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2014-15 Biennial Budget - Lottery

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Mission:

The Lottery offers fun, innovative and secure games that create excitement, reflect Minnesota values and maximize contributions to the State.

Statewide Outcome(s):

Lottery supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

A clean, healthy environment with sustainable uses of natural resources.

Context:

The Minnesota State Lottery exists to raise revenue for state programs as determined by the legislature and governor. It does so through the sale of lottery tickets at over 3,100 retail outlets. Lottery customers include the approximately two million adults who purchase a lottery ticket in an average year.

Lottery beneficiaries include the General Fund, Environment and Natural Resources Trust Fund, Game and Fish Fund, and Natural Resources Fund. In addition, a portion of the General Fund revenue is appropriated by the legislature to programs to assist those affected by problem gambling. The Minnesota Constitution requires that 40 percent of net lottery revenue is dedicated to the Environment and Natural Resources Trust Fund. All other beneficiaries are determined by statute.

The Lottery has three priorities.

- Maximize revenues through the design and marketing of products that customers wish to purchase,
- Ensure the security and integrity of its products,
- Design and market products in a manner consistent with the values of Minnesota citizens.

The Lottery receives no state appropriation; operating expenses are provided through ticket sales. The Legislature sets an annual limit on operating expenditures but does not approve an operative budget.

Strategies:

In fiscal 2012, the Lottery designed and marketed 75 scratch or instant games in addition to continuing to market seven "lotto" games (such as Powerball) offered through computer terminals. These games are offered in the context of an overall sales and marketing plan that also determines advertising and promotional strategies. The Lottery also reviews operations to ensure that it carries out these strategies in the most efficient manner possible.

The Lottery contributes to statewide outcomes by helping to finance state initiatives in critical areas.

Key partners include the 3,100 retail stores that sell lottery products, other state lotteries with whom Minnesota cooperates on multi-state games, and vendors in critical areas such as product manufacture and design, information technology, advertising, promotional partners, and market research.

Results:

Compared with most other agencies, lottery outcomes are relatively easy to measure. The most direct measure is revenues contributed to state programs. In this regard the Lottery has been quite successful. FY 2012 revenues of \$123.6 million were the highest ever in the lottery's 22-year history and have grown by 56 percent since FY 2003.

The Lottery cannot, of course, guarantee record revenues every year. Several key factors will always be beyond the organization's control. Jackpots for games such as Powerball drive sales—a year with multiple high jackpots will easily outsell a year with none, all things being equal—but jackpot generation is a random process and the

Lottery cannot be certain how many, if any will occur. Other external factors affect lottery sales as well, including the economy, weather, gas prices, and other external events.

Performance Measures	Previous	Current	Trend
Lottery proceeds returned to state	\$122.1 million	\$123.6 million	Increasing
Percent of adults purchasing lottery ticket in past year	44.3%	47.1%	Increasing
Percent believing that the lottery is a well-run organization	57.9%	60.0%	Stable
Percent believing that lottery makes a positive contribution to the state	57.7%	64.7%	Increasing

Performance Measures Notes:

It should be noted that record FY 2012 revenues happened despite the loss of three weeks of sales due to the July, 2011 government shutdown. Once the shutdown ended, it took several weeks for sales to regain their previous levels due to the difficulties in restarting operations and the need to “reintroduce” the Lottery to retailers and customers.

Data on public opinion is based on surveys of 2000 Minnesota adults conducted annually by the Minnesota State Lottery and the survey research center at St. Cloud State University and published in February/March in 2011 and 2012.