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2016-17 Biennial Budget – Lottery

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[www.mnlottery.com](http://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 Billion dollars for the State, including:
- \$1.4 Billion for the General Fund,
- \$650 Million for the Environment and Natural Resources Trust Fund,
- \$155 Million for the Game and Fish Fund, and,
- \$155 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**

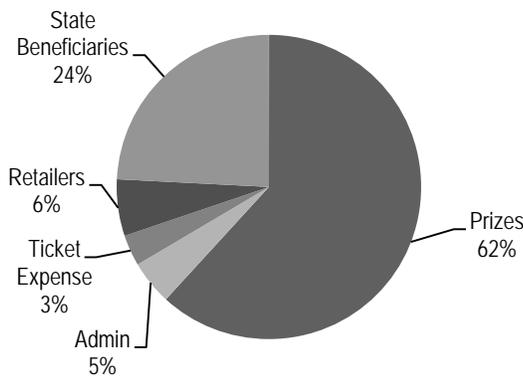
The Minnesota Lottery exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. We do this by offering fun, innovative and secure games of chance to adults living in and visiting Minnesota.

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 \$32 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.

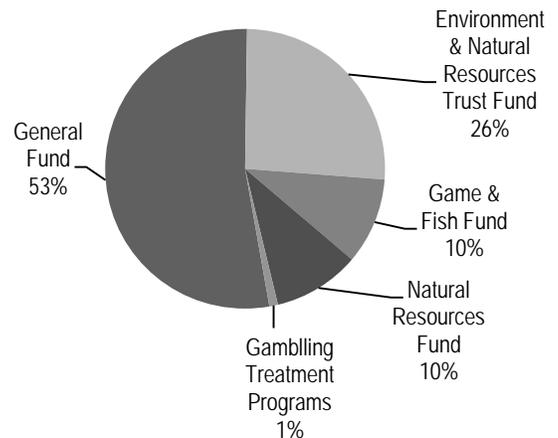
We provide **efficient and accountable government services** by keeping our expenses below the limit set by the legislature and answering directly to our customers' preferences for game design and product mix. Since we are an entirely self-funded agency – we do not receive an annual funding appropriation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

**FY2014 Lottery Revenue Distribution**



Source: Minnesota State Lottery

**FY2014 Lottery Beneficiaries**



Source: Minnesota State Lottery

## FINANCIAL INFORMATION

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.

Last year, the Lottery generated \$532 million in total sales and other revenue. Of that amount, \$328 million (62%) was paid to players winning prizes; retailers earned \$32 million (6%); the cost of producing and distributing tickets was \$17 million (3%); administrative expenses totaled \$27 million (5%) and lottery beneficiaries received \$128 million (24%). Of that \$128 million, the General Fund received \$70 million (55%), including \$2 million designated for compulsive gambling treatment programs; the Environment and Natural Resources Trust Fund received \$33 million (26%), and the Natural Resources Fund and the Game & Fish Fund each received \$12.5 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.

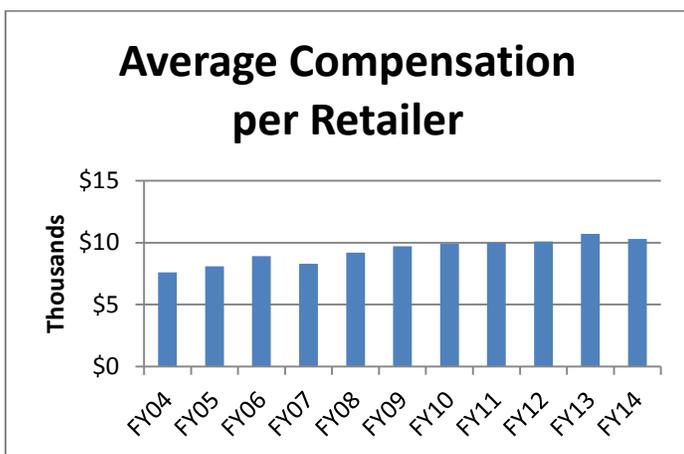
**Distribute** those games by working with our retail business partners to sell our product.

**Support** those products with appropriate advertising, promotions and incentives

## RESULTS

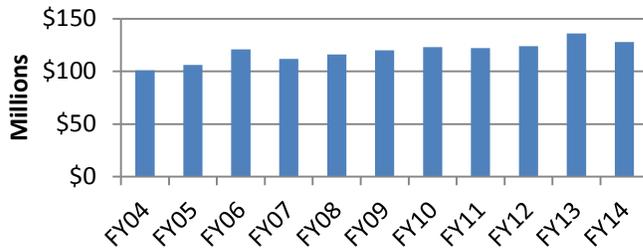


Sales have increased from about \$400 million a year in FY04 to more than \$500 million over the past ten years



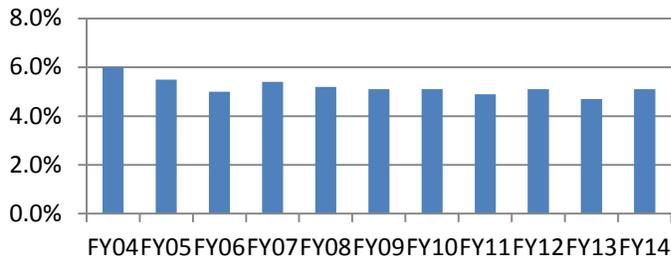
Retailer compensation has also been growing. In FY14, Lottery retailers earned \$32 million in commissions and incentives, an average of \$10,200. In FY13, they earned \$34 million or, on average, \$10,800

## Revenue Raised for Minnesota



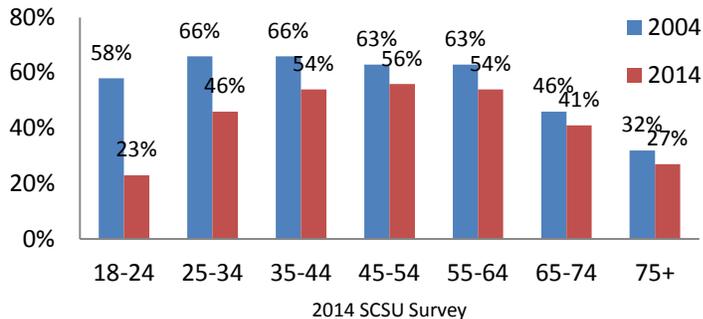
Our most important measure of success, of course, is contributions to the state. Revenue to the state has exceeded \$100 million every year since FY05. FY14 saw the second highest contributions to state programs in the Lottery's history

## 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



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