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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 2.9 billion dollars for the State, including:
 - \$1.7 Billion for the General Fund,
 - \$796 Million for the Environment and Natural Resources Trust Fund,
 - \$209 Million for the Game and Fish Fund and
 - \$209 Million for the Natural Resources Fund.
- During the past year, 42% of Minnesota adults chose to purchase a Lottery ticket, making it one of the most popular forms 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.

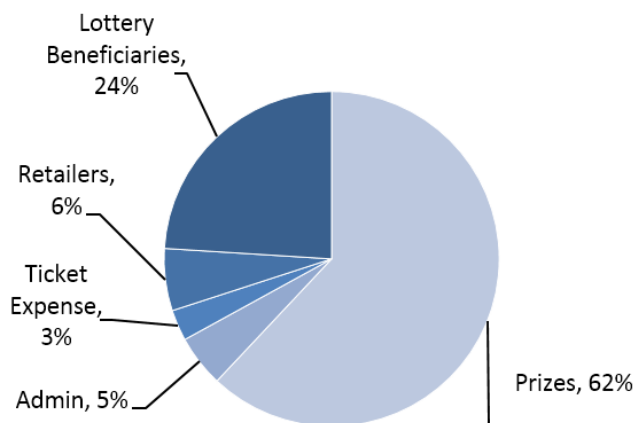
We contribute to a **thriving economy that encourages business growth and employment opportunities** by designing and marketing a mix of lottery games each year. We partner with approximately 3,000 grocery stores, convenience stores and other retail locations to sell these games to the public. Last year our retail partners earned approximately \$36 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 expenses.

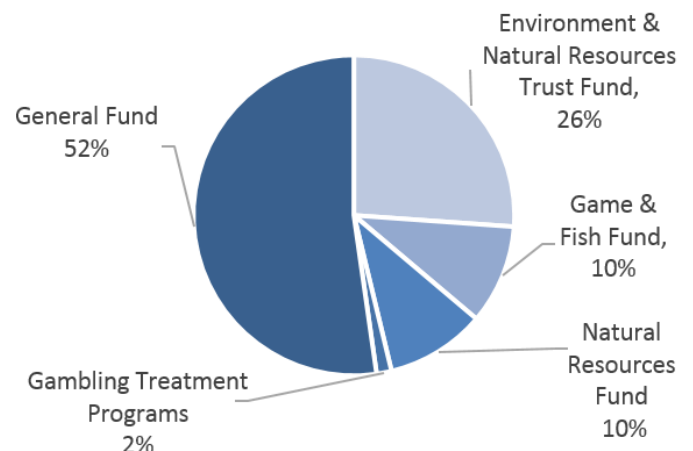
BUDGET

FY 2018 Lottery Revenue Distribution



Source: Minnesota State Lottery

FY 2018 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.

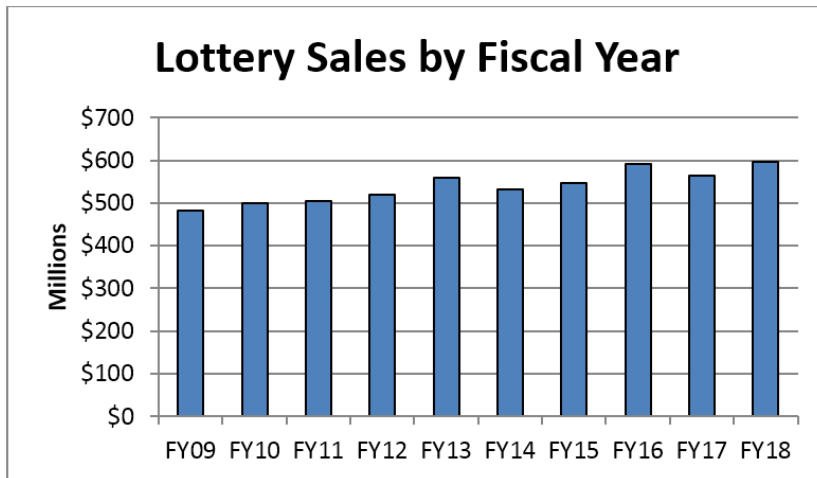
In FY 2018, the Lottery generated \$596 million in total sales and other revenue. Of that amount, \$371 million (62%) was paid to players winning prizes; retailers earned \$36 million (6%); the cost of producing and distributing tickets was \$16 million (3%); administrative expenses totaled \$29 million (5%) and lottery beneficiaries received \$145 million (24%). Of that \$145 million, the General Fund received \$79 million (54%), including \$1.8 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

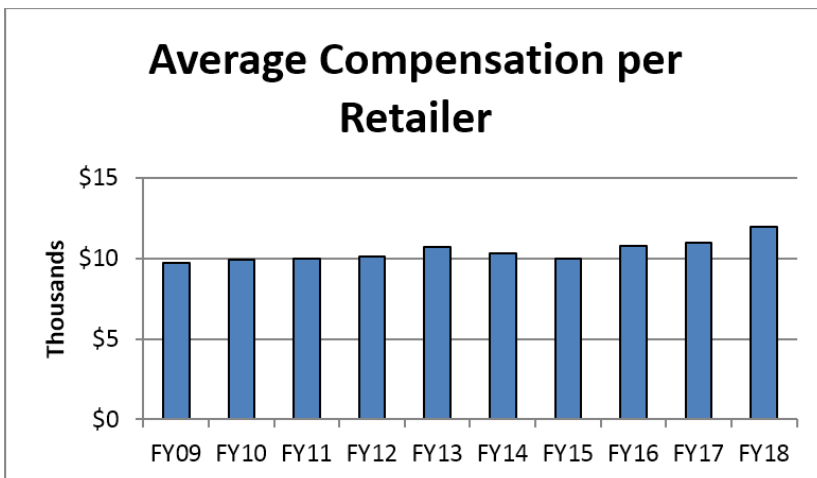
As a self-funded enterprise, we work to:

- 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

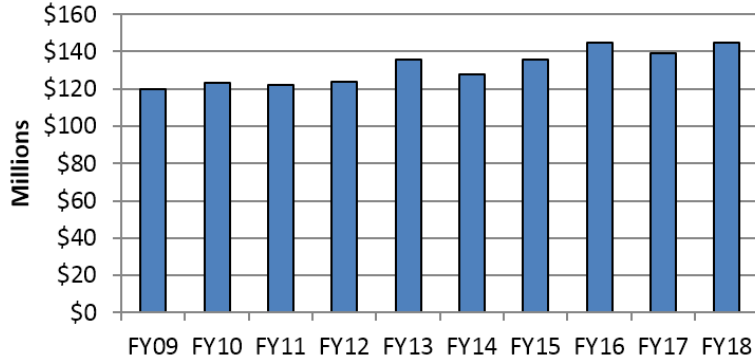


Sales have increased from about \$480 million a year in FY 09 to almost \$600 million over the past nine years, including a record \$596 million in FY 18.



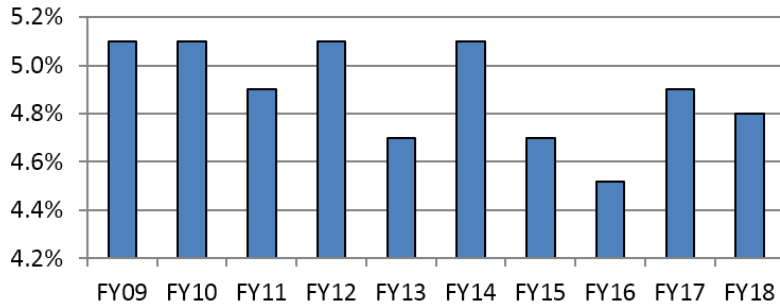
Retailer compensation has also been growing. In FY 18, they earned \$36 million or, on average, \$12,000.

Revenue Raised for Minnesota



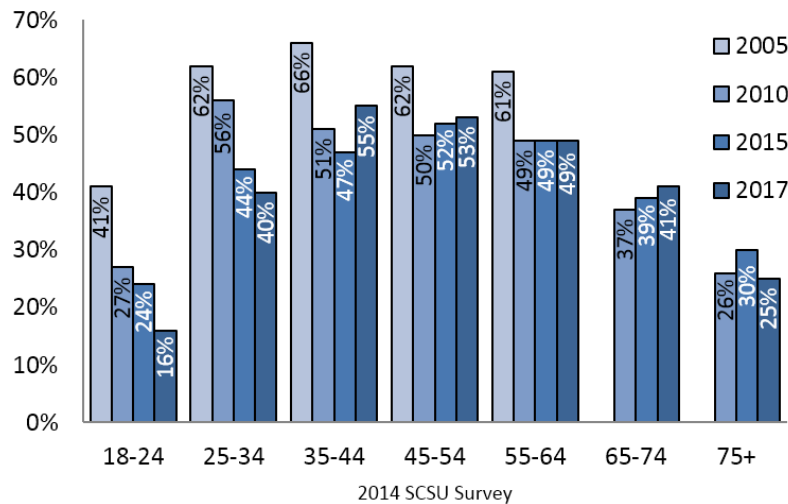
Our most important measure of success is contributions to the state. Revenue to the state has exceeded \$118 million every year since FY 09. FY 18 saw the highest contributions to state programs in the Lottery's history.

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 FY2016</i>	<i>Actual FY2017</i>	<i>Actual FY2018</i>	<i>Forecast FY2019</i>	<i>Forecast FY2020</i>	<i>Forecast FY2021</i>
Revenue						
Instant Sales:						
Scratch Ticket Sales	\$394,653	\$398,311	\$411,166	\$420,000	\$422,000	\$424,000
EIT Sales	109					
Total Instant Sales	\$394,762	\$398,311	\$411,166	\$420,000	\$422,000	\$424,000
Lotto Sales:						
Daily 3	16,691	17,401	17,687	17,700	17,700	17,800
Northstar Cash	10,097	9,250	10,338	10,000	10,200	10,300
Powerball	95,690	62,387	72,737	80,850	79,500	81,450
Power Play	2,801	2,374	2,653	3,000	3,000	3,000
Gopher 5	15,051	15,046	18,033	15,000	16,500	18,000
Hot Lotto	8,642	9,939	5,678			
Hot Lotto Sizzler	929	1,019	523			
Raffle Game	6,999	6,999	6,998	7,000	7,000	7,000
Print-N-Play	11,481	12,755	11,697	12,000	12,000	12,000
Mega Millions	17,187	15,901	24,769	45,000	19,000	20,000
Megaplier	1,296	1,235	1,268	1,250	1,250	1,250
All or Nothing	3,238	3,144				
Lucky for Life	7,989	7,743	6,630	7,200	7,200	7,200
Lotto America			5,684	7,000	7,000	7,000
All Star Bonus			616	1,000	1,000	1,000
Monopoly Millionaires' Club						
Total Online Sales	198,091	165,192	185,312	207,000	181,350	186,000
Game Development/New Initiatives						
Total Sales Revenue	592,853	563,503	596,478	627,000	603,350	610,000
Less In-Lieu-of-Sales Tax	38,535	36,628	38,771	40,755	39,218	39,650
Gross Receipts	554,317	526,875	557,706	586,245	564,132	570,350
Non-operating Income	339	481	551	500	500	500
Gross Revenue	554,657	527,356	558,258	586,745	564,632	570,850
Direct Costs						
Prize Expense	365,900	348,383	370,625	390,649	376,390	380,036
Unclaimed Prizes Paid to State Treasury	8,769	12,440	9,027	9,540	9,453	9,570
Compulsive Gambling from Prize Fund	1,617	1,775	1,804	2,236	2,236	2,236
Retailer Commissions and Incentives	35,708	33,965	36,027	42,134	40,545	40,992
Ticket Costs	5,978	5,689	6,036	6,322	6,352	6,382
Lotto Vendor Expense	13,951	9,117	10,368	12,220	11,520	11,779
Total Direct Costs	431,923	411,368	433,886	463,100	446,496	450,995
Operating Expense						
Advertising	5,969	6,570	7,399	8,182	8,500	8,500
Promotions	2,279	1,506	1,187	1,422	2,000	2,000
Game Development/New Initiatives						
Brand/Beneficiary Awareness	0	0	0	0	0	0
Salaries and Benefits	12,550	13,190	13,434	14,852	15,600	16,400
Occupancy Costs	1,568	1,697	1,705	1,783	1,784	1,783
Communications	590	438	427	513	500	500
Purchased Services	1,657	1,714	2,006	2,504	2,200	2,200
Depreciation	598	533	572	630	650	670
Supplies and Materials	963	1,137	1,172	1,602	1,602	1,602
Other	801	888	971	1,297	1,225	1,225
Total Operating Expense	26,975	27,672	28,874	32,787	34,061	34,880
Net Proceeds	\$95,758	\$88,316	\$95,497	\$90,858	\$84,076	\$84,975
PAID TO STATE BENEFICIARY						
General Fund						
In-Lieu-of-Sales Tax	\$10,624	\$10,098	\$10,689	\$11,236	\$10,812	\$10,932
Net Proceeds	57,455	52,990	57,298	54,515	50,446	50,985
Unclaimed Prizes	8,769	12,440	9,027	9,540	9,453	9,570
Unclaimed Prizes Held in Trust for State						
Compulsive Gambling from Prize Fund	1,617	1,775	1,804	2,236	2,236	2,236
Total General Fund	78,466	77,303	78,818	77,527	72,947	73,723
Envir. and Natural Resources Fund						
Net Proceeds	38,303	35,326	38,199	36,343	33,630	33,990
Unclaimed Prizes						
Total Envir and Natural Resources Fund	38,303	35,326	38,199	36,343	33,630	33,990
Game and Fish Fund						
Net Proceeds	13,956	13,265	14,041	14,759	14,203	14,359
Natural Resources Fund	13,956	13,265	14,041	14,759	14,203	14,359
TOTAL PAID TO STATE BENEFICIARY	\$144,680	\$139,158	\$145,099	\$143,389	\$134,983	\$136,431
	24.40%	24.70%	24.33%	22.87%	22.37%	22.37%