

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), David Keyes (Sandpoint), Craig Corbett (Grace), Gary Michael (Boise), and Susan Kerrick (Lewiston). 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 47 authorized positions. These positions are currently distributed as follows: Lottery Headquarters – 26.6, Warehouse – 2.4, Regional Sales Representatives (located throughout the state) – 14, for a total of 43 at this time.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (26%), Scratch™ games (62%), and PullTab games (12%). Draw game sales are comprised of nine games: Powerball PowerPlay (53.5%), Mega Millions Megaplier (20.6%), Wild Card (3.0%), Hot Lotto Sizzler (5.7%), Pick 3 (3.8%), Idaho Raffle (4.6%), Weekly Grand (4.4%), Idaho Bingo (.9%) (which has since ended), and Lucky for Life (3.5%). Lottery tickets are sold through 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 to a statewide total of 1% of sales.

Sales performance is down dramatically in all jurisdictions (including Idaho) for long-time national favorites, *Powerball* and *Mega Millions*. Both games have seen double digit declines in sales for two years running for the first time. Powerball had its poorest year in both sales per draw and annual sales since 2001. Experience shows Idaho and the wider industry stimulating additional sales in a material way when advertised annuity jackpot levels fail to meet consumer expectations and interest is tremendously difficult. That said, member states, vendor partners, and other resources are invested in addressing the downward trends, and a game change is planned for Powerball in October 2015. *Powerball* and *Mega Millions* are two of the most profitable products. The 20-30% year-over-year decline in sales performance for two years running was not anticipated nor could it have been predicted based on past performance. Game enhancements in FY 2016 bring the expectation that these popular products will return to being leading contributors to the bottom line.

Net Lottery 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, mostly college campuses. Historically, the Department of Education used Lottery dividends for school facility improvements. From FY 2007 through FY 2009, Lottery dividends were used as a school facility maintenance match. From FY 2010 through FY 2013, Lottery dividends were distributed as discretionary dollars within the Maintenance and Operations (M&O) budget. Since FY 2014, 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 other than salaries. A 2009 statute change to the Lottery proceeds distribution formula fixed Public School and Permanent Building Fund dividends at FY 2008 funding levels. When proceeds surpass that mark, three-eighths goes to the building fund, three-eighths to schools, and one quarter to the Bond Levy Equalization Fund. Since 1989, the Lottery has made 26 annual dividend payments totaling \$694,500,000, with the latest dividend of \$45,000,000 going to the State in July 2015.

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. Also, 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 2012	FY 2013	FY 2014	FY 2015
Lottery	\$176,546,100	\$198,169,600	\$209,642,900	\$210,940,100
Total	\$176,546,100	\$198,169,600	\$209,642,900	\$210,940,100
Expenditures	FY 2012	FY 2013	FY 2014	FY 2015
Appropriated*				
Personnel Costs	\$2,332,800	\$2,697,600	\$2,665,700	\$2,595,000
Operating Expenditures	\$8,327,400	\$2,239,300	\$2,252,900	\$2,176,400
Capital Outlay	\$71,000	\$78,000	\$80,500	\$119,100
Continuously Appropriated				
Prizes	\$109,088,200	\$123,127,800	\$133,463,200	\$136,852,200
Commissions	\$10,412,800	\$11,493,500	\$12,140,200	\$12,480,200
Advertising	\$3,727,600	\$3,607,500	\$3,627,200	\$3,512,400
Tickets	**	\$3,727,900	\$4,040,700	\$3,917,500
Service Provider	**	\$3,764,400	\$3,897,900	\$3,929,600
Total	\$133,959,800	\$150,736,000	\$162,168,300	\$165,582,400

*NO GENERAL FUND DOLLARS

**THE IDAHO LEGISLATURE APPROVED VARIABLE VENDOR FEES TO BE A CONTINUOUSLY APPROPRIATED EXPENSE IN FY 2013

Profile of Key Services Provided

Cases Managed and/or Key Services Provided	FY 2012	FY 2013	FY 2014	FY 2015
Lottery Sales	\$175,827,800	\$197,449,200	\$208,892,594	\$210,194,748
Total Dividend Declared by Commission	\$41,500,000	\$48,200,000	\$49,000,000	\$45,000,000

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 Measures	FY 2012	FY 2013	FY 2014	FY 2015	Benchmark
1. Total Revenue	\$176,546,100	\$198,169,600	\$209,642,900	\$210,940,100	\$217,050,000
2. Total Operating Expenses	\$133,959,800	\$150,736,000	\$162,168,300	\$165,582,400	\$171,050,000
3. Net Operating Income	\$42,586,300	\$47,433,600	\$47,474,600	\$45,357,700	\$46,000,000

Peer Benchmark Performance Measures	FY2012		FY2013		FY2014		FY2015**	
	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO	PEER GROUP*	IDAHO
Sales Per Capita	\$109.65	\$110.94	\$113.50	\$123.74	\$113.04	\$127.30	-	\$128.62
Admin Costs as a Percentage of Sales	7.4%	6.2%	7.2%	6.4%	7.3%	6.3%	-	6.3%
Dividends as a Percentage of Sales	24.4%	24.2%	24.7%	24.4%	24.9%	23.5%	-	21.4%
Dividend Increase Percentage	6.6%	12.2%	5.7%	16.1%	-1.9%	1.7%	-	-8.2%

**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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