

## 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, 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 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 – 28, Warehouse – 1.9, Regional Sales Representatives (located throughout the state) – 15, for a total of 44.9 as of September 1, 2019.

Lottery products and their percentage of total sales fall into three play styles; Draw style games (23.9%), Scratch™ games (59.2%), and PullTab games (16.9%). Draw game sales are comprised of nine games: Powerball PowerPlay (44.0%), Mega Millions Megaplier (34.2 %), Idaho Cash (2.8%), Pick 3 (3.6%), Raffles (4.1%), Weekly Grand (2.6%), Lotto America (4.0%) and Lucky for Life (4.7%). Lottery tickets are sold by 1,165 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 2019, the Idaho Lottery celebrated its 30<sup>th</sup> Anniversary on July 19, 2019. The Idaho Lottery had record sales, awarded more in prizes, retailers earned more in commissions, and returned the largest dividend in its history at \$60 million. FY2019 was historic in that the Idaho Lottery sold more than \$287.9 million in products, 436% more than the Lottery's very first year in 1989 and the most in Idaho Lottery history. The dividend returned to beneficiaries was a 12.1% increase over the previous year's return on only an 8.6% increase in sales. The Lottery also returned \$6.5 million more than the previous year. The strength of sales came largely from the highest jackpot run in Mega Millions history (ending short of a world record at \$1.537 billion) plus the second and fourth largest jackpots in Powerball history (\$768 and \$687.5 million respectively). Mega Millions enjoyed its most successful year in Idaho Lottery history, realizing a near 80% sales increase over the previous year. Despite its two largest jackpots, Powerball sales delivered a decrease compared to the previous year, confirming the fact that games which rely on big jackpots have sales that are unpredictable.

Scratch ticket sales also increased year-over-year by 8.3%, or about \$12.1 million during the year. This was due in part to the successful launch of a family of 30<sup>th</sup> Anniversary-themed Scratch Games including the first ever introduced at a \$30 price. The family also included a \$5 and \$10 game. Terminal based jackpot games continued their responsible, steady growth. These three games produced a total of ten jackpot winners during the year. Coupled with regular Scratch Games, this product category realized a total increase of more than \$12.4 million over the previous year.

Rounding out the year's portfolio saw the in-state game Idaho Cash recorded a near 20% increase in year-over-year sales with the support of the game's largest jackpot in its history - \$299,000. The Idaho \$1,000,000 Raffle also sold out prior to New Year's Eve and the multi-state draw games Lucky for Life and Lotto America continued their steady performance compared to previous years. Lucky for Life saw two winners receive the second level prize of \$25,000 a Year for Life during the year. In all, the Idaho Lottery recorded twenty winners who claimed a prize of \$200,000 or more, while making two new millionaires.

The Idaho Lottery was created in 1988 by a vote of the people as an “education lottery”, meaning proceeds and dividends from the sale of tickets would be used to benefit public education. When the Lottery began operations in 1989, the intent of the annual dividend was to be split equally between the Idaho Department of Education’s Public School Building Fund Account and the Idaho Department of Administration’s Permanent Building Fund. Historically, 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, mainly college campuses. During the Fiscal Years 2003 through 2006, the Department of Education allocated some of their dividend dollars to support their Bond Levy Equalization Fund. Then, from FY2007 through FY2009, Lottery dividends were used as a school facility maintenance match by the Department of Education. A 2009 statutory change passed by the Idaho Legislature and signed into law 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. From FY2010 through FY2013, Lottery dividends were distributed as discretionary dollars within the Department of Education’s Maintenance and Operations (M&O) budget. Since FY2014, Lottery dividends are now used for maintenance repairs of student-occupied buildings while a portion is discretionary, for items within the M&O budget, not including salaries. 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 2019, the Idaho Lottery returned the largest dividend in its 30 year history, \$60,000,000 to the People of Idaho. Since 1989, the Idaho Lottery has returned \$906,000,000 for its good causes.

In addition to its lottery responsibilities, Title 67, Chapter 77, *Idaho Code*, charges the Idaho Lottery with the responsibility and authority to license and regulate charitable 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, a position mandated by Idaho Code §67-7410 that 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 2016	FY 2017	FY 2018	FY 2019
<b>Lottery</b>	<u>\$236,819,400</u>	<u>\$240,686,600</u>	<u>\$265,810,900</u>	<u>\$288,616,000</u>
<b>Total</b>	<b>\$236,819,400</b>	<b>\$240,686,600</b>	<b>\$265,810,900</b>	<b>\$288,616,000</b>
Expenditures	FY 2016	FY 2017	FY 2018	FY 2019
<b>Appropriated*</b>				
Personnel Costs	\$2,804,400	\$3,059,200	\$3,185,700	\$3,259,100
Operating Expenditures	2,184,400	2,505,200	1,720,300	1,781,200
Capital Outlay	78,900	85,900	119,500	93,100

Expenditures	FY 2016	FY 2017	FY 2018	FY 2019
<b>Continuously Appropriated</b>				
Prizes	153,649,700	160,304,900	176,187,700	190,047,400
Commissions	13,840,200	14,063,100	15,607,400	16,641,300
Advertising	3,941,500	3,431,500	3,779,800	4,622,800
Tickets	4,169,700	4,704,600	5,308,600	5,728,400
Service Provider	<u>4,446,500</u>	<u>4,159,700</u>	<u>5,851,900</u>	<u>6,397,000</u>
<b>Total</b>	<b>\$185,115,300</b>	<b>\$192,314,100</b>	<b>\$211,760,900</b>	<b>\$228,570,300</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 2016	FY 2017	FY 2018	FY 2019
Lottery Sales	\$236,079,600	\$239,929,900	\$265,084,600	\$287,912,900
Total Dividend Declared by Commission	\$49,500,000	\$48,500,000	\$53,500,000	\$60,000,000

**Licensing Freedom Act**

Agencies who participate in licensure must report on the number of applicants denied licensure or license renewal and the number of disciplinary actions taken against license holders.

	FY 2016	FY 2017	FY 2018	FY 2019
<b>IDAHO LOTTERY RETAILER LICENSES PROCESSED</b>				
Total Number of Licenses	83	83	102	55
Number of New Applicants Denied Licensure	1	4	7	9
Number of Applicants Refused Continuation of a License	4	8	6	19
Number of Complaints Against Licensees	6	18	17	40
Number of Final Disciplinary Actions Against Licensees	0	0	0	0
<b>CHARITABLE GAMING LICENSES PROCESSED</b>				
Total Number of Licenses	167	179	178	180
Number of New Applicants Denied Licensure	1	0	1	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	2	0	0	0

**Red Tape Reduction Act**

Each agency shall incorporate into its strategic plan a summary of how it will implement the Red Tape Reduction Act, including any associated goals, objectives, tasks, or performance targets. This information may be included as an addendum.

	As of July 1, 2019
Number of Chapters	1
Number of Words	1,379
Number of Restrictions	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 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Responsibly increase net revenues</b>						
1. Total Revenue	actual	\$236,819,400	\$240,686,600	\$265,810,900	\$288,616,000	-----
	target	\$216,300,000	\$226,650,000	\$253,300,000	\$271,000,000	\$294,600,000
2. Net Operating Income	actual	\$51,699,100	\$48,372,500	\$54,050,000	\$60,045,700	-----
	target	\$46,000,000	\$48,000,000	\$50,500,000	\$54,500,000	\$60,500,000
<b>Rigorously manage costs</b>						
3. Total Operating Expenses	actual	\$185,115,300	\$192,314,100	\$211,760,900	\$228,570,300	-----
	target	\$170,300,000	\$178,650,000	\$202,800,000	\$216,500,000	\$234,100,000

Peer Benchmark Performance Measures		FY2016		FY2017		FY2018**		FY2019	
		Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho
1. Sales per capita	actual	\$143.13	\$140.26	\$137.62	\$139.74	\$147.97	\$151.11		\$160.83
	target		\$128.51		\$131.51		\$149.55		151.38
2. Admin costs as a percentage of sales	actual	6.7%	5.8%	6.9%	6.0%	6.9%	6.2%		6.0%
	target		6.1%		6.2%		6.3%		6.2%
3. Dividends as a percentage of sales	actual	23.8%	21.0%	23.6%	20.2%	23.5%	20.2%		20.8%
	target		21.3%		21.4%		20.0%		20.1%
4. Dividend increase percentage	actual	11.1%	10.0%	-3.4%	-2.0%	7.2%	10.3%		12.2%
	target		2.9%		-4.4%		3.3%		1.9%

**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**

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