

Part I – Agency Profile

Agency Overview

The Idaho State Lottery was established by citizen initiative in 1988 and is governed 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 Idaho Senate for staggered five-year terms. They are responsible for setting policy for the agency and approving all major procurements. Commission members are: Chairman, Craig Corbett (Grace), Gary Michael (Boise), Susan Kerrick (Lewiston) and Grant Brackebusch (Silverton). Former Chairman, Mel Fisher, left the Commission in May 2020 after 17 years of service to focus on his law practice. Administrative responsibility for the agency rests with the Director, who is appointed by the Governor and confirmed by the Idaho Senate. Jeffrey R. Anderson has served as the Director since 2007.

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. The agency has 45 authorized positions that are distributed as follows: Lottery Headquarters – 27, Warehouse – 1.9, Regional Sales Representatives (located throughout the state) – 15, for a total of 43.9 as of September 1, 2020.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (17.6%), Scratch games (66.8%), and PullTab games (15.6%). Draw game sales are comprised of nine games: Powerball (41.8%), Mega Millions (27.1 %), Idaho Cash (3.9%), Pick 3 (5.1%), Raffle (5.1%), Weekly Grand (3.2%), 5 Star Draw (3.1%), Lotto America (4.5%), and Lucky for Life (6.2%). Lottery tickets are sold by 1,177 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.

Fiscal Year 2020 was like no other in Idaho Lottery history. The year began with the Lottery celebrating its 30th Anniversary and setting an Official Guinness World Record for the most people scratching lottery tickets in one place at the same time. It was also a year in which the large jackpot games, Powerball and Mega Millions both suffered setbacks in their performance to plan, both before and during the COVID-19 pandemic. Despite the disruption, the Lottery achieved the second largest sales year in our history at \$277.6 million and recorded the second largest dividend to the People of Idaho at \$55.5 million.

Sales for Fiscal Year 2020 were resilient due to an increase in the Scratch ticket assortment of games. Year-over-year, sales increased by 9% (\$15 million). These games include many Idaho-designed original offerings, including six, successful holiday-themed games.

In-state Draw Games, as a category, increased 10% for the year, led by the introduction of the new \$5 game, *5 Star Draw*. The largest jackpot reached \$521,000 by the end of the Fiscal Year. Also adding to the success of in-state games was *Idaho Cash*. This game recorded three jackpot winners during the year including the largest in the game's history at \$381,000. The *Idaho \$1,000,000 Raffle* sold out ahead of goal five days prior to Christmas Eve.

The Idaho Lottery was created in 1988 by a vote of the people with the promise that proceeds and dividends from the sale of tickets would be used to benefit public education. When the Lottery sold its first ticket in July 1989, the annual dividend was split equally between the Idaho Department of Education's Public School Building Fund Account and the Idaho Department of Administration's Permanent Building Fund. The Department of Education used Lottery dividends for school facility improvements. The Permanent Building Fund projects provided maintenance, repair, and capital projects for the State's permanent facilities, many of which are on college campuses. A 2009 statutory change altered the Lottery proceeds distribution formula. It fixed the Public School

Building Account 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 Public School Building Fund Account, up to three-eighths to the Permanent Building Fund, and up to one quarter to the Bond Levy Equalization Fund. The change was to sunset in 2017. A change in statute during the 2017 Legislative Session eliminated the sunset date for the Bond Levy Equalization Fund provision, extending the Lottery's funding formula to include the Bond Levy Equalization Fund in perpetuity.

In July 2020, the Idaho Lottery returned the second largest dividend in its 31-year history, \$55,500,000 to the People of Idaho. Since 1989, the Idaho Lottery has returned more than \$961,500,000 for its good causes.

In addition to its lottery responsibilities, *Idaho Code*, Title 67, Chapter 77, grants authority to the Idaho Lottery to license and regulate charitable bingo and raffles conducted by charitable and non-profit organizations within the state.

The Director of Lottery Security, a position mandated by Idaho Code §67-7410 is responsible for Lottery retailer compliance with the Americans with Disabilities Act (ADA), Security operations, and the Warehouse.

Idaho Code §67-7409 grants 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 *Idaho Code*, Title 67, Chapter 74. 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.

Idaho Code, Title 67, Chapter 77, governs charitable and non-profit bingo and raffles within the state. Section 67-7711 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 2017	FY 2018	FY 2019	FY 2020
Lottery	<u>\$240,686,600</u>	<u>\$265,810,900</u>	<u>\$288,616,000</u>	<u>\$278,295,800</u>
Total	\$240,686,600	\$265,810,900	\$288,616,000	\$278,295,800
Expenditures	FY 2017	FY 2018	FY 2019	FY 2020
Appropriated*				
Personnel Costs	\$3,059,200	\$3,185,700	\$3,259,100	\$3,182,000
Operating Expenditures	2,505,200	1,720,300	1,781,200	\$1,865,500
Capital Outlay	85,900	119,500	93,100	\$121,400
Expenditures	FY 2017	FY 2018	FY 2019	FY 2020
Continuously Appropriated				
Prizes	160,304,900	176,187,700	190,047,400	185,846,800
Commissions	14,063,100	15,607,400	16,641,300	16,232,900
Advertising	3,431,500	3,779,800	4,622,800	3,814,100
Tickets	4,704,600	5,308,600	5,728,400	5,588,600
Service Provider	<u>4,159,700</u>	<u>5,851,900</u>	<u>6,397,000</u>	<u>6,199,400</u>
Total	\$192,314,100	\$211,760,900	\$228,570,300	\$222,850,700

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

Profile of Cases Managed and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2017	FY 2018	FY 2019	FY 2020
Lottery Sales	\$239,929,900	\$265,084,600	\$287,912,900	\$277,602,500
Total Dividend Declared by Commission	\$48,500,000	\$53,500,000	\$60,000,000	\$55,500,000

Licensing Freedom Act

	FY 2017	FY 2018	FY 2019	FY 2020
IDAHO LOTTERY RETAILER LICENSES PROCESSED				
Total Number of Licenses	83	102	55	36
Number of New Applicants Denied Licensure	4	7	9	3
Number of Applicants Refused Continuation of a License	8	6	19	21
Number of Complaints Against Licensees	18	17	40	8
Number of Final Disciplinary Actions Against Licensees	0	0	0	0
CHARITABLE GAMING LICENSES PROCESSED				
Total Number of Licenses	179	178	180	183
Number of New Applicants Denied Licensure	0	1	4	4
Number of Applicants Refused Renewal of a License	0	0	0	0
Number of Complaints Against Licensees	0	0	0	0
Number of Final Disciplinary Actions Against Licensees	0	0	0	0

Red Tape Reduction Act

	As of July 1, 2019	As of July 1, 2020
Number of Chapters	Eliminated 2	0
Number of Words	Eliminated 1379	0
Number of Restrictions	Removed 40	0

Part II – Performance Measures

Idaho Code §67-7401 mandates 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 2017	FY 2018	FY 2019	FY 2020	FY 2021
Responsibly increase net revenues						
1. Total Revenue	actual	\$240,686,600	\$265,810,900	\$288,616,000	\$278,295,800	-----
	target	\$226,650,000	\$253,300,000	\$271,000,000	\$294,600,000	\$285,500,000
2. Net Operating Income	actual	\$48,372,500	\$54,050,000	\$60,045,700	\$55,445,100	-----
	target	\$48,000,000	\$50,500,000	\$54,500,000	\$60,500,000	\$56,500,000
Rigorously manage costs						
3. Total Operating Expenses	actual	\$192,314,100	\$211,760,900	\$228,570,300	\$222,850,700	-----
	target	\$178,650,000	\$202,800,000	\$216,500,000	\$234,100,000	\$229,000,000

Peer Benchmark Performance Measures		FY 2017		FY 2018		FY 2019		FY2020**	
		Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho
1. Sales per capita	actual	\$137.38	\$139.74	\$147.62	\$154.38	\$153.29	\$157.66		\$152.01
	target		\$131.51		\$149.55		151.38		160.92
2. Admin costs as a %tage of sales	actual	7.0%	6.0%	7.0%	6.2%	6.5%	5.9%		6.2%
	target		6.2%		6.3%		6.2%		6.2%
3. Dividends as a %tage of sales	actual	23.6%	20.2%	23.5%	20.2%	23.8%	20.8%		20.0%
	target		21.4%		20.0%		20.1%		20.0%
4. Dividend increase %tage	actual	-3.4%	-2.0%	7.2%	10.3%	5.2%	12.1%		-7.5%
	target		-4.4%		3.3%		1.9%		.8%

Performance Measure Explanatory Notes

*Peer Group includes states with marketplace and product portfolio similarity, not size of population or sales. This Peer Group includes: Arkansas, Iowa, Kansas, Maine, Minnesota, Nebraska, New Mexico, 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:

Jeffrey R. Anderson, Director
Idaho State Lottery
1199 Shoreline Lane, Suite 100
Boise, ID 83702
Phone: 208.780.2500
E-mail: janderson@lottery.idaho.gov