

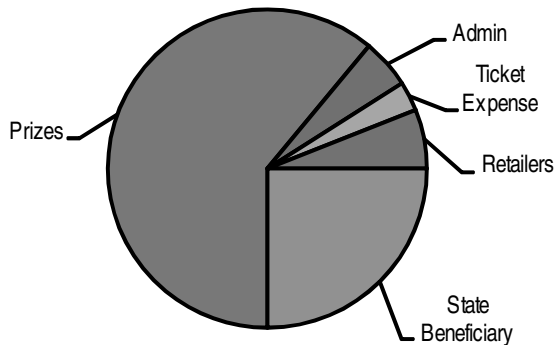
**Agency Purpose**

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.

**At a Glance**

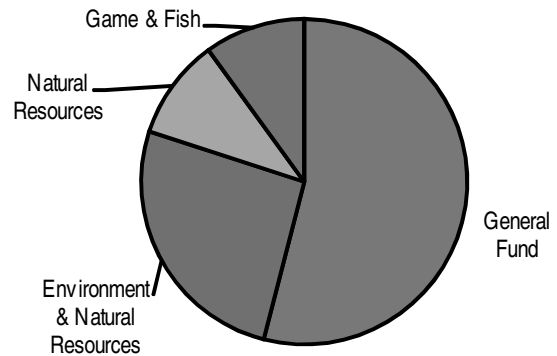
- In FY 2010 the Minnesota State Lottery generated \$122.5 million for state programs from sales of \$499 million. Both figures were the highest recorded in the Lottery's 20 year history.
- Of the money generated for state programs, the General Fund received \$65.5 million while three environmental funds received a total of \$54.7 million.
- Since April 1990 the Lottery has raised \$1.9 billion for state programs.
- The Lottery does not receive an appropriation. Operating expenses are paid from the sales revenue taken in.
- Administrative expenses as a percentage of income have declined from 8.9% in FY 2003 to 5.1% in FY 2010.
- The Lottery's 3,000 retail partners received \$30 million in commissions and incentives.
- More than two out of three Minnesota adults have purchased a lottery ticket.

**FY 2010 Lottery Revenue Distribution**



Source: Minnesota State Lottery

**FY 2010 Lottery Beneficiaries**



Source: Minnesota State Lottery

**Strategies**

The Lottery seeks to maximize revenue to the state by:

- Attempting to create games of chance that appeal to a wide variety of customers. Over 50 new scratch games are introduced every year along with a portfolio of lotto games.
- Working with a network of 3,000 retail outlets throughout the state to make these games available to consumers.
- Creating marketing and promotional strategies that make consumers aware of these product offerings in a way that depicts the Lottery as fun and entertaining.
- Working with other states where appropriate to develop joint product offerings such as Powerball.

**Operations**

The Lottery is managed by a director appointed by the governor with the advice and consent of the senate. The Lottery employs approximately 140 people who work in the following six divisions:

- **Executive** includes the director’s office and the office of 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; and
- **Security** protects against internal and external lottery fraud, oversees ticket and equipment distribution, and prevents compromise of the games.

Lottery tickets are sold through a network of approximately 3,000 retail stores located in more than 650 Minnesota cities. These retailers are most commonly convenience or grocery stores, though many other business types are represented. They earn a commission on the sale of lottery games and are our primary contact with the lottery-playing public.

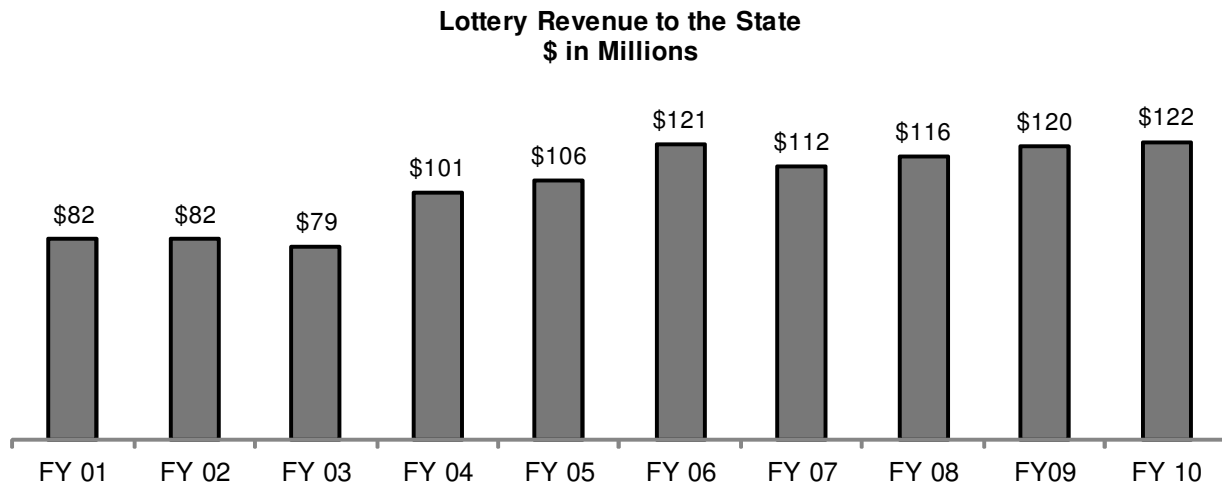
**Key Goals & Measures**

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 impact, and the broader policy concerns of the state.

Other measures are not ends in themselves but rather means by which revenues are maximized. These include:

- Administrative costs as a percentage of sales. This has dropped from 8.9% in FY 2003 to 5.1% in FY2010. While the Lottery is cognizant of the need to carefully monitor operating expense, we will also not hesitate to make investments that will lead to future revenue growth.
- Customer participation. In any given year, about half of the state’s adults will make a lottery purchase.
- Public and customer opinion. We annually survey citizens, including both customers and non-customers, about their perceptions of the Lottery. For example, in February 2008 59% of the state’s adults agreed that the Lottery “makes a positive contribution to the State of Minnesota,” while 19% disagreed and 22% didn’t know.

**Budget Trends**



Source data for the previous chart is the Minnesota State Lottery.

Lottery sales and revenues have steadily increased over the past several years, with FY 2010 setting records for both sales and revenue to the state. Since FY 2003 sales have grown by 42% while revenue to the state has increased by 54%. We believe the increase stems from greater attention to return on investment, a better understanding of our customers, a better selection of products, more effective marketing and promotions, and strategic reduction and reallocation to our administrative budget.

The Lottery does not receive an appropriation from the legislature and operating expenses are not part of the general fund. All expenses, including prizes, retailer commissions, and operating expense are paid from the revenue received from the sale of lottery games. Most of these expenses are directly proportional to sales. The legislature does, however, set a cap on how much money can be spent for administrative expenses. For FY 2011 administrative expenses may not exceed \$28.7 million. In addition, operating expenses may not exceed 9% of total income. Actual FY 2010 operating expenses were 5% of total income.

Several external factors will affect lottery revenues in the coming years. Among these are changes in the retail environment from traditional retailers to “big box” stores and online sales of items such as groceries. In addition, traditional lottery products lack appeal to young adults. New products and distribution channels will be needed to appeal to the emerging generation of consumers.

**Contact**

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