

	PAGE
Small Agency Profile.....	2
Agency Fiscal Page (Gov Rec).....	5

Agency Purpose

The Minnesota State Lottery exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. The Lottery does so by offering games of chance to Minnesota adults in accordance with M.S. Chapter 349A.

Core Functions

To accomplish this purpose, the Lottery must:

- ◆ design, distribute, and promote games that will appeal to the general public in a manner consistent with statutory guidelines and the dignity of the state;
- ◆ maintain security procedures that ensure the integrity of the games will not be compromised;
- ◆ manage a large network of private sector retailers who sell lottery products; and
- ◆ accurately process numerous financial transactions, including payment of prizes to winners, commissions to retailers, proceeds to the state, and the purchase of goods and services necessary for lottery operations.

Operations

Lottery tickets are sold through a network of approximately 3,000 retailers located in more than 650 Minnesota cities. These retailers earn a commission on every ticket sold and can earn additional income by redeeming winning tickets and participating in various incentive programs. Each retailer has a computer terminal that is connected to central lottery computers through a secure telecommunications network. Retailers are the primary contact for the ticket-buying public. More than two out of every three Minnesota adults have purchased a lottery ticket.

The Lottery is managed by a director appointed by the governor with the advice and consent of the senate.

The Lottery is organized into six divisions:

- ◆ **Executive** includes the director and research and planning.
- ◆ **Finance** provides accounting and budget services.
- ◆ **Legal** includes legal services, human resources, and purchasing and contracting.
- ◆ **Marketing** is responsible for retailer service, promotions, advertising, customer relations, and public relations.
- ◆ **Operations** provides computer and telecommunications services, conducts drawings, and is responsible for product design.
- ◆ **Security** protects against internal and external lottery fraud, oversees ticket and equipment distribution, and prevents compromise of the games.

Key Goals

The Lottery strives to increase the revenue returned to the state for the designated beneficiaries. Short-term economic and market fluctuations may cause revenues to drop in one year or increase disproportionately in others, but the long term trend should be one of revenue growth. The Lottery has set a long term goal of \$250 million in annual revenue by 2024.

Key Measures

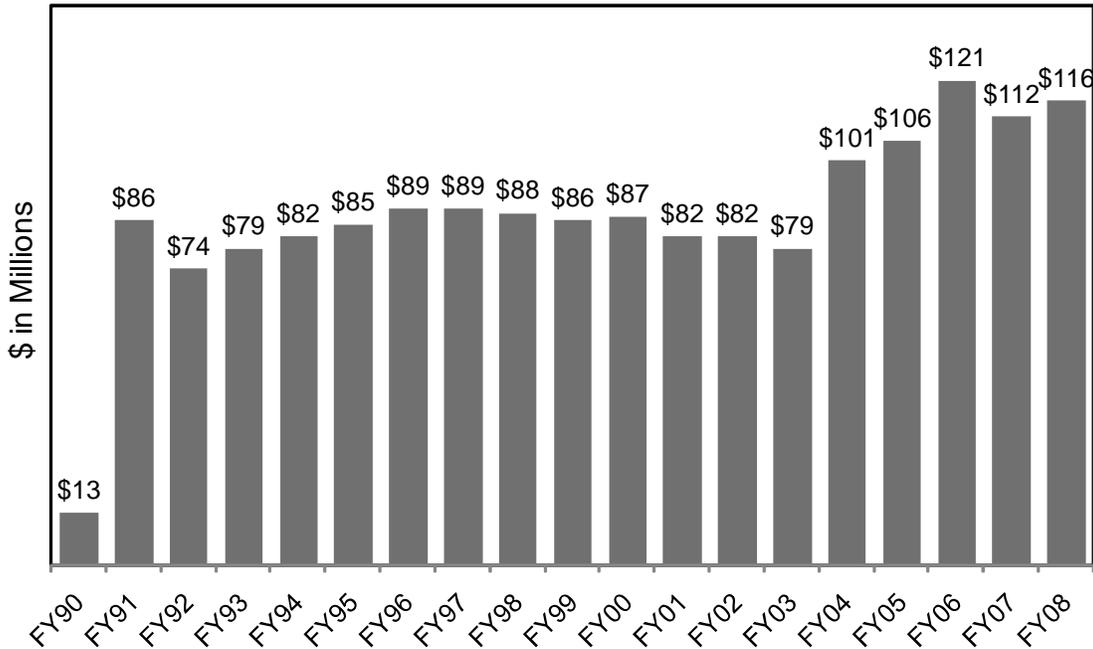
Lottery success is primarily measured by the revenue returned to the state for the designated beneficiaries. In seeking to maximize revenue, the Lottery must also consider security, integrity, social responsibility, and the broader policy concerns of the state. Other measures include administrative efficiency and customer participation and satisfaction.

At A Glance

- ◆ In FY 2008, the Minnesota State Lottery generated \$116 million for state programs from sales of \$462 million.
- ◆ Beneficiaries include the general fund, Environment and Natural Resources Trust Fund, Game and Fish Fund, and Natural Resources Fund.
- ◆ More than two out of three Minnesota adults have purchased a lottery ticket.
- ◆ Scratch games account for 65% of lottery sales. Powerball accounts for another 21%.
- ◆ Since its inception in 1990, Minnesotans have purchased almost \$7 billion in lottery tickets, returning almost \$1.7 billion to the state.
- ◆ Factors such as weather, gasoline prices, local and state economies, and competition for discretionary dollars can all affect lottery sales and proceeds.

The Lottery was able to increase revenues from \$79 million in FY 2003 to \$101 million in FY 2004 due to a number of major changes in operations. Since that time, revenues have grown from \$101 million to \$116 million, an annual increase of 3.7%.

Annual Lottery contributions to State



Beneficiaries

In accordance with the Minnesota Constitution, 40% of net lottery proceeds are dedicated to the Environment and Natural Resources Trust Fund through 2024. The remaining 60% of net proceeds is currently allocated to the general fund. In addition, a 6.5% in-lieu-of-sales tax on lottery sales is divided between the general fund, the Game and Fish Fund, and the Natural Resources Fund. The general fund also receives any unclaimed prizes. Finally, the legislature appropriates money from the Lottery Prize Fund to finance the Department of Human Services compulsive gambling program.

Lottery revenues were distributed as follows in FY 2008:

- ◆ General Fund \$63.9 million
- ◆ Environment and Natural Resources Trust Fund \$30.6 million
- ◆ Game and Fish Fund \$10.9 million
- ◆ Natural Resources Fund \$10.9 million

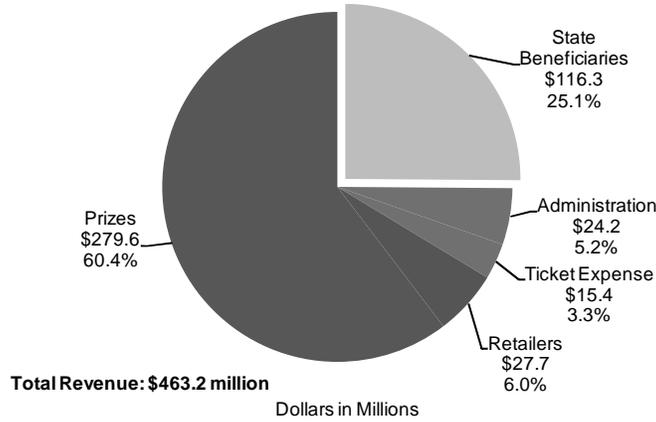
Budget

The Lottery may not spend more than 9% of gross revenue on operations. For FY 2009, the Lottery’s operating budget must not exceed \$28.14 million. Lottery operating expenses are not part of the general fund.

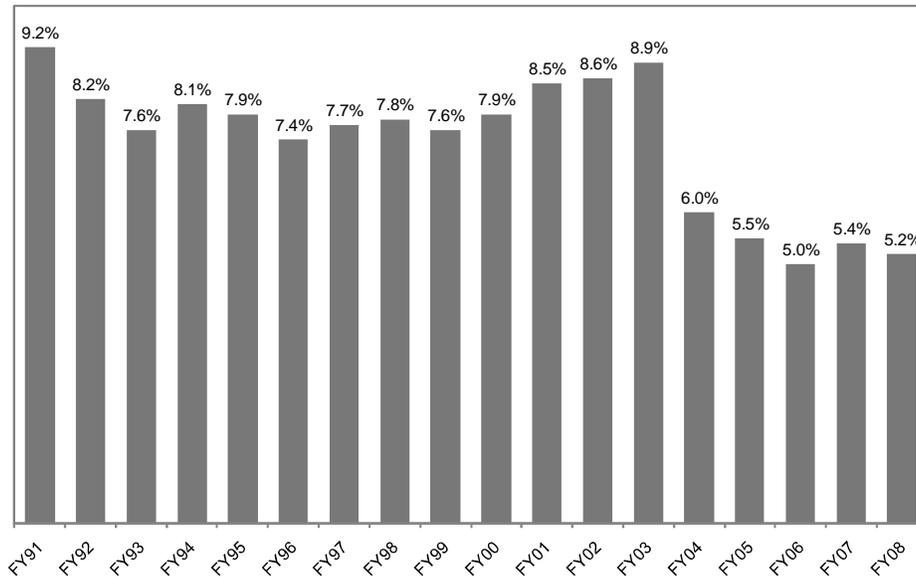
Major administrative expenses include salaries and benefits, advertising and promotions, telecommunications, and computer maintenance. In addition, the cost of goods, including the printing and distribution of tickets, is not included within the budget restrictions mentioned above as these expenses are proportional to sales.

The Lottery has approximately 145 full-time permanent employees located at its headquarters in Roseville and its four regional offices in Detroit Lakes, Marshall, Owatonna, and Virginia.

FY08 Lottery Revenue Distribution



Administrative Expense as % of Total Income



Administrative expense does not include Scratch Ticket or Online Vendor expenses.

Contact

Minnesota State Lottery
 2645 Long Lake Road
 Roseville, Minnesota 55113

<http://www.mnlottery.com>

Phone: (651) 635-8211

Fax: (651) 297-7496

Email: lottery@mnlottery.com

Agency Budget Brief
(\$ in thousands)

	Actual FY2008	Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenue						
Scratch Ticket Sales	\$297,973	\$310,000	\$314,000	\$319,000	\$319,000	\$319,000
Online Ticket Sales	163,550	173,000	173,700	178,700	178,700	178,700
Total Sales Revenue	461,523	483,000	487,700	497,700	497,700	497,700
Less In-Lieu-of-Sales Tax	29,999	31,395	31,701	32,351	32,351	32,351
Gross Receipts	431,524	451,605	456,000	465,350	465,350	465,350
Non-operating Income	1,660	1,333	1,548	1,548	1,548	1,548
Gross Revenue	433,183	452,938	457,548	466,898	466,898	466,898
Direct Costs						
Prize Expense	279,635	292,852	295,702	301,765	301,765	301,765
Unclaimed Prizes Paid to State Treasury	7,154	7,181	7,100	7,100	7,100	7,100
Compulsive Gambling from Prize Fund	2,525	2,130	2,005	2,005	2,005	2,005
Retailer Commissions and Incentives	27,746	29,038	29,318	29,920	29,920	29,920
Ticket Costs	5,338	4,689	4,700	4,700	4,700	4,700
Online/Print-N-Plan(Generation 3) Expense	10,031	10,611	10,654	10,961	10,961	10,961
Total Direct Costs	332,431	346,501	349,479	356,450	356,450	356,450
Operating Expense						
Advertising	6,355	6,628	6,850	6,850	6,850	6,850
Promotions	1,985	2,163	2,200	2,200	2,200	2,200
Game Development/New Initiatives	0	1,000	1,000	1,000	1,000	1,000
Salaries and Benefits	10,482	11,100	11,600	12,100	12,600	12,600
Occupancy Costs	1,347	1,384	1,457	1,508	1,558	1,558
Communications	496	514	529	545	545	545
Purchased Services	1,333	1,610	1,621	1,621	1,621	1,621
Depreciation	519	794	800	800	800	800
Supplies and Materials	933	918	920	948	948	948
Other	716	903	1,134	1,168	1,168	1,168
Total Operating Expense	24,166	27,014	28,111	28,740	29,289	29,289
Net Proceeds	\$ 76,587	\$ 79,423	\$ 79,957	\$ 81,707	\$ 81,158	\$ 81,158
Total Full-Time Equivalent (FTE)	139.7	147	147	147	147	147

LOTTERY

Agency Overview

	Actual FY2008	Budget 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
PAID TO STATE BENEFICIARY						
General Fund						
In-Lieu-of-Sales Tax	\$ 8,271	\$ 8,656	\$ 8,740	\$ 8,919	\$ 8,919	\$ 8,919
Net Proceeds	45,952	47,654	47,974	49,024	48,695	48,695
Unclaimed Prizes	7,154	7,181	7,100	7,100	7,100	7,100
Compulsive Gambling from Prize Fund	2,524	2,130	2,005	2,005	2,005	2,005
Gambling Enforcement from Operations	0	0	0	0	0	0
Total General Fund	63,901	65,620	65,819	67,049	66,719	66,719
Envir. and Natural Resources Fund						
Net Proceeds	30,635	31,769	31,983	32,683	32,463	32,463
Unclaimed Prizes	0	0	0	0	0	0
Total Envir and Natural Resources Fund	30,635	31,769	31,983	32,683	32,463	32,463
Game and Fish Fund	10,864	11,370	11,480	11,716	11,716	11,716
Natural Resources Fund	10,864	11,370	11,480	11,716	11,716	11,716
TOTAL PAID TO STATE BENEFICIARY	\$ 116,264	\$ 120,129	\$ 120,763	\$ 123,163	\$ 122,613	\$ 122,613
% of sales to State	25%	25%	25%	25%	25%	25%