

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) – 15, for a total of 44.9 as of September 1, 2018.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (23.3%), Scratch™ games (59.6%), and PullTab games (17.1%). Draw game sales are comprised of nine games: Powerball PowerPlay (53.9), Mega Millions Megaplier (21.9 %), Idaho Cash (2.6%), Hot Lotto Sizzler (1.9%), Pick 3 (3.8%), Idaho Raffle (4.1%), mini-Raffle (.8%) [offered around St. Patrick's Day], Weekly Grand (3.1%), Lotto America (2.5%) and Lucky for Life (5.4%). Lottery tickets are sold by 1,192 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 2018, the Idaho Lottery had record sales, awarded more in prizes, retailers earned more in commissions, and the Idaho Lottery returned the largest dividend in its history at \$53.5 million. FY2018 was historic in that the Idaho Lottery sold more than \$260 million in products, crossing the quarter-billion dollar threshold in sales in a single year for the first time in its history. The dividend returned to beneficiaries was also a 10% increase over the previous year's return and a full \$4 million more than forecasted. The strength of sales was due in part to a price increase on the Mega Millions game. The price of the game changed from \$1 to \$2 per play. While participation (the actual number of tickets purchased) remained level for the year, the overall sales on the game climbed by nearly 50%. During the winter months, Mega Millions jackpots surpassed \$450 million and \$521 million – the fifth and sixth largest jackpots in the game's history – which also fueled sales. Powerball recorded the second largest jackpot in world history, topping out at \$758.7 million in August 2017. The game also crested the \$450 million mark twice during the winter of 2018, with its second jackpot reaching \$559.7 million. Powerball sales improved over FY17 by 16.5% in the last Fiscal Year.

Scratch ticket sales also increased year-over-year by 7.1%, or about \$9.8 million while the terminal-based jackpot games continued their success. Both Big Money Jackpot and Ultimate Diamond Jackpot set game records for jackpot size. Idaho Jackpot was won six times during the year.

Rounding out the year's portfolio, the Draw Game Hot Lotto ended in late October 2018 and was replaced by a new game, Lotto America. The first jackpot on Lotto America reached over \$22 million. Idaho Cash also received a full year's worth of sales and has gained a consistent, steady following.

In all, the Idaho Lottery recorded twenty-one winners who claimed a prize of \$200,000 or more, while making four new millionaires.

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 29 annual dividend payments totaling \$846,000,000, with the FY2018 dividend of \$53,500,000 going to the State in July 2018.

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 2015	FY 2016	FY 2017	FY 2018
Lottery	\$210,940,100	\$236,819,400	\$240,686,600	\$265,810,900
Total	\$210,940,100	\$236,819,400	\$240,686,600	\$265,810,900
Expenditures	FY 2015	FY 2016	FY 2017	FY 2018
Appropriated*				
Personnel Costs	\$2,595,000	\$2,804,400	\$3,059,200	\$3,185,700
Operating Expenditures	2,176,400	2,184,400	2,505,200	1,720,300
Capital Outlay	119,100	78,900	85,900	119,500

Expenditures	FY 2015	FY 2016	FY 2017	FY 2018
Continuously Appropriated				
Prizes	136,769,300	153,649,700	160,304,900	176,576,300
Commissions	12,480,200	13,840,200	14,063,100	15,607,400
Advertising	3,646,900	3,941,500	3,431,500	3,779,800
Tickets	3,917,500	4,169,700	4,704,600	5,308,600
Service Provider	<u>3,740,400</u>	<u>4,446,500</u>	<u>4,159,700</u>	<u>5,671,600</u>
Total	\$165,444,800	\$185,115,300	\$192,314,100	211,969,200

*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 2015	FY 2016	FY 2017	FY 2018
Lottery Sales	\$210,194,748	\$236,079,628	\$239,929,866	\$265,084,600
Total Dividend Declared by Commission	\$45,000,000	\$49,500,000	\$48,500,000	\$53,500,000

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 2015	FY 2016	FY 2017	FY 2018	FY 2019
Responsibly increase net revenues						
1. Total Revenue	actual	\$210,940,100	\$236,819,400	\$240,686,600	\$265,810,900	-----
	target	\$221,150,000	\$216,300,000	\$226,650,000	\$253,300,000	\$271,000,000
2. Net Operating Income	actual	\$45,495,300	\$51,699,100	\$48,372,400	\$53,841,700	-----
	target	\$49,500,000	\$46,000,000	\$48,000,000	\$50,500,000	\$54,500,000
Rigorously manage costs						
3. Total Operating Expenses	actual	\$165,444,800	\$185,115,300	\$192,314,100	\$211,969,200	-----
	target	\$171,650,000	\$170,300,000	\$178,650,000	\$202,800,000	\$216,500,000

Peer Benchmark Performance Measures		FY2015		FY2016		FY2017		FY2018**	
		Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho
1. Sales per capita	actual	\$115.36	\$127.01	\$127.37	\$140.26	\$120.01	\$139.74		\$151.14
	target		\$133.18		\$128.51		\$131.51		\$141.36

Peer Benchmark Performance Measures		FY2015		FY2016		FY2017		FY2018**	
		Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho
2. Admin costs as a percentage of sales	actual	7.40%	6.00%	7.30%	5.80%	7.50%	6.10%		6.20%
	target		6.00%		6.10%		6.20%		6.30%
3. Dividends as a percentage of sales	actual	24.80%	21.40%	24.70%	21.00%	24.00%	20.30%		20.20%
	target		22.46%		21.27%		21.35%		20.00%
4. Dividend increase percentage	actual	2.10%	-8.20%	9.40%	10.00%	-7.20%	-2.00%		10.30%
	target		5.37%		2.90%		-4.36%		3.30%

Performance Measure Explanatory Notes

**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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