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www.mnlottery.com/

AT A GLANCE

- Minnesota voters approved a Constitutional amendment to authorize a lottery in 1988.
- Sales began in April of 1990.
- Since then, the Lottery has raised more than \$2.6 billion dollars for the State, including:
 - \$1.5 Billion for the General Fund,
 - \$723 Million for the Environment and Natural Resources Trust Fund,
 - \$181 Million for the Game and Fish Fund and
 - \$181 Million for the Natural Resources Fund.
- During the past year, 46% of Minnesota adults chose to purchase a Lottery ticket, making it the most popular form of gambling in the state.

PURPOSE

The Minnesota Lottery exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. We do this by offering fun, innovative and secure games of chance to adults living in and visiting Minnesota.

We contribute to a **thriving economy that encourages business growth and employment opportunities** by designing and marketing a mix of lottery games each year. We partner with more than 3,000 grocery stores, convenience stores and other retail locations to sell these games to the public. Last year our retail partners earned more than \$34 million in commissions and incentives.

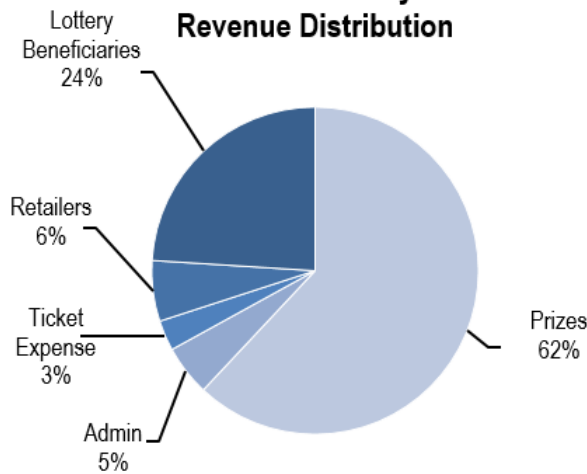
We contribute to a **clean, healthy environment with sustainable uses of natural resources** by fulfilling our

constitutional mandate as a funding mechanism for the Environmental and Natural Resources Trust Fund as well as the Game and Fish Fund and the Natural Resources Fund.

We provide **efficient and accountable government services** by keeping our expenses below the limit set by the legislature and answering directly to our customers' preferences for game design and product mix. Since we are an entirely self-funded agency – we do not receive an annual funding appropriation – sales of lottery tickets provide our operating revenue.

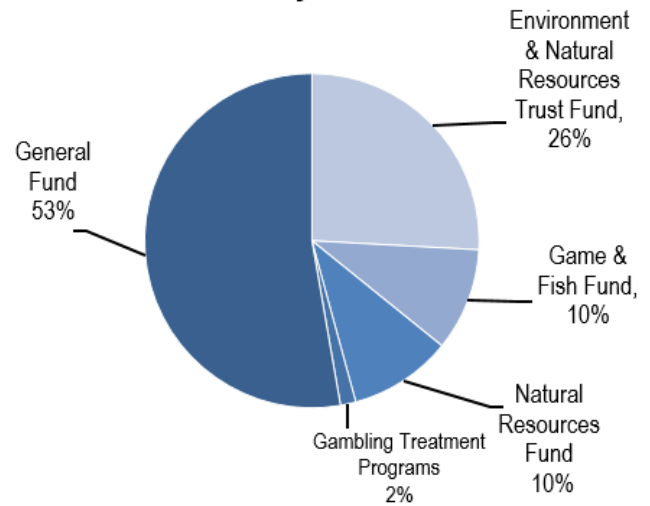
FINANCIAL INFORMATION

FY2016 Lottery Revenue Distribution



Source: Minnesota State Lottery

FY2016 Lottery Beneficiaries



(Percentages rounded)

Source: Minnesota State Lottery

In accordance with the Minnesota Constitution, 40 percent of net lottery proceeds are dedicated to the Environment and Natural Resources Trust Fund. The remaining 60 percent is dedicated to the General Fund by statute. In addition, revenue from a 6.5% in-lieu-of-sales tax on lottery tickets is divided by statute between the General Fund, the Game and Fish Fund, and the Natural Resources Fund.

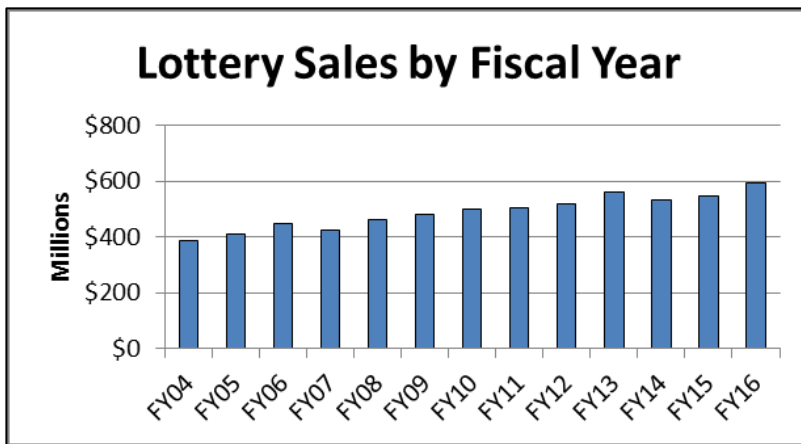
In FY 2016, the Lottery generated \$592 million in total sales and other revenue. Of that amount, \$365 million (62%) was paid to players winning prizes; retailers earned \$34 million (6%); the cost of producing and distributing tickets was \$18 million (3%); administrative expenses totaled \$27 million (5%) and lottery beneficiaries received \$144 million (24%). Of that \$144 million, the General Fund received \$76 million (55%), including \$1.5 million designated for compulsive gambling treatment programs; the Environment and Natural Resources Trust Fund received \$38 million (26%), and the Natural Resources Fund and the Game & Fish Fund each received \$14 million (10% apiece).

STRATEGIES

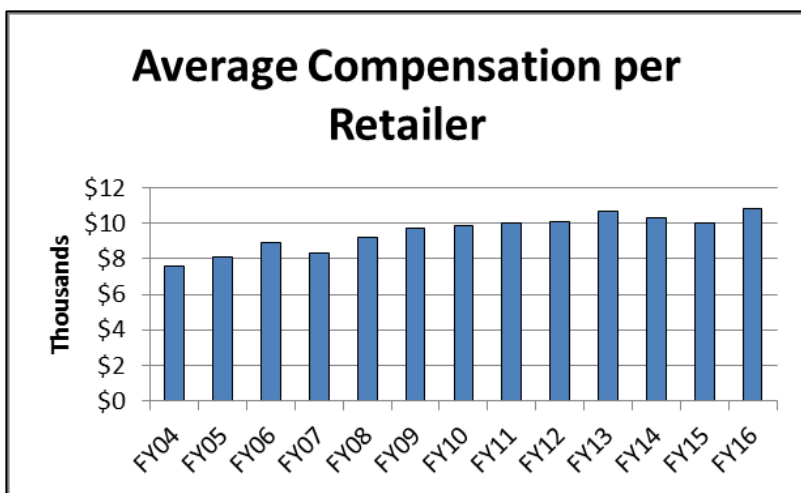
As a self-funded enterprise, we work to:

- Understand our customers by investing in market research, monitoring sales results of our products, talking with our business partners and listening to players and others who have questions, suggestions or concerns.
- Design lottery games that appeal to adults living in or visiting Minnesota who choose to play.
- Distribute those games by working with our retail business partners to sell our product.
- Support those products with appropriate advertising, promotions and incentives.

RESULTS

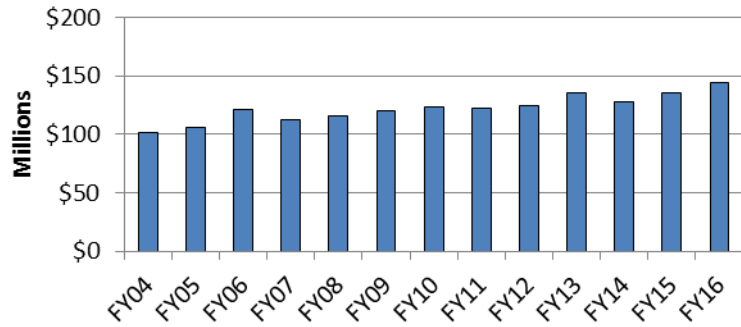


Sales have increased from about \$400 million a year in FY 04 to more than \$500 million over the past seven years, including a record \$592 million in FY 16.



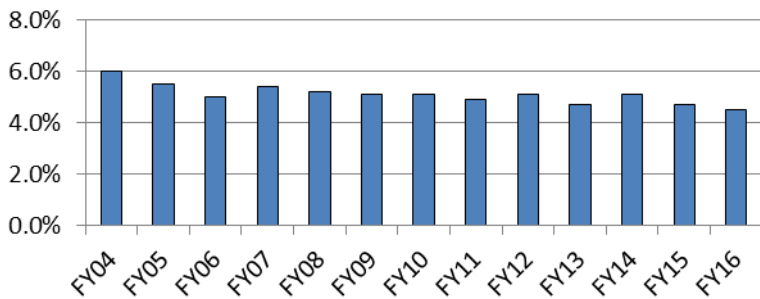
Retailer compensation has also been growing. In FY 16, they earned \$34 million or, on average, \$10,800.

Revenue Raised for Minnesota



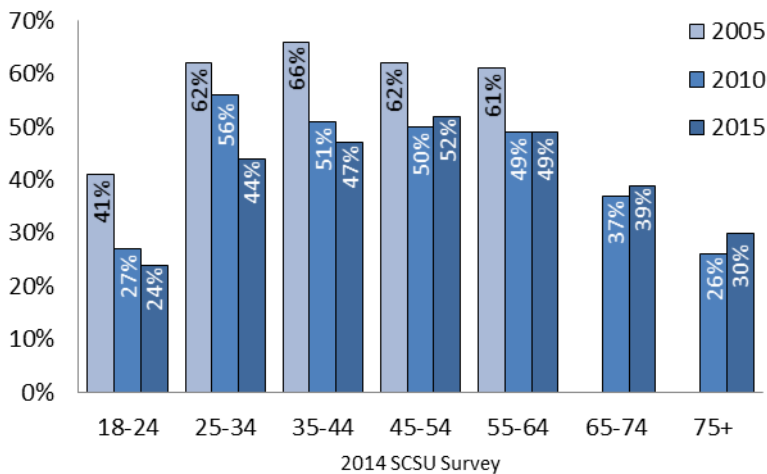
Our most important measure of success is contributions to the state. Revenue to the state has exceeded \$100 million every year since FY05. FY16 saw the highest contributions to state programs in the Lottery's history.

Administrative Expense as a Percent of Total Income



We have been able to increase sales and revenue while keeping our administrative expense close to five percent of total income.

Past Year Lottery Play by Age



The greatest challenge facing the Minnesota Lottery is the declining interest in lottery games by young adults.

Statutes governing the Minnesota Lottery are found in M.S. 349A <https://www.revisor.mn.gov/statutes/?id=349A>.

Minnesota State Lottery
(\$ in thousands)

	<i>Actual FY2014</i>	<i>Actual FY2015</i>	<i>Actual FY2016</i>	<i>Budget FY2017</i>	<i>Budget FY2018</i>	<i>Budget FY2019</i>
Revenue						
Instant Sales:						
Scratch Ticket Sales	\$351,590	\$375,223	\$394,653	\$397,000	\$402,000	\$402,000
EIT Sales	322	973	109			
Total Instant Sales	\$351,912	\$376,196	\$394,762	\$397,000	\$402,000	\$402,000
Lotto Sales:						
Daily 3	14,374	14,633	16,691	16,500	16,500	16,500
Northstar Cash	10,041	9,510	10,097	10,000	10,000	10,000
Powerball	77,427	64,438	95,690	77,900	82,900	82,900
Power Play	2,485	2,196	2,801	2,400	2,400	2,400
Gopher 5	17,066	21,815	15,051	16,600	16,600	16,600
Hot Lotto	11,499	12,813	8,642	9,000	9,000	9,000
Hot Lotto Sizzler	1,156	1,342	929	1,200	1,200	1,200
Raffle Game	6,000	7,000	6,999	7,000	7,000	7,000
Print-N-Play	8,957	6,510	11,481	10,500	10,500	10,500
Mega Millions	25,408	19,701	17,187	14,500	14,500	14,500
Megaplier	1,537	1,334	1,296	1,000	1,000	1,000
All or Nothing	3,652	3,976	3,238	3,400	3,400	3,400
Lucky for Life		5,006	7,989	8,000	8,000	8,000
Monopoly Millionaires' Club		397				
Total Online Sales	179,604	170,672	198,091	178,000	183,000	183,000
Game Development/New Initiatives						
Total Sales Revenue	531,516	546,868	592,853	575,000	585,000	585,000
Less In-Lieu-of-Sales Tax						
	34,549	35,546	38,535	37,375	38,025	38,025
Gross Receipts	496,967	511,322	554,317	537,625	546,975	546,975
Non-operating Income						
	281	272	339	322	322	322
Gross Revenue	497,248	511,593	554,657	537,947	547,297	547,297
Direct Costs						
Prize Expense	327,993	335,199	365,900	355,337	361,483	361,483
Unclaimed Prizes Paid to State Treasury	9,589	11,698	8,769	10,500	10,500	10,500
Compulsive Gambling from Prize Fund	1,188	1,923	1,617	2,230	2,230	2,230
Retailer Commissions and Incentives	31,939	32,949	35,708	34,438	35,037	35,037
Ticket Costs	7,483	6,064	5,978	5,822	5,895	5,895
Lotto Vendor Expense	9,924	10,405	13,951	9,869	10,145	10,145
Total Direct Costs	388,115	398,238	431,923	418,196	425,290	425,290
Operating Expense						
Advertising	7,260	6,971	5,969	7,546	8,500	8,500
Promotions	1,385	1,304	2,279	1,937	2,000	2,000
Game Development/New Initiatives						
Brand/Beneficiary Awareness	0	0	0	0	0	0
Salaries and Benefits	12,010	12,543	12,550	12,884	13,800	14,500
Occupancy Costs	1,585	1,469	1,568	1,734	1,869	1,869
Communications	617	557	590	600	700	700
Purchased Services	1,768	1,697	1,657	1,668	1,735	1,735
Depreciation	686	660	598	510	833	833
Supplies and Materials	1,157	879	963	1,011	1,420	1,420
Other	982	899	801	844	1,076	1,076
Total Operating Expense	27,450	26,979	26,975	28,733	31,933	32,633
Net Proceeds	\$81,683	\$86,377	\$95,758	\$91,018	\$90,074	\$89,374
PAID TO STATE BENEFICIARY						
General Fund						
In-Lieu-of-Sales Tax	\$9,525	\$9,800	\$10,624	\$10,304	\$10,483	\$10,483
Net Proceeds	49,010	51,826	57,455	54,611	54,044	53,624
Unclaimed Prizes	9,589	11,698	8,769	10,500	10,500	10,500
Unclaimed Prizes Held in Trust for State						
Compulsive Gambling from Prize Fund	1,188	1,923	1,617	2,230	2,230	2,230
Total General Fund	69,313	75,247	78,466	77,645	77,258	76,838
Envir. and Natural Resources Fund						
Net Proceeds	32,673	34,551	38,303	36,407	36,030	35,750
Unclaimed Prizes						
Total Envir and Natural Resources Fund	32,673	34,551	38,303	36,407	36,030	35,750
Game and Fish Fund						
	12,512	12,873	13,956	13,535	13,771	13,771
Natural Resources Fund	12,512	12,873	13,956	13,535	13,771	13,771
TOTAL PAID TO STATE BENEFICIARY	\$127,010	\$135,544	\$144,680	\$141,123	\$140,829	\$140,129
	23.90%	24.79%	24.40%	24.54%	24.07%	23.95%