

## 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 – 1.9, Regional Sales Representatives (located throughout the state) – 14, for a total of 43.9 as of September 1, 2017.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (21.6%), Scratch™ games (61.7%), and PullTab games (16.7%). Draw game sales are comprised of nine games: Powerball PowerPlay (54.9%), Mega Millions Megaplier (18%), Idaho Cash (1.7%) [which debuted on February 12, 2017], Hot Lotto Sizzler (4.8%), Pick 3 (4.4%), Idaho Raffle (4.8%), mini-Raffle (1%) [offered around St. Patrick's Day], Weekly Grand (3.8%) and Lucky for Life (6.5%). Lottery tickets are sold by 1,168 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.

During Fiscal Year 2017, the Idaho Lottery had record sales, awarded more in prizes, and retailers earned more in commissions than in any previous year. Sales, and jackpots, on Powerball and Mega Millions returned to more nominal levels in FY17. The Idaho Lottery anticipated a decline in sales for these games from FY16 when there was a world record-setting Powerball jackpot of \$1.586 billion and implemented a business model to overcome the loss of those extraordinary sales. The plan proved successful and the Lottery was able to return \$500,000 more in dividends than originally forecast. This year's \$48.5 million was the third largest dividend return in Idaho Lottery history. Players turned their attention to Idaho's trove of Scratch Games, especially the terminal based games of Ultimate Diamond Jackpot, Big Money Jackpot, and Idaho Jackpot. Ultimate Diamond and Big Money Jackpot both recorded their largest-ever jackpots during the year and Idaho Jackpot recorded six jackpot winners. Looking ahead to Fiscal Year 2018, there are some changes occurring in the national Draw Game portfolio. While the Idaho Lottery anticipates normal performance from Powerball, Mega Millions will undergo game and price changes in late October, Hot Lotto will end in late in October, and the Idaho Lottery will introduce a new game, Lotto America in mid-November. With these game developments factored, we believe our business model will be strong and our overall portfolio of products will 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. A change in statute during the 2017 Legislative Session eliminated the sunset date for this provision, extending the Lottery’s funding to the Bond Levy Equalization Fund in perpetuity. Since 1989, the Lottery has made 28 annual dividend payments totaling \$792,500,000, with the FY2017 dividend of \$48,500,000 going to the State in July 2017.

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 2014	FY 2015	FY 2016	FY 2017
<b>Lottery</b>	<u>209,642,900</u>	<u>210,939,400</u>	<u>236,818,000</u>	<u>240,684,500</u>
<b>Total</b>	<b>\$209,642,900</b>	<b>\$210,939,400</b>	<b>\$236,818,000</b>	<b>\$240,684,500</b>
Expenditures	FY 2014	FY 2015	FY 2016	FY 2017
<b>Appropriated*</b>				
Personnel Costs	2,665,700	2,595,000	2,804,400	3,059,200
Operating Expenditures	2,252,900	2,176,400	2,184,400	2,505,200
Capital Outlay	80,500	119,100	78,900	85,900
<b>Continuously Appropriated</b>				
Prizes	133,232,100	136,769,300	153,649,700	160,304,900
Commissions	12,140,200	12,480,200	13,840,200	14,063,100
Advertising	3,692,600	3,646,900	3,941,500	3,431,500
Tickets	4,040,700	3,917,500	4,169,700	4,704,600
Service Provider	4,039,800	3,738,400	4,617,500	4,393,900
<b>Total</b>	<b>\$162,144,500</b>	<b>\$165,442,800</b>	<b>\$185,286,300</b>	<b>\$192,548,300</b>

\*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 2014	FY 2015	FY 2016	FY 2017
Lottery Sales	\$208,892,594	\$210,194,748	\$236,079,628	\$239,929,866
Total Dividend Declared by Commission	\$49,000,000	\$45,000,000	\$49,500,000	\$48,500,000

**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 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Responsibly increase net revenues</b>						
1. Total Revenue	actual	\$209,642,900	\$210,940,100	\$236,819,400	\$240,686,600	-----
	target	\$210,900,000	\$221,150,000	\$216,300,000	\$226,650,000	\$253,300,000
2. Net Operating Income	actual	\$47,498,400	\$45,497,300	\$51,533,100	\$48,138,300	-----
	target	\$50,000,000	\$49,500,000	\$46,000,000	\$48,000,000	\$50,500,000
<b>Rigorously manage costs</b>						
3. Total Operating Expenses	actual	\$162,144,500	\$165,442,800	\$185,286,300	\$192,548,300	-----
	target	\$160,900,000	\$171,650,000	\$170,300,000	\$178,650,000	\$202,800,000

Peer Benchmark Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017**
1. Sales per capita	Idaho	\$127.30	\$127.01	\$140.26	\$142.55
	peer group*	\$113.04	\$115.36	\$127.37	
2. Admin costs as a percentage of sales	Idaho	6.3%	6.0%	5.8%	6.1%
	peer group*	7.3%	7.4%	7.3%	
3. Dividends as a percentage of sales	Idaho	23.5%	21.4%	21.0%	20.2%
	peer group*	24.9%	24.8%	24.7%	
4. Dividend increase percentage	Idaho	1.7%	-8.2%	10.0%	1.6%
	peer group*	-1.9%	2.1%	9.4%	

\*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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