



State Lottery

Base Review

Frances Lippitt, Budget &
Policy Analyst

February 1, 2024

LBB Pg. 5-79

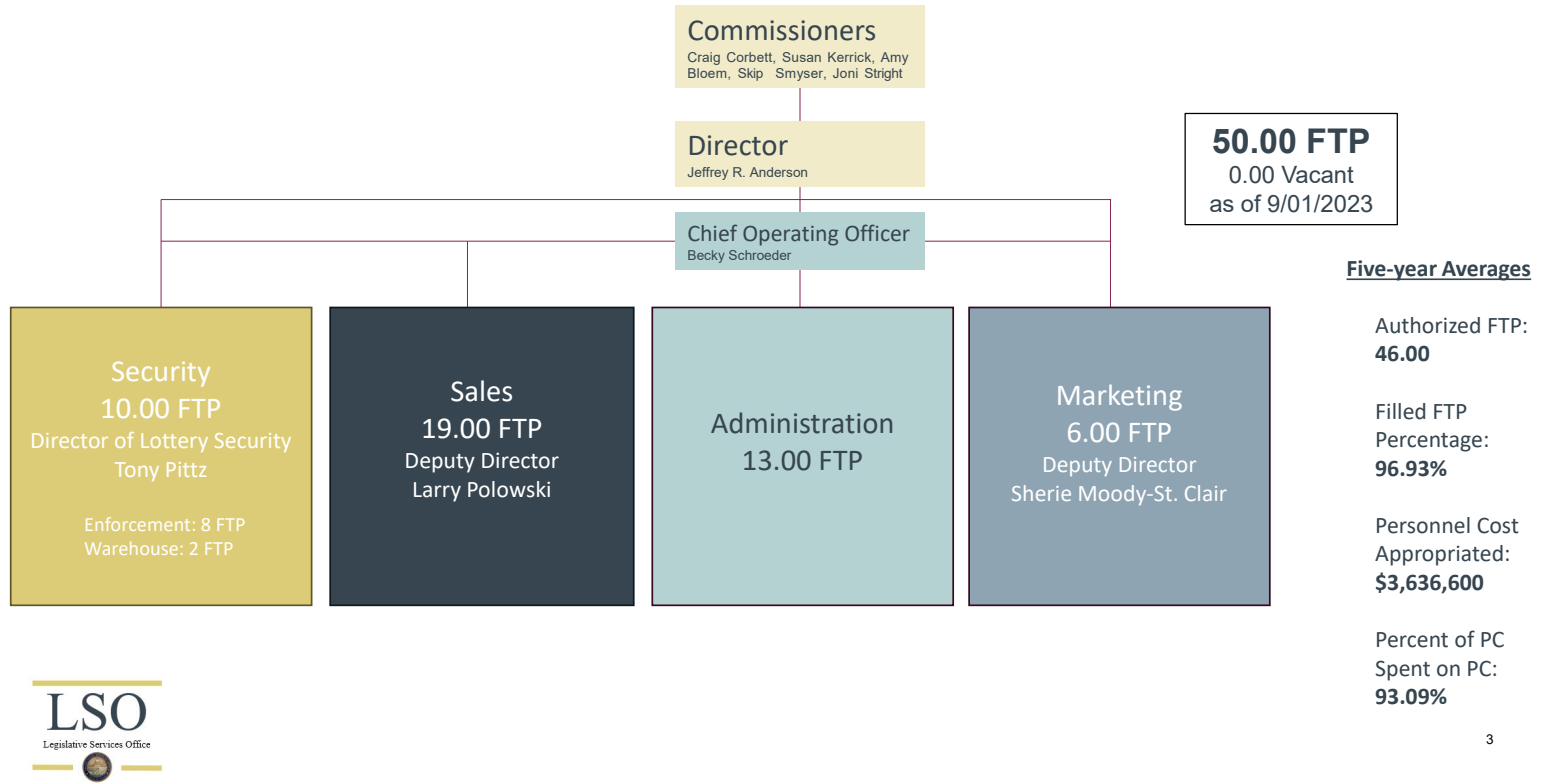
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State Lottery

The mission of the Idaho Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividends for public schools and buildings.

[Statutory Authority: Chapter 74, Title 67, Idaho Code].

Organizational Structure

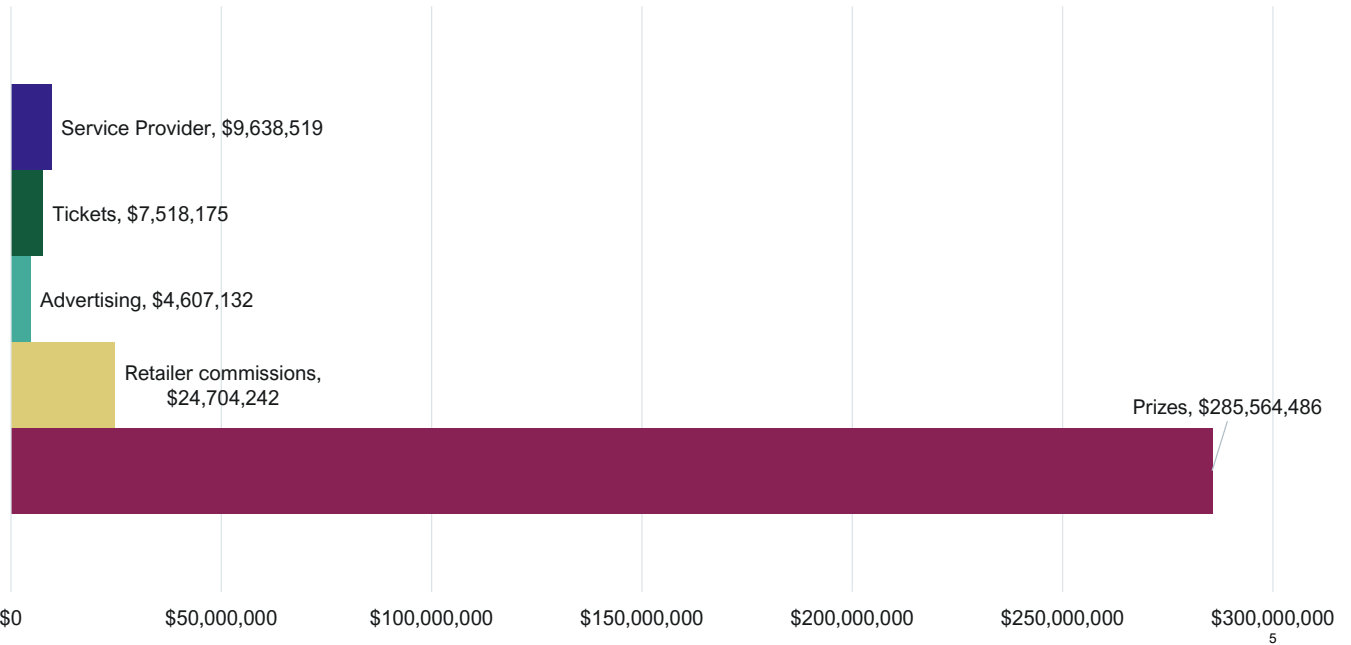


Fund Analysis

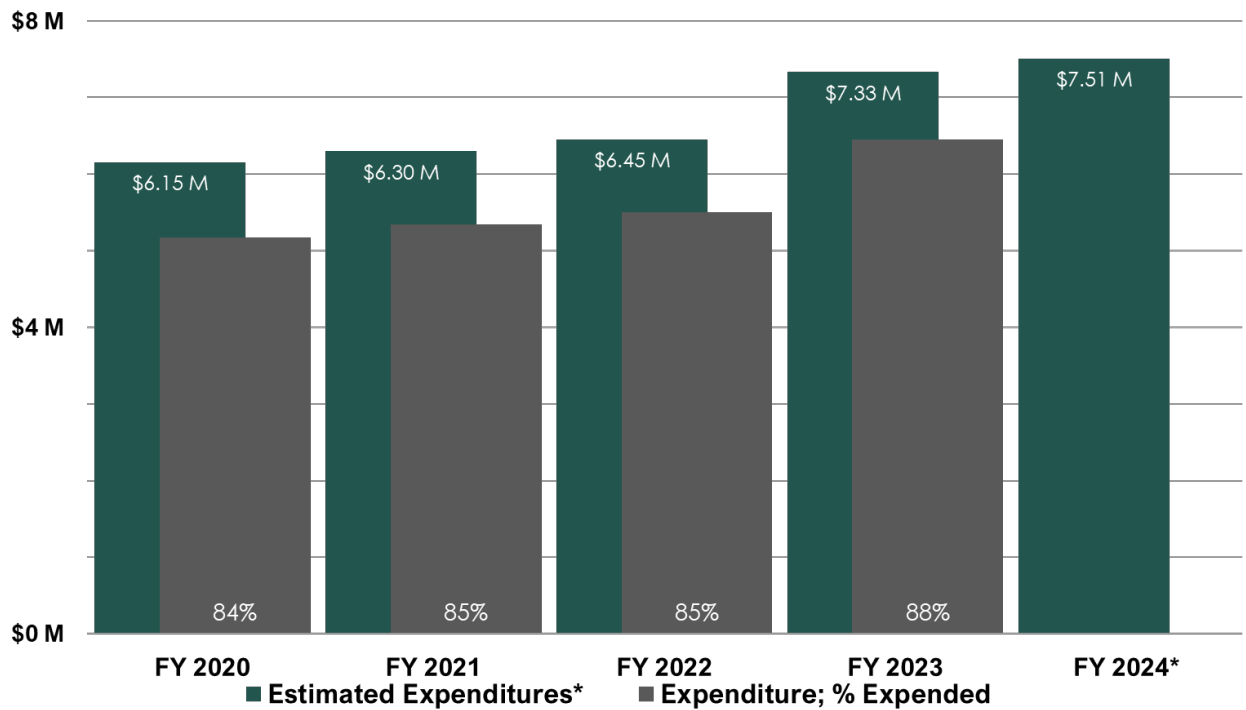
| State Lottery Fund | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| Description | Actual | Actual | Actual | Estimate | Estimate |
| Beginning Free Fund Balance | \$56,183,300 | \$72,831,000 | \$73,013,800 | \$83,286,700 | \$79,200,000 |
| Receipts and Transfers | \$317,055,000 | \$305,009,400 | \$350,209,900 | \$323,730,000 | \$333,750,000 |
| Cash Expenditures & Agency Request | \$300,407,300 | \$304,826,600 | \$339,937,000 | \$327,816,700 | \$332,250,000 |
| Ending Free Fund Balance | \$72,831,000 | \$73,013,800 | \$83,286,700 | \$79,200,000 | \$80,700,000 |

FY 2023 Gaming Costs

Continuously Appropriated



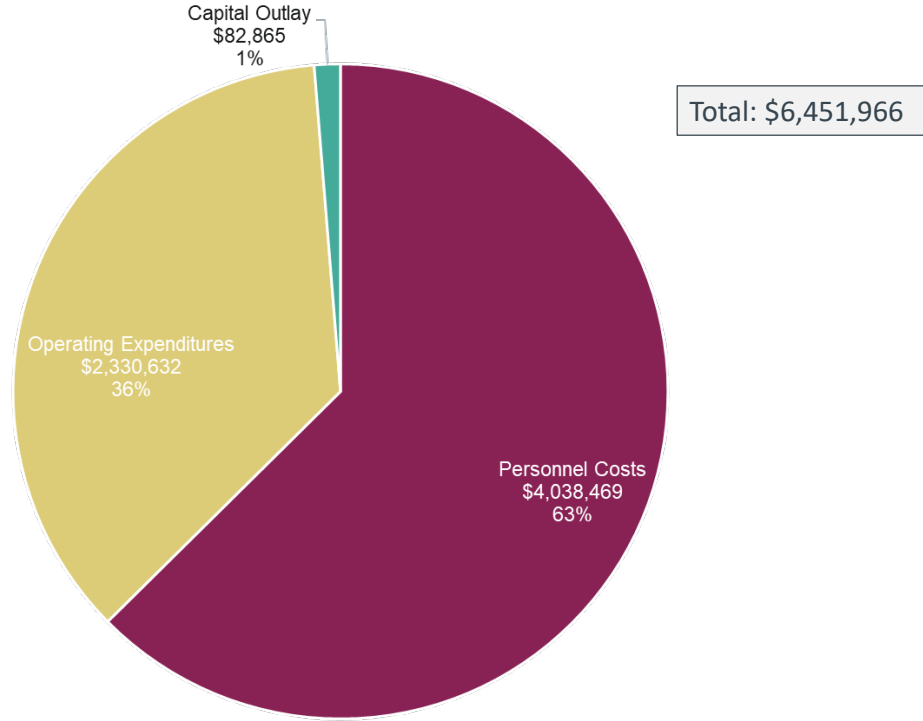
Estimated and Actual Expenditures



*FY 2024 is Original Appropriation



FY 2023 Expenditures



Five-Year Base Snapshot

| Fiscal Year | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024* |
|---|------------------|------------------|------------------|------------------|-------------------|
| 1. Total FTP | 45.00 | 45.00 | 45.00 | 50.00 | 50.00 |
| 2. Current Year Base | 5,984,800 | 6,086,700 | 6,224,600 | 6,395,900 | 7,073,200 |
| 3. Benefits Costs | 12,300 | (18,100) | 9,000 | 26,600 | 44,200 |
| 4. Inflationary Adjustments | | | | | 65,400 |
| 5. Statewide Cost Allocation | 5,000 | 2,500 | (9,000) | (4,100) | 1,000 |
| 6. CEC | 84,600 | 59,700 | 59,800 | 229,900 | 151,600 |
| 7. Total Ongoing Maintenance Change | 101,900 | 44,100 | 59,800 | 252,400 | 262,200 |
| 8. % Chg from Current Year Base (line 7 / 2) | 1.7% | 0.7% | 1.0% | 3.9% | 3.7% |
| 9. Ongoing Enhancements | | 93,800 | 111,500 | 424,900 | 34,300 |
| 10. Ongoing Supplementals | (6,600) | | | | - |
| 11. Total Ongoing Enhancements Change | (6,600) | 93,800 | 111,500 | 424,900 | 34,300 |
| 12. % Chg from Current Year Base (line 11 / 2) | (0.1%) | 1.5% | 1.8% | 6.6% | 0.5% |
| 13. Ongoing Base Adjustments | \$6,600 | | | | - |
| 14. Next Year Base (line 2 + 7 + 11 + 13) | 6,086,700 | 6,224,600 | 6,395,900 | 7,073,200 | 7,369,700* |
| 15. Total Base Change (line 14 - 2) | 101,900 | 137,900 | 171,300 | 677,300 | 296,500 |
| 16. % Chg from Current Year Base (line 15 / 2) | 1.7% | 2.3% | 2.8% | 10.6% | 4.2% |

*Next Year Base not set. Ongoing Original Appropriation used instead.

Five-Year Base Snapshot

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2023 Budget Enhancements

| Ongoing Enhancement Name | Type | Amount |
|--|-------------|------------------|
| Sales Representative Wage Increase | Enhancement | \$31,400 |
| New Sales Development Position | Enhancement | \$70,700 |
| Additional Regional Sales Representative | Enhancement | \$58,100 |
| Second Detective: Theft/Fraud Prevention | Enhancement | \$88,500 |
| IT Software Engineer I | Enhancement | \$75,800 |
| IT Software Engineer II | Enhancement | \$100,400 |
| Total Ongoing Base Change from Enhancements | | \$424,900 |

2024 Budget Enhancements

| Ongoing Enhancement Name | Type | Amount |
|--|-------------|-----------------|
| DHR Consolidation | Enhancement | \$34,300 |
| Total Ongoing Base Change from Enhancements | | \$34,300 |



2025 Budget Request & Governor’s Recommendation

| | FTP | Gen | Ded | Fed | OT | Total |
|--|------|-----|-----------|-----|----|------------------|
| Enhancements | | | | | | |
| 1. Regional Sales Representative | 1.00 | | \$64,000 | | | \$64,000 |
| 2. Ticket Shipping Costs | | | \$685,000 | | | \$685,000 |
| 3. Replacement Items | | | \$68,800 | | X | |
| Total Ongoing Base Change From Enhancements | | | | | | \$749,000 |

Other adjustments: The lottery requests continuous appropriation for its shipping costs. For FY 2025, this would shift \$1,490,000 in dedicated fund appropriation to continuous appropriation.

The Governor’s recommendation includes funding the regional sales representative and replacement items, and providing continuous appropriation for shipping costs.



Please feel free to contact me with any questions at (208)334-4745 or flippitt@lso.idaho.gov



Key Indicators

| Cases Managed and/or Key Services Provided | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|----------------|----------------|----------------|----------------|
| Lottery Sales | \$277,602,500 | \$372,022,500 | \$376,314,900 | \$422,501,000 |
| Total Dividend Declared by Commission | \$55,500,000 | \$72,500,000 | \$73,000,000 | \$82,000,000 |



Performance Measures

| Performance Measure | | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|--|--------|---------------|---------------|---------------|---------------|---------------|
| Responsibly increase net revenues | | | | | | |
| 1. Total Revenue | actual | \$278,295,800 | \$372,750,100 | \$377,057,800 | \$423,197,500 | |
| | target | \$294,600,000 | \$285,500,000 | \$359,360,000 | \$383,990,000 | \$405,000,000 |
| 2. Net Operating Income | actual | \$55,438,100 | \$72,033,900 | \$72,366,000 | \$83,044,700 | |
| | target | \$60,500,000 | \$56,500,000 | \$68,000,000 | \$74,000,000 | \$79,705,000 |
| Rigorously manage costs | | | | | | |
| 3. Total Operating Expenses | actual | \$222,857,700 | \$300,716,200 | \$304,691,800 | \$339,667,900 | |
| | target | \$234,100,000 | \$229,000,000 | \$291,360,000 | \$340,152,800 | \$325,295,000 |

Performance Measures

| Peer Benchmark Performance Measures | | FY 2020 | | FY 2021 | | FY 2022 | | FY 2023** | |
|-------------------------------------|--------|-------------|----------|-------------|----------|-------------|----------|-------------|----------|
| | | Peer Group* | Idaho | Peer Group* | Idaho | Peer Group* | Idaho | Peer Group* | Idaho |
| Sales per capita | actual | \$125.54 | \$149.24 | \$148.78 | \$199.99 | \$137.59 | \$194.07 | | \$214.06 |
| | target | | \$158.00 | | \$153.48 | | \$185.45 | | |
| Admin costs as a %tage of sales | actual | 7.2% | 6.1% | 6.9% | 5.8% | 6.6% | 5.6% | | 5.6% |
| | target | | 6.2% | | 6.2% | | 6.2% | | |
| Dividends as a %tage of sales | actual | 22.7% | 20.0% | 22.6% | 19.5% | 23.1% | 19.4% | | 19.4% |
| | target | | 20.0% | | 19.8% | | 19.3% | | |
| Dividend increase %tage | actual | -8.2% | -7.5% | 18.4% | 30.6% | -3.9% | 0.7% | | 12.3% |
| | target | | 0.8% | | 1.8% | | 1.4% | | |

FY 2023 Expenditures – Personnel Costs

62.6% of Total Expenditures

Gross Salary and Wages: \$2,855,516

| | |
|--------------------------|-------------|
| Employees | \$2,798,297 |
| Temporary Employees | \$55,069 |
| Board/Commission Members | \$2,150 |

Employee Benefits: \$1,182,954

| | |
|------------------------------|-----------|
| Group Health Insurance | \$607,129 |
| Employer Retirement | \$333,140 |
| Social Security and Medicare | \$208,068 |
| Life Insurance | \$19,773 |
| Workers Compensation | \$12,110 |
| DHR | \$2,783 |
| Employment Security | -\$49 |

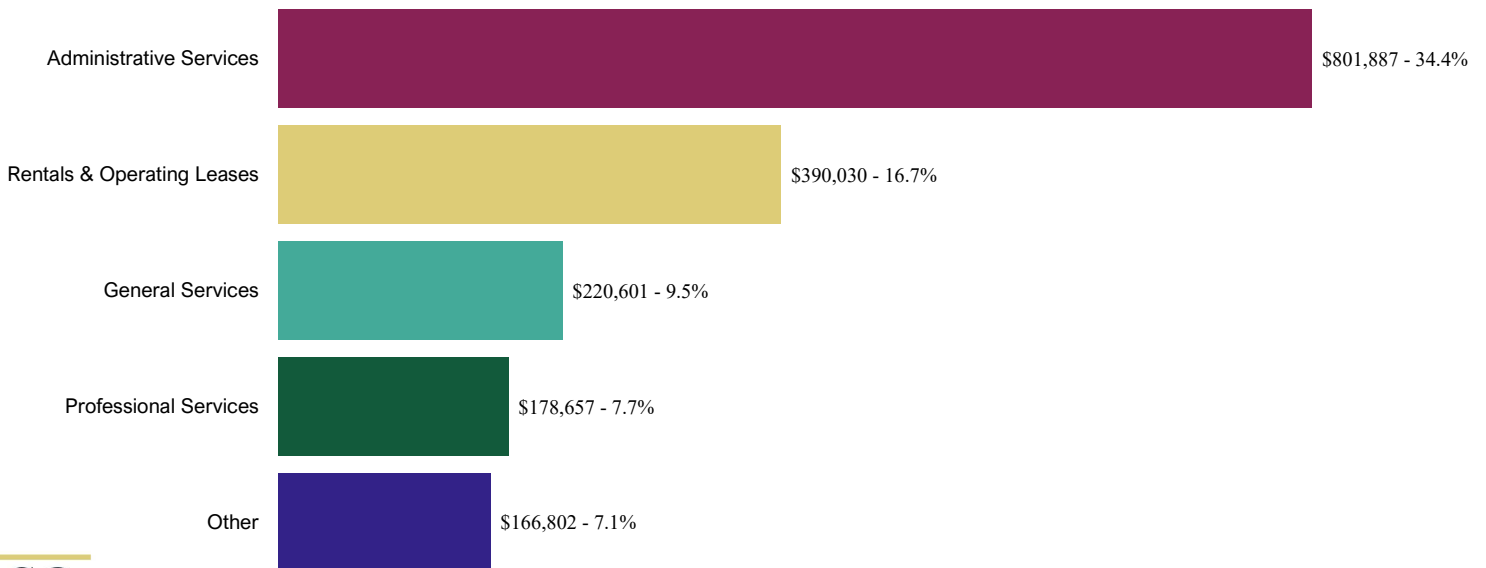


A Total of \$4,038,469 Was Expended on Personnel Costs



FY 2023 Expenditures - Operating Expenditures

36.1% of Total Expenditures On Budget



2020 Budget Enhancements

| Onetime Enhancement Name | Type | Amount |
|--|-------------|----------------|
| Multi-Agency Decisions | Enhancement | \$4,300 |
| Total Onetime Base Change from Enhancements | | \$4,300 |

2021 Budget Enhancements

| Ongoing Enhancement Name | Type | Amount |
|--|-------------|-----------------|
| Two Staff Salary Increases | Enhancement | \$17,400 |
| Increased Shipping and Equipment Costs | Enhancement | \$75,700 |
| OITS 1 - Operating Costs | Enhancement | \$700 |
| Total Ongoing Base Change from Enhancements | | \$93,800 |

2022 Budget Enhancements

| Ongoing Enhancement Name | Type | Amount |
|--|-------------|------------------|
| Additional Shipping Costs | Enhancement | \$99,000 |
| IT Infrastructure and Office 365 | Enhancement | \$12,500 |
| Total Ongoing Base Change from Enhancements | | \$111,500 |

| Overtime Enhancement Name | Type | Amount |
|---|-------------|-----------------|
| IT Infrastructure and Office 365 | Enhancement | \$10,000 |
| Total Overtime Base Change from Enhancements | | \$10,000 |



FY 2024 CEC Implementation

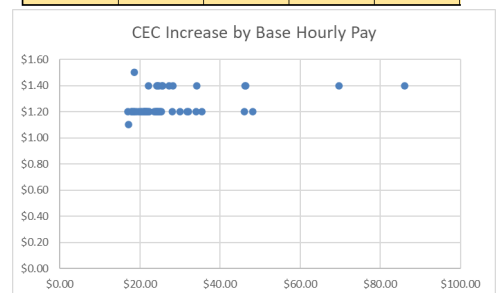
CEC was implemented on April 2, 2023

The Legislature appropriated \$1.20 per hour per FTP for CEC and the Lottery received an appropriation of \$151,600.

CEC Plan Components

- Merit Increases:
 - Ranging from \$1.10 - \$1.50 per hour
- 6% Public Safety Adjustment
 - Funded through ongoing salary savings
- Total Cost to Implement: \$172,719

| Market (Comp-Ratio) | Performance | | | |
|--|------------------------------|----------------------|-----------------------------|-----------------------|
| | Does Not Achieve Performance | Achieves Performance | Solid Sustained Performance | Exemplary Performance |
| < 95% | 0% | \$1.10 | \$1.30 | \$1.50 |
| # of Emp. | 0 | 0 | 0 | 1 |
| 95% - 110% and permanent employees with no comp ratios | \$0.00 | \$1.00 | \$1.20 | \$1.40 |
| # of Emp. | 0 | 0 | 35 | 12 |
| >110% and temp employees | \$0.00 | \$0.90 | \$1.10 | \$1.30 |
| # of Emp. | 0 | 0 | 1 | 0 |



Lottery Fund – Source and Use

Source: proceeds from the sale of lottery tickets and license fees from charitable gaming applications

Uses:

- Appropriated
 - administrative expenses not to exceed 15% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code)
- Continuously appropriated
 - Advertising and promotion costs, not to exceed 3.5% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code)
 - Prizes, no less than 45% of revenues
 - Retailer commissions (5% of ticket pricing)

Fund – Source and Use

Fund: State Lottery (0419-00 Ded)

Sources: Proceeds from the sale of lottery tickets and license fees from charitable gaming applications (Section 67-7428, Idaho Code). It is the intent that the state lottery shall be a self-supporting, revenue raising agency of state government. No appropriations, loans, or other transfer of state funds shall be made to the state lottery (§67-7429, Idaho Code).

Uses: The moneys generated for a fixed appropriation budget unit (SGCA) pay for administrative expenses not to exceed 15% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code). The moneys generated for continuous appropriation budget unit (SGCB) pay for advertising and promotion costs, not to exceed 3.5% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code), prizes, and retailer commissions. Prizes: Total prize expense, net of unclaimed prizes as determined on an annual basis, shall be no less than 45% of lottery revenues (Section 67-7433, Idaho Code). ***Amounts listed in the continuous budget unit (SGCB) do not reflect prizes paid by retailers to winners and consequently will not match amounts listed in the annual ACFR. Retailer Commissions: The compensation paid to lottery game retailers shall be five percent (5%) of the retail price of the tickets or shares. The director may pay lottery game retailers an additional 1% incentive bonus based on attainment of sales volume or other objectives specified by the director for each lottery game (Section 67-7414, Idaho Code). Dividends: Annually the lottery shall transfer three-eighths (3/8) of its net income to the permanent building account; three-eighths (3/8) of its net income to the school district building account; and one-fourth (1/4) of its net income to the bond levy equalization fund after reserving sufficient moneys to ensure the continuation of the lottery, as determined by the director and commission (§67-7434, Idaho Code).