5%) [which ended with its last draw on 2/24/16], Hot Lotto Sizzler (3.4%), Pick 3 (3.3%), Idaho Raffle (3.7%), Weekly Grand (3.2%) and Lucky for Life (5.5%). Lottery tickets are sold by 1,189 contracted Lottery retailers statewide. These consist of convenience stores, supermarkets, and other retail locations. Retailers receive 5% of sales as a base commission and may earn additional payments in the form of sales and cashing bonuses. The total for such additional payments is limited by statute, §67-7414, to a statewide total of 1% of sales.

The Idaho Lottery recorded more sales, awarded more prizes, retailers earned more commissions, and the people of Idaho benefitted more than in any previous year in its history. Fueling the record-breaking year in sales was a world record advertised annuity Powerball jackpot of \$1.586 billion won on January 13, 2016. Five months later, Powerball reached \$429.6 million in early May, the 7th largest jackpot in the game's history. These two big jackpots rejuvenated interest in Powerball sales for Idaho and nationwide, with the Idaho Lottery realizing a 45.3% sales increase over FY2015. Powerball recorded its second largest selling year in Idaho Lottery history. As players joined the excitement of these large jackpots, other product lines improved as well, including Idaho's Scratch tickets and the new InstaPlay Scratch Games. As one of the most profitable games offered in Idaho, the success of Powerball jackpots this past year delivered a record dividend of \$49.5 million. While exciting and fun for players, we cannot depend on having a billion dollar jackpot every year. Therefore, our business model for Powerball anticipates ticket sales to stabilize with a nominal increase over a traditional baseline of performance. With this factored, we still believe the game will continue to be a strong component of our overall portfolio of products to enhance our distributions to stakeholders.

Lottery net profits are returned to the State as an annual dividend. Beginning in 1989, the annual dividend was divided equally between the Department of Education's Public School Building Fund and the State's Permanent Building Fund. The Permanent Building Fund provides maintenance, repair, and capital projects for the State's permanent facilities, mainly college campuses. Historically, the Department of Education used Lottery dividends for school facility improvements. From FY2007 through FY2009, Lottery dividends were used as a school facility maintenance match. From FY2010 through FY2013, Lottery dividends were distributed as discretionary dollars within the Maintenance and Operations (M&O) budget. Since FY2014, Lottery dividends are used for maintenance repairs of student-occupied buildings while a portion is used as discretionary dollars and for things within the M&O budget not including salaries. A 2009 statute change to the Lottery proceeds distribution formula fixed Public School and Permanent Building Fund dividends at a minimum based on FY2008 distributions. When proceeds surpass the FY2008 minimum, up to three-eighths goes to the building fund, up to three-eighths to schools, and up to one quarter to the Bond Levy Equalization Fund. Since 1989, the Lottery has made 27 annual

dividend payments totaling \$744,000,000, with the FY2016 dividend of \$49,500,000 going to the State in July 2016.

In addition to its Lottery responsibilities, Title 67, Chapter 77, *Idaho Code*, grants the Idaho State Lottery the responsibility and authority to license and regulate bingo and raffles conducted by charitable and non-profit organizations within the state. The licensing and regulating of charitable games is managed by the Director of Lottery Security. This position is mandated by Idaho Code §67-7410 and is also responsible for Americans with Disabilities Act (ADA) compliance by Lottery retailers, Security operations and the Warehouse. Title 67, Chapter 7409 gives the Idaho Lottery Director responsibility for monitoring Class III gaming on Indian Reservations as may be required by compacts entered into by the state in accordance with state statutory law and pursuant to the Indian Gaming Regulatory Act, 25 U.S.C. section 2701 et seq. and 18 U.S.C. sections 1166-1168.

Core Functions/Idaho Code

The Idaho Lottery is established and regulated by Title 67, Chapter 74, *Idaho Code*. Among other things, the chapter defines the duties of the Commission and the Director, establishes the legal age for purchasing and selling lottery tickets, prescribes the uses of lottery proceeds, and places limits on certain agency expenditures.

Title 67, Chapter 77, *Idaho Code*, governs charitable and non-profit bingo and raffles within the state. Section 67-7711, *Idaho Code*, gives the Idaho State Lottery the authority to license organizations conducting bingo games or raffles and to regulate how those games or raffles are conducted.

Revenue and Expenditures

Revenue	FY 2013	FY 2014	FY 2015	FY 2016
Lottery	\$198,169,600	\$209,642,900	\$210,939,400	236,818,000
Total	\$198,169,600	\$209,642,900	\$210,939,400	\$236,818,000
Expenditures	FY 2013	FY 2014	FY 2015	FY 2016
Appropriated*				
Personnel Costs	\$2,697,600	\$2,665,700	\$2,595,000	\$2,804,400
Operating Expenditures	\$2,239,300	\$2,252,900	\$2,176,400	\$2,184,400
Capital Outlay	\$78,000	\$80,500	\$119,100	\$78,900
Continuously Appropriated				
Prizes	\$122,888,200	\$133,232,100	\$136,769,300	\$153,649,700
Commissions	\$11,493,500	\$12,140,200	\$12,480,200	\$13,840,200
Advertising	\$3,607,500	\$3,692,600	\$3,646,900	\$3,941,500
Tickets	\$3,727,900	\$4,040,700	\$3,917,500	\$4,169,700
Service Provider	\$3,868,100	\$4,039,800	\$3,738,400	\$4,617,500
Total	\$150,600,100	\$162,144,500	\$165,442,800	\$185,286,300

*SPENDING AUTHORITY ONLY. NO GENERAL FUND DOLLARS ARE APPROPRIATED FOR THE OPERATION OF THE LOTTERY

Profile of Cases Manages and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2013	FY 2014	FY 2015	FY 2016
Lottery Sales	\$197,449,200	\$208,892,594	\$210,194,748	\$236,080,377
Total Dividend Declared by Commission	\$48,200,000	\$49,000,000	\$45,000,000	\$49,500,000

Part II – Performance Measures

Idaho Code § 67-7401 directs the Idaho Lottery Director to operate the Lottery at the least public expense and the smallest staffing possible. Additionally, Idaho Code § 67-7403 directs that the Lottery be operated to produce the maximum amount of net income to benefit the public purposes described in the chapter, consonant with the public good. As it relates to Peer Benchmark Performance Measures, the Director and the Lottery Management Team endeavor to be in the top quintile among their peer states in the areas of **Sales per Capita**, **Dividends as a Percentage of Sales**, and **Dividend Increase Percentage** and among the lowest quintile for **Administrative Costs as a Percentage of Sales**.

Performance Measure		FY 2013	FY 2014	FY 2015	FY 2016	Current Year
Responsibly increase net revenues						
1. Total Revenue	actual	\$198,169,600	\$209,642,900	\$210,940,100	\$236,819,400	-----
	benchmark	\$183,850,000	\$210,900,000	\$221,150,000	\$216,300,000	\$226,650,000
2. Net Operating Income	actual	\$47,569,500	\$47,498,400	\$45,497,300	\$51,533,100	-----
	benchmark	\$42,500,000	\$50,000,000	\$49,500,000	\$46,000,000	\$48,000,000
Rigorously manage costs						
3. Total Operating Expenses	actual	\$150,600,100	\$162,144,500	\$165,442,800	\$185,286,300	-----
	benchmark	\$141,350,000	\$160,900,000	\$171,650,000	\$170,300,000	\$178,650,000

Performance Measure Explanatory Notes

Peer Benchmark Performance Measures	FY2013		FY2014		FY2015		FY2016**	
	PEER GROUP*	IDAHO						
Sales Per Capita	\$113.50	\$123.74	\$113.04	\$127.30	\$115.36	\$127.01	-	\$140.94
Admin Costs as a Percentage of Sales	6.4%	6.4%	7.3%	6.3%	7.4%	6.0%	-	5.8%
Dividends as a Percentage of Sales	24.7%	24.4%	24.9%	23.5%	24.8%	21.4%	-	20.8%
Dividend Increase Percentae	5.7%	16.1%	-1.9%	1.7%	2.1%	-8.2%	-	11.0%

*Peer Group includes states with marketplace and product portfolio similarity, not size of population or sales. This Peer Group includes: Kansas, Maine, Minnesota, Montana, Nebraska, New Mexico, South Dakota, Tennessee and Vermont.

**This is a “previous year” looking Performance Measurement, as statistics for each state are not available at the time this document is published.

For More Information Contact

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