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Terry E. Branstad · Governor  
Kim Reynolds · Lt. Governor  
Terry Rich · Chief Executive Officer

# **AGENDA**

## **IOWA LOTTERY BOARD**

**September 27, 2016**  
**10:00 am**

**Join the meeting via UberConference**

<https://uberconference.com/ialottery>

or

Dial In: 515-207-3637 (no PIN needed)

- I. Call to Order
  - a. Approval of Agenda
  - b. Approval of Minutes – June 28, 2016
- II. Employee Recognition
- III. Quarterly Reports
  - a. Financial
  - b. Marketing
  - c. Security
  - d. External Relations
  - e. Legal
- IV. Instant Ticket Printing Contract Extension
- V. InstaPlay Update
- VI. Retailer Compensation Program
- VII. Administrative Rules
- VIII. Fiscal Policies
- IX. FY18 and FY19 Budget
- X. CEO Update
- XI. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

# MINUTES

## IOWA LOTTERY BOARD

June 28, 2016

10:30 a.m.

The Iowa Lottery Board convened at 10:30 a.m. in Cedar Rapids Iowa; Board Acting Chairperson Mike Klappholz presiding.

### **Board Members Present:**

Mike Klappholz; Mary Rathje; Mary Junge; Ying Sa; Connor Flynn (via teleconference)

### **Board Members Absent:**

Hon. Michael Fitzgerald, ex officio

### **Lottery Staff Participating:**

Terry Rich, CEO; Larry Loss, EVP; Teri Wood, VP, Marketing; Brenda Nye, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems Operations; Rob Porter, VP, Legal Counsel; Mary Neubauer, VP, External Relations; David VanCompernelle, Assistant AG; Deb Bassett, Board Secretary

### **Others Present:**

Tom Warner, ILOT; Jerry Ayres, ILOT; Roger Pauly, ILOT; Troy Montgomery, ILOT; Pat Lamb, HyVee; Elise Schell, HyVee; Christine Mekner, Legislative Services Agency (via teleconference)

### **CALL TO ORDER**

Acting Chairperson Klappholz called the meeting to order at 10:30 a.m. and roll was taken. There was a quorum. Klappholz announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Rathje moved to conduct the meeting via teleconference. Junge seconded. Motion carried unanimously.

### **APPROVAL OF AGENDA**

Flynn moved to approve the agenda for the meeting. Junge seconded. Motion carried unanimously.

### **APPROVAL OF MINUTES**

Rathje moved to approve the March 24, 2016 board meeting minutes. Junge seconded. Motion carried unanimously.

### **RETAILER RECOGNITION**

The Wilson Avenue HyVee in Cedar Rapids was recognized by Rich as the top-selling retailer for lottery products in the state of Iowa. Rich presented a “priceless” check to Pat Lamb, HyVee manager, to honor the store’s achievement.

### **QUARTERLY REPORTS**

#### **Financial:**

Nye presented performance measures through May and financials for February, March, April and May. Nye noted that through May, both sales and proceeds have exceeded the budget for the year. Sales are ahead of budget by 14% and ahead of the 5-year average by 17%. Proceeds through May are ahead of budget by nearly 27% and ahead of the 5-year average by over 15%.

[Board member, Ying Sa arrived at the meeting at 10:41 a.m.]

**Marketing:**

Wood gave an update on ticket sales and activities related to the current lottery promotion, Ghostbusters. Wood also briefly discussed planning for two (2) upcoming winter promotions; one will be an “all cash” promotion. The second winter promotion will feature a partnership with other states for the first ever Powerball Cruise ship on Royal Caribbean.

**Security:**

Coppess provided a Security Report and briefly discussed the results of the Security team’s workload assessments, the 3 year trends and assistance to local law enforcement on theft and fraud cases. Coppess also stated that staff has been trained on the recently purchased Random Number Generators (RNGs) and the Lottery held a successful promotional drawing with the new equipment on June 14<sup>th</sup>. Security, IT, Marketing and Finance divisions worked together to build the draw process.

Klappholz asked Coppess to explain the checks and balances built into procedures for the RNGs. Coppess explained that the 4 divisions mapped out the draw process as it currently is done by ILOT employees. Draw Officers focused on balancing ticket sales and income prior to a drawing. The group flowcharted the current process to come up with a new draw process to ensure a separation of duties for the drawing and auditing pieces so that players can be assured of the integrity of each drawing.

Porter followed up that (1) the RNGs were purchased from an outside vendor so no one at ILOT knows the code; (2) the ILOT also has internal rules and physical security processes set up so no one, including both the vendor who built the RNG and Lottery employees, has unfettered access to the machine or can alter the RNG machine; and (3) when a drawing takes place, there are clearly defined roles - the separation of duties and functions help maintain the integrity of the draw.

**External Relations:**

Neubauer recapped the ILOT’s self-service kiosk legislation which passed by the legislature and was signed by the governor during the 2016 legislative session.

Neubauer shared a letter from US Senator John Thune (South Dakota) to the Multi State Lottery Association (MUSL) seeking information on MUSL’s efforts to protect the integrity of lottery games in light of the recent fraud allegations involving a MUSL employee. Neubauer also provided the Board a copy of the Iowa House Government Oversight Committee’s report entitled “Iowa Lottery Authority & The Hot Lotto Scandal” which asked many of the same questions being asked of MUSL by Senator Thune.

Neubauer also informed the board that the Illinois Lottery may have to suspend prize payments again this year due to a budget impasse. If a budget agreement is not reached in Illinois, Iowa could see a spike in sales along its eastern border since Iowa will pay all lottery prizes bought in Iowa.

Neubauer also reported on the ILOT’s social outreach efforts and the use of “boosted” posts on Facebook.

There was discussion about the impact to players and ILOT if Illinois is unable to pay prizes related to lotto drawings (ie Powerball and Mega Millions).

**Legal:**

Porter provided an update on the settlement hearing in the Jobie Boals-Watters underage case. Boals-Watters plead guilty to a misdemeanor conviction of gambling as a minor and agreed to \$100,000 restitution as part of the plea deal.

Porter also provided legal updates related to former MUSL employee Eddie Tipton. In a civil case, Larry Dawson filed a lawsuit claiming he is entitled to an additional \$10 million that went unclaimed after the disputed December 29, 2010 Hot Lotto drawing. A hearing on the MUSL and ILOT's motion to dismiss the case is scheduled for August 12, 2016.

Other cases linked to Tipton continue to make their way thru the criminal process. The Court of Appeals heard arguments in June on Tipton's first conviction. There is also a case pending on to fraudulent jackpot claims made in other states by Tipton associates. Rich emphasized (1) that these cases do not involve an ILOT employee; (2) Iowa did not pay the Hot Lotto jackpot claim; and (3) ILOT is a partner with the AG Office and DCI in the investigation.

There was discussion as to the statute of limitations for alleged criminal conduct that took place in the early 2000's, prior to the Hot Lotto jackpot case.

Rich reiterated that the ILOT's #1 priority is to protect Iowa players by ensuring lottery games are fair, honest and are conducted with the highest integrity.

Junge moved to approve the Quarterly Reports. Rathje seconded. Motion carried unanimously.

#### **FY17 KEY EMPLOYEE PAY PLAN/COMPENSATION**

Rich recommended the board approve a 2.5% increase for the ILOT's key employees effective July 1, 2016 and a 1.25% increase effective January 1, 2017. He also recommended the board approve a step increase of up to 4.5% for ILOT key employees who have not yet reached their pay grade maximum on their respective anniversary date. These increases are the same as the State is providing to other non-contract employees.

Flynn moved to approve the FY17 key employee compensation plan. Sa seconded.

Rathje asked for clarification regarding the 4.5% increase tied to an employee's anniversary date. This increase is in addition to the 2.25% and 1.25% increases as those are across-the-board increases. There was some discussion about how increases for key employees are determined.

Motion carried unanimously.

#### **NEW LOTTERY LOOK and BRANDING STATEMENT**

Wood revealed the new ILOT logo and brand refresh that will launch on July 1<sup>st</sup>. The logo and branding statement are an evolution of the current brand. The website and all ILOT materials will gradually phase in the new logo.

At 12:00 p.m., the board recessed for a five (5) minute break. The board meeting reconvened at 12:05 p.m. with Klappholz presiding.

#### **PULL TAB VENDING MACHINE RFP/CONTRACT**

Loss requested that the board issue a notice of intent to award a contract with American Games for RFP IL 16-11 and authorize the Lottery to proceed with entering into a contract with American Games for the lease or purchase of new pull tab vending machines (PTVMs) and related services.

The current PTVM's have been in place for 12 years and are maintained and serviced thru a contract. The current maintenance contract ends September 30, 2016 with no extensions remaining. As a result, a RFP was issued to lease or buy new PTVMs.

There was discussion on the RFP process and contract costs.

Flynn moved to approve the PTVM contract. Rathje seconded. Motion carried unanimously.

#### **FY17 BUDGET**

Nye reported minor adjustments have been made to the FY17 preliminary budget approved by the board in September, 2015. The adjustments include additional funds for Lottery operations – approximately \$100,000 for fiber optics and approximately \$50,000 for IT equipment.

There was discussion about the budget and the reversion process.

Junge moved to approve the FY17 proposed budget. Sa seconded. Motion carried unanimously.

#### **INSTAPLAY OVERVIEW/ADMINISTRATIVE RULE**

Loss presented information on a new product the ILOT wants to add to its product line. InstaPlay is a “scratchless” instant lottery ticket. The ticket is printed from the lotto terminal upon request from the player.

Porter discussed amendments needed to the ILOT's Administrative Rules to update and modernize the rules related to “instant tickets”. Porter requested the board's approval of the new game, InstaPlay, and approval to file a Notice of Intended Action related to the proposed Administrative Rules changes.

Rathje moved to approve the new game, InstaPlay, and the proposed Administrative Rules changes. Flynn seconded. Motion carried unanimously.

#### **CEO REPORT**

Rich reported on ILOT successes during the last year, including FY16 sales of approximately \$365 million and proceeds of approximately \$85.5 million.

#### **ELECTION OF OFFICERS**

Rathje moved to nominate Mike Klappholz as chair. Sa seconded.

- Junge moved to cease nominations for chair. Sa seconded. Motion carried unanimously.

Motion to make Klappholz chair carried unanimously.

Rathje moved to nominate Conner Flynn as vice-chair. Junge seconded.

- Rathje moved to cease nominations for chair. Junge seconded. Motion carried unanimously.

Motion to make Flynn vice-chair carried unanimously.

#### **ADJOURNMENT**

Sa moved to adjourn. Rathje seconded. Motion carried unanimously. Meeting adjourned at 12:57 p.m.

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2016

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales												
Budget '16	23,834,084	25,461,659	23,733,551	24,811,289	27,194,561	26,705,439	26,858,803	29,997,407	31,386,556	27,291,539	28,928,003	24,945,109
5-year av.	23,411,245	25,009,945	23,312,496	24,371,114	26,712,104	26,231,659	26,382,303	28,787,486	30,153,935	26,129,603	27,737,035	23,824,802
Actual '16	25,907,997	25,180,933	26,791,422	26,284,951	25,413,630	30,084,542	54,079,072	29,293,000	31,694,590	31,841,324	31,128,157	29,211,306
Prize Expense												
Budget '16	14,116,232	15,080,197	14,056,689	14,595,002	16,106,544	15,816,852	15,907,685	17,766,588	19,590,525	16,163,982	17,133,211	14,774,260
5-year av.	14,170,986	14,598,857	13,709,047	14,346,043	15,220,681	16,164,184	16,073,258	17,141,508	17,868,628	15,188,040	16,429,395	14,296,686
Actual '16	15,690,151	15,581,596	15,908,821	16,370,729	14,944,595	19,305,677	30,211,996	17,381,510	21,131,356	18,918,383	18,774,244	17,548,344
Operating Expenses												
Budget '16	503,008	1,092,391	1,579,119	953,326	1,092,391	1,092,391	1,092,391	1,092,391	1,579,119	1,092,391	953,326	2,039,118
5-year av.	508,168	841,926	1,067,719	1,035,796	1,004,500	862,588	923,101	979,081	1,002,573	1,087,245	1,021,482	1,419,524
Actual '16	452,290	958,895	1,402,002	832,037	950,019	979,097	946,697	977,077	1,424,206	837,171	968,758	1,977,454
Total Proceeds												
Budget '16	5,680,642	5,513,526	4,578,448	5,483,856	5,963,120	5,836,220	5,876,009	6,690,306	6,564,506	5,988,281	6,551,919	4,432,783
5-year av.	5,566,219	6,066,103	6,037,982	6,196,005	7,314,599	5,605,872	6,159,970	7,271,757	7,422,268	6,634,641	6,935,723	4,809,997
Actual '16	6,188,361	5,102,911	6,813,453	5,656,822	6,099,550	6,211,365	17,267,602	7,421,985	6,126,772	8,460,634	6,809,085	5,866,080
Gross Sales												
Budget '16	23,834,084	49,295,743	73,029,294	97,840,583	125,035,144	151,740,583	178,599,386	208,596,793	239,985,349	267,276,888	296,204,891	321,150,000
5-year av.	23,411,245	48,421,190	71,733,686	96,104,800	122,816,904	149,048,563	175,430,866	204,218,332	234,372,267	260,501,870	288,238,905	312,063,707
Actual '16	25,907,997	51,088,930	77,880,352	104,165,303	129,578,933	159,663,475	213,742,547	243,035,547	274,730,137	308,571,461	337,699,618	366,910,923
Prize Expense												
Budget '16	14,116,232	29,196,429	43,253,118	57,949,120	74,054,664	89,871,516	105,779,201	123,545,789	142,136,314	158,300,296	175,433,507	190,207,767
5-year av.	14,170,986	28,769,643	42,478,890	56,824,933	72,045,614	88,209,798	104,283,056	121,424,564	139,293,192	154,481,232	170,910,627	185,207,313
Actual '16	15,690,151	31,271,747	47,180,568	63,551,297	78,495,892	97,801,569	128,013,565	145,395,075	166,526,431	185,444,814	204,219,058	221,767,401
Operating Expenses												
Budget '16	503,008	1,595,399	3,174,518	4,127,844	5,220,235	6,312,626	7,405,017	8,497,408	10,076,527	11,168,918	12,122,244	14,161,362
5-year av.	508,168	1,350,084	2,417,813	3,453,609	4,458,109	5,320,697	6,243,798	7,222,679	8,225,452	9,312,697	10,334,179	11,753,703
Actual '16	452,290	1,411,185	2,813,187	3,645,224	4,595,243	5,574,340	6,521,037	7,498,114	8,922,320	9,759,491	10,728,249	12,705,705
Total Proceeds												
Budget '16	5,680,642	11,194,168	15,772,616	21,256,472	27,219,592	33,055,812	38,931,821	45,622,127	52,186,633	58,174,914	64,726,833	69,159,616
5-year av.	5,566,219	11,632,322	17,670,304	23,866,309	31,180,908	36,786,780	42,946,750	50,218,507	57,640,775	64,275,416	71,211,139	76,021,136
Actual '16	6,188,361	11,291,272	18,104,725	23,761,547	29,861,097	36,072,462	53,340,064	60,762,049	66,888,821	75,349,455	82,158,540	88,024,619

- 1) Budget FY16 Prize Payout  
2) Actual 5-year average Prize Payout  
3) Actual FY16 Prize Payout  
4) Actual FY16 compared to Actual 5-year average  
5) Actual FY16 compared to Budget FY16

# IOWA LOTTERY AUTHORITY

## Statement of Net Position

June 30, 2016

FINAL

	Year-to-date 6/30/2016	Year-to-date 6/30/2015
<b>Assets</b>		
Current assets:		
Cash	25,843,311.50	21,111,136.05
Cash on hand	600.00	600.00
Restricted assets - cash	658,831.56	618,196.54
Prepaid expense	157,177.52	129,579.17
Interest receivable	30,475.18	21,118.26
Accounts receivable, net	5,237,873.81	3,723,409.75
Ticket inventories	2,472,610.30	1,968,113.75
Investment in prize annuities	1,200,610.16	1,348,544.95
Total current assets	<u>35,601,490.03</u>	<u>28,920,698.47</u>
Noncurrent assets:		
Prize reserve	5,214,116.97	5,448,064.38
Investment in prize annuities	737,979.22	1,969,981.34
Capital assets, net	8,132,188.92	8,159,091.79
Total noncurrent assets	<u>14,084,285.11</u>	<u>15,577,137.51</u>
<b>Total assets</b>	<b><u>49,685,775.14</u></b>	<b><u>44,497,835.98</u></b>
 <b>Deferred Outflows of Resources</b>	 <b><u>819,439.70</u></b>	 <b><u>842,827.70</u></b>
 <b>Liabilities</b>		
Current liabilities:		
Multi-State Prize Payable	1,742,984.00	1,082,292.50
Mega Millions Prize Payable	1,495,133.02	445,343.52
Hot Lotto Prize Payable	236,093.50	343,975.50
All or Nothing Prize Payable	89,060.36	100,108.61
Monopoly Millionaires' Club Payable	-	15,158.00
Pick 4 Prize Payable	236,888.90	185,787.80
Pick 3 Prize Payable	328,047.80	200,448.50
Lucky for Life Prize Payable	999,933.24	-
Retailer/Other Deposits	7,500.00	12,500.00
Current Obligation/Annuities	1,400.00	8,400.00
Annuity Prizes Payable	1,200,610.16	1,348,544.95
Accounts payable and accruals	1,568,544.80	1,220,904.46
Unearned revenue	535,290.44	387,950.44
Salary and benefits payable	469,417.46	398,659.86
Compensated absences	856,672.73	786,962.76
State withholding payable	55,283.30	67,114.34
Federal withholding payable	74,500.00	139,000.00
Due to State General Fund	21,135,798.19	18,092,604.70
Due to Veterans Trust Fund	-	100,673.22
Total current liabilities	<u>31,033,157.90</u>	<u>24,936,429.16</u>
Long-term liabilities:		
Accounts payable and accruals	14,554.00	39,693.00
Net pension liability	4,966,584.00	4,077,531.00
Prize reserve	5,214,116.97	5,448,064.38
Compensated absences and OPEB	1,431,236.27	1,379,166.02
Annuity prizes payable	737,979.22	1,969,981.34
Total long-term liabilities	<u>12,364,470.46</u>	<u>12,914,435.74</u>
<b>Total liabilities</b>	<b><u>43,397,628.36</u></b>	<b><u>37,850,864.90</u></b>
 <b>Deferred Inflows of Resources</b>	 <b><u>553,509.00</u></b>	 <b><u>1,691,461.00</u></b>
 <b>Net Position</b>		
Net investment in capital assets	8,132,188.92	8,159,091.79
Unrestricted	(1,578,111.44)	(2,360,754.01)
<b>Total net position</b>	<b><u>6,554,077.48</u></b>	<b><u>5,798,337.78</u></b>

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Twelve Months Ending June 30, 2016**

FINAL

	Month ended 6/30/2016	Month ended 6/30/2015	Year-to-date 6/30/2016	Year-to-date 6/30/2015
Operating revenues:				
Instant-scratch ticket sales	\$19,045,232.53	\$16,886,932.75	\$233,681,883.53	\$211,986,967.75
Pick 3 sales	574,552.50	612,729.00	7,376,765.50	7,046,335.06
Powerball sales	3,821,622.00	2,922,498.00	74,851,132.50	52,231,108.00
Mega Millions Sales	2,714,269.00	1,337,596.00	16,401,018.00	17,980,367.00
Hot Lotto sales	717,415.00	973,440.00	8,827,600.00	11,111,717.00
Pick 4 sales	307,539.50	284,639.50	3,554,718.50	3,231,397.00
All or Nothing sales	277,314.00	342,499.00	3,989,479.00	4,542,846.00
Monopoly Millionaires' Club sales	-	-	-	591,605.00
Lucky for Life sales	560,814.00	-	3,154,994.00	-
Pull-tab sales	1,192,547.79	1,373,412.74	15,073,332.46	16,045,073.07
Application fees	850.00	275.00	4,175.00	3,800.00
Other	343.58	430.36	33,065.40	6,220.49
Total operating revenues	<u>29,212,499.90</u>	<u>24,734,452.35</u>	<u>366,948,163.89</u>	<u>324,777,436.37</u>
Operating expenses:				
Scratch ticket	11,779,238.00	11,103,342.00	151,760,770.95	137,660,011.05
Pick 3	339,631.50	361,677.40	4,369,699.30	4,164,551.00
Powerball	1,877,360.50	1,375,009.50	36,729,335.50	25,386,810.00
Mega Millions	1,339,034.50	657,913.00	7,975,529.00	8,593,263.39
Hot Lotto	345,606.50	474,204.96	4,223,017.65	5,351,407.40
Pick 4	173,183.70	169,098.70	2,082,846.10	1,993,338.90
All or Nothing	164,936.27	197,406.81	2,363,458.77	2,684,291.82
Monopoly Millionaires' Club	-	(41,595.95)	(21,052.29)	626,846.79
Lucky for Life	766,614.52	-	2,525,898.69	-
Pull-tab	742,030.73	857,867.91	9,422,427.90	10,028,417.97
VIP Club prize expense	12,853.13	23,840.27	168,607.42	264,651.17
Promotional	7,854.23	(2,519.35)	166,862.17	128,699.38
Advertising/publicity	579,443.67	580,385.51	6,822,152.18	6,766,993.58
Retailer compensation expense	2,716,255.37	1,630,135.13	24,560,884.62	20,977,398.64
Ticket expense	230,029.01	224,189.13	3,242,036.39	3,255,588.81
Vendor compensation expense	610,283.38	504,971.53	7,597,515.86	6,626,138.51
Online game expense	-	-	-	6,563.40
Salary and benefits	844,133.40	703,272.93	9,977,828.08	9,565,121.77
Travel	22,123.30	36,971.89	281,549.13	417,200.42
Supplies	13,328.00	4,491.32	133,163.71	130,723.18
Printing	7,358.58	300.00	8,389.98	6,290.93
Postage	357.10	765.19	6,636.17	6,118.19
Communications	119,998.96	28,372.99	263,414.08	227,509.17
Rentals	26,015.67	29,649.62	309,411.76	308,922.22
Utilities	15,280.71	9,927.04	87,941.83	126,901.79
Professional fees	100,178.58	3,415.18	183,403.18	162,781.92
Vending machine maintenance	50,390.76	48,536.61	598,961.53	579,060.84
Outside services and repairs	90,159.81	98,158.00	825,169.37	873,809.41
Data processing	9,887.68	9,283.32	122,421.34	105,399.52
Equipment	241,509.97	60,767.19	655,521.07	506,016.15
Reimbursement to other state agencies	38,166.98	29,013.50	430,088.05	418,625.34
Depreciation	27,301.65	22,518.54	333,223.38	278,004.29
Other	4,980.07	(20,761.99)	56,015.91	79,975.68
MUSL/Lotto administrative expense	10,282.82	4,623.51	127,705.14	100,802.76
Total operating expenses	<u>23,305,809.05</u>	<u>19,185,231.39</u>	<u>278,390,833.92</u>	<u>248,408,235.39</u>
Operating income	<u>5,906,690.85</u>	<u>5,549,220.96</u>	<u>88,557,329.97</u>	<u>76,369,200.98</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(5,866,079.53)	(5,118,954.83)	(85,524,619.37)	(72,365,900.28)
Proceeds provided to Veteran's Trust Fund	-	26,229.91	(2,500,000.00)	(2,151,167.43)
Interest income	43,077.35	24,791.19	194,872.94	76,037.59
Interest expense	-	(676.71)	-	(8,046.28)
Gain (Loss) on disposal of capital assets	(4,043.84)	-	28,156.16	(364,251.59)
Net non-operating revenues (expenses)	<u>(5,827,046.02)</u>	<u>(5,068,610.44)</u>	<u>(87,801,590.27)</u>	<u>(74,813,327.99)</u>
Change in net position	<u>79,644.83</u>	<u>480,610.52</u>	<u>755,739.70</u>	<u>1,555,872.99</u>
Net position beginning of year	6,474,432.65	5,317,727.26	5,798,337.78	4,242,464.79
Net position end of year	<u>6,554,077.48</u>	<u>5,798,337.78</u>	<u>6,554,077.48</u>	<u>5,798,337.78</u>



**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2012 THROUGH 2016**  
**FINAL**

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>	<b>Fiscal Year 2012</b>
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	233,681,884	211,986,968	188,754,111	202,299,747	188,814,325
Pick 3 sales	7,376,766	7,046,335	6,948,165	6,804,870	6,743,717
Powerball sales	74,851,133	52,231,108	61,153,876	81,385,271	57,934,104
Mega Millions sales	16,401,018	17,980,367	21,835,102	13,317,888	22,293,152
Hot Lotto sales	8,827,600	11,111,717	10,434,227	11,664,946	10,525,347
Raffle sales	-	-	242,960	-	-
Pick 4 sales	3,554,719	3,231,397	3,224,892	3,085,784	2,788,613
All or Nothing sales	3,989,479	4,542,846	3,196,195	-	-
\$100,000 Cash Game sales	-	-	2,530,984	4,483,605	4,314,098
Monopoly Millionaires' Club sales	-	591,605	-	-	-
Lucky for Life sales	3,154,994	-	-	-	-
Pull-tab sales	15,073,332	16,045,073	15,734,917	16,209,309	17,438,369
Application fees	4,175	3,800	4,375	5,125	4,075
Other revenue	33,065	6,220	99,932	11,706	212,884
<b>Total operating revenues</b>	<b>366,948,164</b>	<b>324,777,436</b>	<b>314,159,736</b>	<b>339,268,251</b>	<b>311,068,684</b>
<b>OPERATING EXPENSES</b>					
Scratch ticket prize expense	151,760,771	137,660,011	121,968,549	128,096,203	116,954,213
Pick 3 prize expense	4,369,699	4,164,551	4,101,291	4,009,581	3,993,780
Powerball prize expense	36,729,336	25,386,810	29,583,455	39,682,727	28,287,777
Mega Millions prize expense	7,975,529	8,593,263	10,946,296	6,538,181	11,307,020
Hot Lotto prize expense	4,223,018	5,351,407	5,042,963	5,652,815	5,118,123
Raffle prize expense	-	-	101,536	-	-
Pick 4 prize expense	2,082,846	1,993,339	1,905,110	1,812,515	1,634,063
All or Nothing prize expense	2,363,459	2,684,292	2,134,024	-	-
\$100,000 Cash Game prize expense	-	-	610,955	2,740,099	2,175,236
Monopoly Millionaires' Club prize expense	(21,052)	626,847	-	-	-
Lucky for Life prize expense	2,525,899	-	-	-	-
Pull-tab prize expense	9,422,428	10,028,418	9,851,090	10,140,042	10,912,790
VIP Club prize expense	168,607	264,651	519,101	1,950,002	1,907,142
Promotional prize expense	166,862	128,699	184,615	179,603	152,303
Advertising/Publicity	6,822,152	6,766,994	6,942,677	6,603,905	6,605,304
Retailer compensation expense	24,560,885	20,977,399	20,131,428	22,116,797	20,125,497
Ticket expense	3,242,036	3,255,589	3,447,828	3,945,970	3,115,487
Vendor compensation expense	7,597,516	6,626,139	6,378,256	6,885,203	6,204,116
Online game expense	-	6,563	-	295,663	-
Salary and benefits	9,977,828	9,565,122	9,419,070	9,375,334	9,120,063
Travel	281,549	417,200	419,444	425,300	451,040
Supplies	133,164	130,723	111,765	100,620	147,091
Printing	8,390	6,291	20,915	13,459	15,031
Postage	6,636	6,118	6,993	6,337	6,238
Communications	263,414	227,509	179,250	155,755	130,366
Rentals	309,412	308,922	307,062	304,452	290,595
Utilities	87,942	126,902	122,461	103,386	97,579
Professional fees	183,403	162,782	126,332	125,004	165,225
Vending machine maintenance	598,962	579,061	567,775	577,841	537,941
Outside services & repairs	825,169	873,809	605,983	326,659	460,445
Data processing	122,421	105,400	89,573	57,072	50,320
Equipment	655,521	506,016	306,901	380,142	719,188
Reimbursement to other state agencies	430,088	418,625	426,958	415,056	433,436
Depreciation	333,223	278,004	287,356	245,805	173,611
Other	56,016	79,976	81,906	67,345	56,009
MUSL administrative expense	127,705	100,803	75,173	37,050	45,106
<b>Total operating expenses</b>	<b>278,390,834</b>	<b>248,408,235</b>	<b>237,004,091</b>	<b>253,365,923</b>	<b>231,392,135</b>
<b>Operating income (loss)</b>	<b>88,557,330</b>	<b>76,369,201</b>	<b>77,155,645</b>	<b>85,902,328</b>	<b>79,676,549</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2012 THROUGH 2016**  
**FINAL**

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>	<b>Fiscal Year 2012</b>
<b>Non-operating revenues (expenses)</b>					
State General Fund	(85,524,619)	(72,365,900)	(72,167,680)	(82,764,005)	(76,012,455)
Veterans Trust Fund	(2,500,000)	(2,151,167)	(1,804,434)	(2,126,724)	(2,719,494)
Interest income	194,873	76,038	58,768	110,073	105,755
Interest expense	-	(8,046)	(12,622)	(33,453)	(39,134)
Gain (Loss) on disposal of capital assets	28,156	(364,252)	-	-	-
<b>Net non-operating revenues(expenses)</b>	<b>(87,801,590)</b>	<b>(74,813,328)</b>	<b>(73,925,968)</b>	<b>(84,814,109)</b>	<b>(78,665,328)</b>
<b>Change in net position</b>	<b>755,740</b>	<b>1,555,873</b>	<b>3,229,677</b>	<b>1,088,219</b>	<b>1,011,221</b>
Net position, beginning of period, as restated*	5,798,338	4,242,465	6,284,179	5,195,960	4,184,739
<b>Net position, end of period</b>	<b>6,554,077</b>	<b>5,798,338</b>	<b>9,513,856</b>	<b>6,284,179</b>	<b>5,195,960</b>

\* beginning Net Position was restated in FY 2015 due to implementation of GASB 68, Accounting and Financial Reporting for Pensions

**IOWA LOTTERY AUTHORITY  
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL  
FY 2016**

<b>EMPLOYEE</b>	<b>DATE</b>	<b>CONFERENCE/TRAINING EVENT</b>	<b>DESTINATION</b>	<b>COST</b>
Michael Conroy	Jul 2015	NASPL Professional Development Seminar	Seattle, WA	\$ 2,844.77
Hale Strasser	Jul 2015	NASPL Professional Development Seminar	Seattle, WA	\$ 2,817.43
Teri Wood	Jul 2015	NASPL Professional Development Seminar	Seattle, WA	\$ 2,847.02
Mary Neubauer	Jul 2015	NASPL Professional Development Seminar	Seattle, WA	\$ 2,568.44
Terry Rich	Sept 2015	PGRI Lottery Expo Conference	Miami, FL	\$ 345.60
Larry Loss	Sept 2015	PGRI Lottery Expo Conference	Miami, FL	\$ 1,270.78
Mary Neubauer	Sept 2015	PGRI Lottery Expo Conference	Miami, FL	\$ 484.48
Larry Loss	Oct 2015	NASPL 2015 Building The Brand	Dallas, TX	\$ 1,705.93
Brenda Nye	Oct 2015	NASPL 2015 Building The Brand	Dallas, TX	\$ 3,030.56
Rob Porter	Oct 2015	NASPL 2015 Building The Brand	Dallas, TX	\$ 2,387.72
Cam Coppess	Mar 2016	2016 Annual Regulators Roundtable	Las Vegas, NV	\$ 956.92
Larry Loss	Apr 2016	Smart Tech 2016 WLA & I-Lottery Workshop	New York, NY	\$ 1,682.30
Michael Loss	Apr 2016	NASPL Leadership Institute Seminar	Cleveland, OH	\$ 2,336.54
Cam Coppess	Apr 2016	2016 Comprehensive Evaluation of Security Controls	Alpharetta, GA	\$ 1,533.10
Terry Rich	May 2016	LaFleur 2016 Lottery Symposium	Washington, DC	\$ 1,259.69
Teri Wood	May 2016	LaFleur 2016 Lottery Symposium	Washington, DC	\$ 1,853.73

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2017

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales												
Budget FY 2017	23,477,855	24,903,072	23,632,301	25,244,816	26,997,242	27,197,660	31,905,507	29,700,139	30,596,726	27,338,762	28,973,109	24,952,811
5-year av. *	24,456,152	25,940,756	24,617,033	25,486,553	27,312,000	27,520,769	32,424,788	30,127,524	31,061,472	27,667,752	29,370,200	25,182,384
Actual '17	32,984,786	26,681,566										
Prize Expense												
Budget FY 2017	13,956,616	14,803,847	14,048,427	15,007,000	16,048,745	16,167,885	18,966,506	17,655,505	18,188,489	16,251,764	17,223,316	14,833,415
5-year av. *	14,753,208	15,376,631	14,538,122	15,161,469	15,731,423	17,216,882	19,367,441	17,761,472	19,086,348	16,212,399	17,385,913	15,177,270
Actual '17	19,638,247	16,797,147										
Operating Expenses												
Budget FY 2017	1,159,018	1,295,375	1,204,727	1,229,243	1,121,127	1,206,747	1,164,432	1,156,962	1,288,279	1,158,402	1,260,984	1,375,394
2-year av. *	1,076,139	977,545	1,002,983	1,023,962	983,978	1,200,509	1,024,982	995,750	1,063,325	990,392	1,064,258	1,115,229
Actual '17	1,031,110	1,078,325										
Total Proceeds												
Budget FY 2017	4,936,993	5,170,692	4,931,385	5,325,558	5,888,690	5,855,108	7,119,813	6,554,660	6,656,142	5,940,090	6,261,866	5,103,588
5-year av. *	5,834,699	5,970,453	6,453,205	6,275,144	7,241,802	5,686,223	8,334,905	7,835,507	7,106,183	7,030,221	7,298,430	4,959,237
Actual '17	8,482,628	5,304,496										
YEAR TO DATE												
Gross Sales												
Budget FY 2017	23,477,855	48,380,927	72,013,228	97,258,044	124,255,286	151,452,946	183,358,453	213,058,592	243,655,318	270,994,080	299,867,189	324,920,000
5-year av. *	24,456,152	50,366,908	75,013,941	100,500,494	127,812,484	155,333,263	187,758,051	217,885,575	248,947,047	276,614,799	305,984,999	331,167,383
Actual '17	32,984,786	59,646,352										
Prize Expense												
Budget FY 2017	13,956,616	28,760,463	42,808,890	57,815,890	73,864,635	90,032,520	108,999,026	126,654,531	144,843,020	161,094,784	178,318,100	193,151,515
5-year av. *	14,753,208	30,129,839	44,667,961	59,829,430	75,560,853	92,777,735	112,145,176	129,906,648	148,992,996	165,205,395	182,591,308	197,768,578
Actual '17	19,638,247	36,435,394										
Operating Expenses												
Budget FY 2017	1,159,018	2,454,393	3,659,120	4,888,363	6,009,490	7,216,237	8,380,669	9,537,631	10,825,910	11,984,312	13,245,296	14,620,690
2-year av. *	1,076,139	2,053,684	3,056,667	4,080,629	5,064,607	6,265,116	7,290,098	8,285,848	9,349,173	10,339,565	11,403,823	12,519,052
Actual '17	1,031,110	2,109,435										
Total Proceeds												
Budget FY 2017	4,936,993	10,107,685	15,039,070	20,364,628	26,253,318	32,108,426	39,228,239	45,782,899	52,439,041	58,379,131	64,640,997	69,744,585
5-year av. *	5,834,699	11,805,152	18,258,357	24,533,501	31,775,303	37,461,526	45,796,431	53,631,938	60,738,121	67,768,342	75,066,772	80,026,009
Actual '17	8,482,628	13,787,124										

\* Preliminary FY16 results were used in 5-year and 2-year average calculations

- 1) Budget FY17 Prize Payout
- 2) Actual 5-year average Prize Payout
- 3) Actual FY17 Prize Payout
- 4) Actual FY17 compared to Actual 5-year average
- 5) Actual FY17 compared to Budget FY17

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the One Month Ending Sunday, July 31, 2016**

	Month ended 7/31/2016	Month ended 7/31/2015
Operating revenues:		
Instant-scratch ticket sales	\$17,947,395.00	\$18,027,512.00
Pick 3 sales	588,653.00	627,101.00
Powerball sales	8,160,716.00	3,086,759.00
Mega Millions Sales	3,378,855.00	1,439,568.00
Hot Lotto sales	801,855.00	759,927.00
Pick 4 sales	309,214.50	296,448.50
All or Nothing sales	286,640.00	351,662.00
Lucky for Life sales	449,182.00	-
Pull-tab sales	1,042,275.82	1,319,019.20
Application fees	175.00	200.00
Other	172.73	393.87
Total operating revenues	<u>32,965,134.05</u>	<u>25,908,590.57</u>
Operating expenses:		
Scratch ticket	11,875,454.00	11,499,983.00
Pick 3	348,271.80	371,530.60
Powerball	4,052,286.00	1,505,998.50
Mega Millions	1,675,669.83	706,829.00
Hot Lotto	393,690.50	366,415.50
Pick 4	183,938.70	175,684.10
All or Nothing	170,634.42	207,981.38
Lucky for Life	266,961.88	-
Pull-tab	653,427.18	825,723.05
VIP Club prize expense	12,341.70	17,896.61
Promotional	5,570.62	12,109.18
Advertising/publicity	613,399.18	444,802.04
Retailer compensation expense	2,109,991.69	1,676,200.41
Ticket expense	220,897.66	233,292.86
Vendor compensation expense	664,478.55	532,759.06
Salary and benefits	826,710.81	901,841.40
Travel	28,603.63	25,937.07
Supplies	20,499.23	24,094.01
Printing	1,111.96	-
Postage	313.09	364.23
Communications	11,620.31	11,678.99
Rentals	25,480.35	23,779.95
Utilities	11,297.58	7,797.00
Professional fees	6,593.10	15,584.40
Vending machine maintenance	50,390.76	48,486.61
Outside services and repairs	66,133.28	67,815.41
Data processing	9,721.32	10,338.86
Equipment	29,369.38	59,259.03
Reimbursement to other state agencies	28,965.43	24,579.32
Depreciation	26,994.06	25,714.98
Other	4,493.37	4,631.13
MUSL/Lotto administrative expense	15,016.74	999.99
Total operating expenses	<u>24,410,328.11</u>	<u>19,830,107.67</u>
Operating income	<u>8,554,805.94</u>	<u>6,078,482.90</u>
Non-operating revenue (expenses):		
Proceeds provided to State General Fund	(5,982,627.81)	(3,688,360.64)
Proceeds provided to Veteran's Trust Fund	(2,500,000.00)	(2,500,000.00)
Gain (Loss) on disposal of capital assets	19,700.00	3,425.00
Net non-operating revenues (expenses)	<u>(8,462,927.81)</u>	<u>(6,184,935.64)</u>
Change in net position	91,878.13	(106,452.74)
Net position beginning of year	<u>6,552,603.18</u>	<u>5,798,337.78</u>
Net position end of year	<u>6,644,481.31</u>	<u>5,691,885.04</u>

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Two Months Ending Wednesday, August 31, 2016**

	Month ended 8/31/2016	Month ended 8/31/2015	Year-to-date 8/31/2016	Year-to-date 8/31/2015
Operating revenues:				
Instant-scratch ticket sales	\$ 18,309,236.00	\$ 17,644,787.00	\$ 36,256,631.00	\$ 35,672,299.00
Pick 3 sales	590,276.00	614,229.50	1,178,929.00	1,241,330.50
Powerball sales	3,681,852.50	3,429,327.00	11,842,568.50	6,516,086.00
Mega Millions Sales	1,084,565.00	922,082.00	4,463,420.00	2,361,650.00
Hot Lotto sales	668,710.00	742,210.00	1,470,565.00	1,502,137.00
Pick 4 sales	317,618.50	305,867.50	626,833.00	602,316.00
All or Nothing sales	286,810.00	346,276.00	573,450.00	697,938.00
Lucky for Life sales	525,072.00	-	974,254.00	-
Pull-tab sales	1,217,425.72	1,176,154.03	2,259,701.54	2,495,173.23
Application fees	350.00	450.00	525.00	650.00
Other	450.49	557.97	623.22	951.84
Total operating revenues	26,682,366.21	25,181,941.00	59,647,500.26	51,090,531.57
Operating expenses:				
Scratch ticket	12,338,904.97	11,551,040.00	24,214,358.97	23,051,023.00
Pick 3	350,325.60	362,577.70	698,597.40	734,108.30
Powerball	1,804,006.50	1,683,713.50	5,856,292.50	3,189,712.00
Mega Millions	533,037.49	441,791.00	2,208,707.32	1,148,620.00
Hot Lotto	326,485.00	355,753.00	720,175.50	722,168.50
Pick 4	184,321.10	181,165.50	368,259.80	356,849.60
All or Nothing	168,424.30	204,503.33	339,058.72	412,484.71
Lucky for Life	312,069.24	-	579,031.12	-
Pull-tab	759,409.34	738,729.17	1,412,836.52	1,564,452.22
VIP Club prize expense	15,000.00	52,927.16	27,341.70	70,823.77
Promotional	5,163.79	9,395.26	10,734.41	21,504.44
Advertising/publicity	470,812.74	649,668.67	1,084,211.92	1,094,470.71
Retailer compensation expense	1,718,638.87	1,627,745.18	3,828,630.56	3,303,945.59
Ticket expense	217,412.45	243,253.08	438,310.11	476,545.94
Vendor compensation expense	541,953.01	496,865.37	1,206,431.56	1,029,624.43
Salary and benefits	892,366.86	814,840.84	1,719,077.67	1,716,682.24
Travel	24,412.13	28,699.81	53,015.76	54,636.88
Supplies	22,808.55	7,842.18	43,307.78	31,936.19
Printing	60.00	93.80	1,171.96	93.80
Postage	376.46	382.43	689.55	746.66
Communications	11,737.41	12,793.85	23,357.72	24,472.84
Rentals	25,590.61	27,358.13	51,070.96	51,138.08
Utilities	10,480.91	8,106.65	21,778.49	15,903.65
Professional fees	7,016.60	3,170.90	13,609.70	18,755.30
Vending machine maintenance	50,390.76	48,486.61	100,781.52	96,973.22
Outside services and repairs	65,193.43	66,504.93	131,326.71	134,320.34
Data processing	9,670.12	9,918.07	19,391.44	20,256.93
Equipment	12,683.34	45,690.32	42,052.72	104,949.35
Reimbursement to other state agencies	32,352.17	34,356.52	61,317.60	58,935.84
Depreciation	27,043.19	27,098.40	54,037.25	52,813.38
Other	3,767.53	5,655.29	8,260.90	10,286.42
MUSL/Lotto administrative expense	11,016.45	11,058.89	26,033.19	12,058.88
Total operating expenses	20,952,930.92	19,751,185.54	45,363,259.03	39,581,293.21
Operating income	5,729,435.29	5,430,755.46	14,284,241.23	11,509,238.36
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(5,304,496.16)	(5,102,910.56)	(11,287,123.97)	(8,791,271.20)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Gain (Loss) on disposal of capital assets	5,525.00	1,325.00	25,225.00	4,750.00
Net non-operating revenues (expenses)	(5,298,971.16)	(5,101,585.56)	(13,761,898.97)	(11,286,521.20)
Change in net position	430,464.13	329,169.90	522,342.26	222,717.16
Net position beginning of year	6,645,955.61	5,691,885.04	6,554,077.48	5,798,337.78
Net position end of year	7,076,419.74	6,021,054.94	7,076,419.74	6,021,054.94



# June-September 2016 Security Report



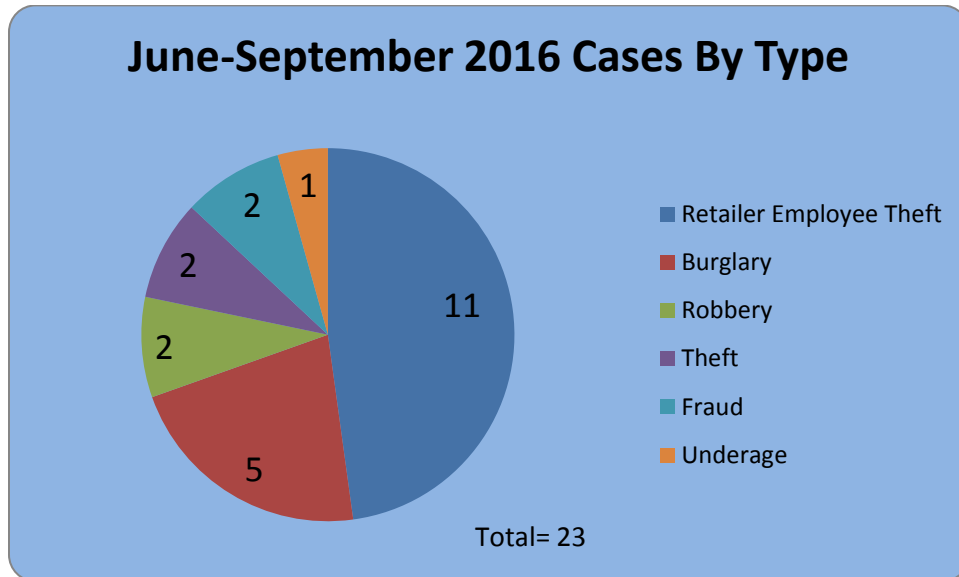
**June-September 2016 Record of Contacts  
by Type**



Total= 177

## Other

- Used to document actions that do not fit into categorized areas:
  - Lockdown exercise
  - Promotional Draws
- Security Investigators conducted 75 compliance checks of retail locations
- Security Investigators reviewed 1382 emails generated by the Game Management System



Unless specifically noted, Lottery Security cases are initiated because of Retail Employee actions, Players actions or anomalies discovered by Lottery Employees

- Twelve of the cases remain under investigation
- Eleven have been closed, with six criminal charges
  - 2 Burglary charges
  - 2 Fraud/Forgery charges
  - 2 Theft charges
- Underage Player case was unfounded





13001 University Avenue  
Clive Iowa 50325-8225  
www.ialottery.com  
515.725.7900

Terry E. Branstad · Governor  
Kim Reynolds · Lt. Governor  
Terry Rich · Chief Executive Officer

Date: September 27, 2016

TO: Iowa Lottery Board  
FR: Larry L. Loss  
RE: Instant ticket printing contract extensions

---

The Iowa Lottery issued RFP IL 12-02, Request for Proposal, Instant Ticket Printing and Related Services on March 2, 2012.

The purpose of that Request for Proposal (RFP) was to solicit proposals from qualified firms or vendors interested in printing instant tickets and providing related services for the Iowa Lottery Authority (Lottery), pursuant to the authority of Iowa Code, Chapter 99G. The Lottery did not intend to grant any Vendor exclusive rights to print all or a majority of Lottery instant games. It was the intention of the Lottery to award game orders to more than one vendor, each of whom would be issued orders to produce games based upon the Lottery's determination of which vendor could best serve the Lottery's interests for a particular game.

On May 31, 2012, The Iowa Lottery Board approved the Iowa Lottery to issue a Notice of Intent to Award, subject to successful completion of DCI investigation, to the following vendors:

- GTECH Printing Corporation (GTECH), Lakeland, FL
  - Due to the merger of GTECH S.p.A. and International Game Technology (IGT), the contract initially awarded to GTECH Printing Corporation is now with IGT.
- Pollard Banknote Limited (PBN), Winnipeg, MB
- Scientific Games International, Inc. (SGI), Alpharetta, GA

Subsequently, background investigations were completed and contracts negotiated with all three vendors. The initial term of the contract was for two years and the contract provided for four one-year extensions.

The initial contract term was January 1, 2013 through December 31, 2014.

On September 23, 2014, the Lottery Board approved the Iowa Lottery to exercise the first extension available on all of the instant ticket contracts, extending the term of each through December 31, 2015.

On September 29, 2015, the Lottery Board approved the Iowa Lottery to exercise the second extensions available on all of the instant ticket contracts; extending the term of each of the contracts through December 31, 2016.

There are two additional one-year extensions still available under these instant ticket contracts.

#### **Background Information**

The Lottery operates on a multiple game strategy and multiple price point strategy and plans to have at least 24 games available for sale at all times. New instant games will be introduced every month. As part of the monthly game introductions, the Lottery utilizes games with different ticket sizes, price points and prize structures.

One of the goals of the RFP was to contract with multiple instant ticket printing vendors so the Lottery had access to as many licensed products, proprietary games and printing techniques as possible. All three vendors possess unique offerings that aid the Lottery in growing instant ticket sales. When choosing games, the Lottery evaluates several factors when deciding which vendor to use to print a game, including, but not limited to, price, proprietary printing techniques, design and licensed properties. Ultimately, the Lottery determines which vendor can best serve the Lottery's interests for a particular game.

Since the inception of the current contract, the Iowa Lottery has grown sales from \$188.8 million in FY 2012 to \$234 million in FY 2016.

The Iowa Lottery printed 48 games in FY 2016:

<u>Vendor</u>	<u># of Games</u>	<u>Contract Value (Approx)</u>
IGT	14	\$ 615,000
PBN	21	\$1,900,000
SGI	13	\$ 640,000

#### **Recommendation**

Iowa Lottery staff is asking for Board approval to exercise the third extension of the Instant Ticket Printing and Related Services contracts with IGT, PBN and SGI, thus extending the contract through December 31, 2017.

**EXTENSION AND AMENDMENT OF  
AGREEMENT FOR THE PURCHASE OF  
INSTANT TICKETS AND RELATED SERVICES**

This Extension of Agreement for the Purchase of Instant Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **GTECH Corporation** (GTECH or Contractor).

In consideration of the mutual covenants contained in this Extension, the sufficiency of which is acknowledged, it is agreed as follows:

**SECTION 1. IDENTITY OF THE PARTIES.**

**1.1** The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, Iowa 50325.

**1.2** GTECH is a corporation, incorporated under the laws of Delaware, and engaged in the business of printing lottery scratch tickets and other services. The address for Contractor is 10 Memorial Boulevard, Providence, RI 02903.

**SECTION 2. EXTENSION OF TERM.**

On or about March 27, 2013, the Lottery and Contractor entered into an Agreement for the Purchase of Instant Tickets and Related Services ("Agreement"). The term of the Agreement was for two years beginning January 1, 2013 through December 31, 2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the third option period is hereby exercised by the Lottery extending the term of the Agreement through December 31, 2017.

**SECTION 3. AGREEMENT OTHERWISE UNCHANGED**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 4. EXECUTION.**

**IN WITNESS WHEREOF**, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Extension and have caused their duly authorized representatives to execute this Extension.

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

Date: \_\_\_\_\_

**GTECH Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Robin Drummond  
Regional Vice President – GTECH Americas

**EXTENSION AND AMENDMENT OF  
AGREEMENT FOR THE PURCHASE OF  
INSTANT TICKETS AND RELATED SERVICES**

This Extension of Agreement for the Purchase of Instant Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **Pollard Banknote Limited** (Pollard or Contractor).

In consideration of the mutual covenants contained in this Extension, the sufficiency of which is acknowledged, it is agreed as follows:

**SECTION 1. IDENTITY OF THE PARTIES.**

**1.1** The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, Iowa 50325.

**1.2** Pollard is a Canadian public corporation, incorporated under the federal laws of Canada, and engaged in the business of printing lottery scratch tickets and other services. The address for Pollard is 1499 Buffalo Place, Winnipeg, Manitoba, Canada R3T 1L7.

**SECTION 2. EXTENSION OF TERM.**

On or about December 28, 2012, the Lottery and Contractor entered into an Agreement for the Purchase of Instant Tickets and Related Services ("Agreement"). The term of the Agreement was for two years beginning 1/1/2013 through 12/31/2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the third option period is hereby exercised extending the term through December 31, 2017.

**SECTION 3. AGREEMENT OTHERWISE UNCHANGED**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 4. EXECUTION.**

**IN WITNESS WHEREOF**, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Extension and have caused their duly authorized representatives to execute this Extension.

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

Date: \_\_\_\_\_

**Pollard Banknote Limited**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Douglas E. Pollard  
Co. Chief Executive Officer

**EXTENSION AND AMENDMENT OF  
AGREEMENT FOR THE PURCHASE OF  
INSTANT TICKETS AND RELATED SERVICES**

This Extension of Agreement for the Purchase of Instant Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **Scientific Games International, Inc.** (SGI or Contractor).

In consideration of the mutual covenants contained in this Extension, the sufficiency of which is acknowledged, it is agreed as follows:

**SECTION 1. IDENTITY OF THE PARTIES.**

**1.1** The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, Iowa 50325.

**1.2** The Contractor is a corporation, incorporated under the laws of Delaware, and engaged in the business of printing lottery scratch tickets and other services. The address for Contractor is 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004.

**SECTION 2. EXTENSION OF TERM.**

On or about December 28, 2012, the Lottery and Contractor entered into an Agreement for the Purchase of Instant Tickets and Related Services ("Agreement"). The term of the Agreement was for two years beginning 1/1/2013 through 12/31/2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the third option period is hereby exercised extending the term through December 31, 2017.

**SECTION 3. AGREEMENT OTHERWISE UNCHANGED**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 4. EXECUTION.**

**IN WITNESS WHEREOF**, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Extension and have caused their duly authorized representatives to execute this Extension.

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

Date: \_\_\_\_\_

**Scientific Games International, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



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515.725.7900

Terry E. Branstad · Governor  
Kim Reynolds · Lt. Governor  
Terry Rich · Chief Executive Officer

September 27, 2016

TO: Iowa Lottery Board Members  
FR: Larry L. Loss  
RE: Retailer Compensation Program

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With the addition of InstaPlay to the Lottery's portfolio of games, we are requesting your approval to modify the Retailer Compensation Program. The modifications are as follows:

1. Establish the base commission rate of 5.5% for all InstaPlay tickets sold
2. Authorize the Ticket Allowance:
  - a. Retailers will receive an additional 0.1% of the sales of all InstaPlay games added to the base commission rate for tickets that are damaged or produced in error.

The modifications, with your approval, will become effective October 3, 2016.

# IOWA LOTTERY

## Retailer Compensation Program

September 27, 2016

### **ON-LINE GAMES**

Retailers will receive a base commission rate of 5.5% on all on-line tickets sold.

#### **Ticket Allowance:**

Retailers will receive an additional 0.1% of the sales of all on-line games added to the base commission rate for tickets that are damaged or produced in error.

#### **Sliding Scale Incentive:**

In addition to the base commission, the Lottery will establish an on-line sales base\* for each eligible retailer. Retailer sales will be monitored and retailers who increase their sales will be awarded bonuses as defined by the chart below:

#### **Sliding Scale for sales increases:**

10-19% increase	1% of increase Bonus
20-29% increase	2% of increase Bonus
30-39% increase	3% of increase Bonus
40%+ increase	4% of increase Bonus

\* Lucky for Life game sales will be included in this incentive beginning January 1, 2018. Raffle and Monopoly Millionaires' Club game sales are not included in the sliding scale incentive bonus.

#### **Additional Bonuses:**

#### **High Tier Prize Sales Bonus:**

Powerball Jackpot winning ticket	\$10,000
Mega Millions Jackpot winning ticket	\$10,000
Hot Lotto Jackpot winning ticket	\$ 5,000
Lucky for Life Top Prize winning ticket**	\$ 5,000
Lucky for Life Second Prize winning ticket***	\$ 500

With the exception of the prizes listed above, all non-jackpot winning on-line game tickets of \$100,000 or more will receive a bonus of 1/10 of 1 percent of the prize amount (e.g. \$100,000 winning ticket earns a \$100 bonus).

\* Lucky for Life sales begin on January 24, 2016

\*\* Lucky for Life Top Prize is \$1,000 a day for life

\*\*\*Lucky for Life Second Prize is \$25,000 a year for life

#### **Peak Sales Bonuses on Powerball/Powerplay and Mega Millions/Megaplier:**

Retailers will receive a 0.5% sales bonus on all sales when the Powerball or Mega Millions jackpot is equal to or exceeds \$200 million. Sales will be tracked during the jackpot run and the bonuses will be awarded after the jackpot is won.

## **INSTAPLAY GAMES**

Retailers will receive a base commission rate of 5.5% on all InstaPlay tickets sold.

Ticket Allowance:

Retailers will receive an additional 0.1% of the sales of all InstaPlay games added to the base commission rate for tickets that are damaged or produced in error.

## **INSTANT-SCRATCH GAMES**

Retailers will receive 5.5% commission on the sale of all instant tickets.

Retailers can become GOLD STAR PROGRAM members and will receive a 7% commission on the sale price of tickets sold when they meet the following requirements:

### **1. Comply with all advertising requirements:**

- A. Lottery Door Decal
- B. Game Brochures
- C. 19" Flat Panel Monitor
  - a. The monitor must be located in the primary sales area adjacent to the Wave terminal.

### **2. Sell sixteen (16) or more different games from dispenser(s). Games must be:**

- A. Displayed in the primary sales area in a highly visible Lottery approved location
- B. Displayed on the front counter in plain view of the public, in Lottery approved dispensers
- C. Maintain inventory levels necessary to keep the dispensers full at all times

### **3. As a function of the courier delivery system, the retailer agrees to accept the delivery of, activate and place the tickets for sale.**

Gold Star retailers must be in compliance with the above requirements. If the retailer is not in compliance when the DSR makes the (scheduled) sales call, the DSR must change the retailer back to the 5.5 % commission rate. If the retailer meets the requirements, they will remain at the 7% Gold Star commission rate.

## **PULL-TAB GAMES**

Retailers will receive a 5% commission on the sale of all pull-tab tickets.

## **OTHER INCENTIVES**

Through the course of a fiscal year, the Lottery may choose to offer special incentives for retailer related activities not covered by the categories detailed elsewhere in this document. The incentives would include, but are not limited to, incentive money, lottery tickets and merchandise prizes. The total value of the incentives for this section will not exceed \$40,000 in any fiscal year.



# **LOTTERY AUTHORITY, IOWA[531]**

## **Adopted and Filed**

Pursuant to the authority granted in Iowa Code section 99G.9(3), the Board of Directors of the Iowa Lottery Authority hereby amends Chapter 12, “Licensing,” Chapter 18, “Scratch Ticket--General Rules,” Chapter 19, “Pull-Tab General Rules,” and Chapter 20, “Computerized Games General Rules,” Iowa Administrative Code.

Chapters 12 and 18 to 20 are each being modified to update and modernize the rules regarding the Iowa Lottery’s sale of traditional lottery products known as “instant tickets.”

Historically, the Iowa Lottery has utilized the terms “instant tickets” and “scratch tickets” synonymously, to refer to printed lottery tickets that contain play symbols concealed by a removable coating that the player must scratch to reveal. Indeed, the first game ever sold by the Lottery, a scratch ticket called “Scratch, Match & Win,” was introduced in 1985.

Scratch tickets remain popular with Iowa Lottery players, having accounted for 65 percent of total Iowa Lottery sales in fiscal year 2015. Certainly, scratch tickets will remain core Iowa Lottery offerings for years to come.

However, in light of the specialized paper stock and latex coating utilized to produce scratch tickets, scratch tickets are necessarily more expensive for the Iowa Lottery to produce than computerized lotto games such as the popular Powerball® or Mega Millions® games. Since 2004, 13 lotteries in the United States have introduced a different type of instant ticket. These instant tickets are printed using the same lotto terminals and secure paper that licensed retailers already use for printing plays in computerized lotto games such as Powerball® or Mega Millions®.

Those instant tickets use play symbols just like traditional scratch tickets. However, the symbols are not concealed by any latex coating. By using the secure paper already in place to print lotto tickets, these “scratchless” printed tickets are far less expensive to produce. And, they still provide the same play symbols and entertainment value that lottery players expect from traditional scratch tickets.

The Iowa Lottery and its Board have the authority under Iowa Code chapter 99G to introduce and administer lottery games, including these instant play games. However, the Lottery seeks to update its administrative rules to reflect that printed instant tickets may not always contain a latex covering that must be removed by the player.

These modifications were identified through a regular review of the Iowa Lottery Authority's administrative rules.

Notice of Intended Action was published in the Iowa Administrative Bulletin on August 3, 2016 as **ARC 2660C**. No public comment was received on this rule. This rule is identical to the rule published under Notice of Intended Action.

The Board does not intend to grant waivers under the provisions of these rules.

After analysis and review of this rule making, the Board finds that there is no adverse fiscal impact or impact on jobs from the adoption of these amendments.

This amendment was approved by the Board on September 27, 2016. These amendments are intended to implement Iowa Code chapter 99G.

These amendments shall become effective on November 30, 2016.

The following amendments are adopted.

ITEM 1. Amend subrule 12.4(1) as follows:

**12.4(1)** The lottery has discretion to license a qualified applicant to sell any one of the following lottery products or any combination of the following products: ~~scratch~~ instant tickets; pull-tab tickets; and computerized game tickets, if available. The lottery may require an applicant to sell one or more lottery products as a condition of selling any other lottery product. A lottery license authorizes the licensee to sell only the type of lottery products specified on the license.

ITEM 2. Amend **531—Chapter 18**, title, as follows:

**~~SCRATCH~~ INSTANT TICKET GENERAL RULES**

ITEM 3. Amend rule 531—18.1(99G) as follows:

**531—18.1(99G) Authorization of ~~scratch~~ instant ticket games.** The lottery authority board authorizes the sale of ~~scratch~~ instant tickets that meet the criteria set forth in this chapter.

This rule is intended to implement Iowa Code Supplement section 99G.9(3).

ITEM 4. Amend rule 531—18.2(99G) as follows:

**531—18.2(99G) Definitions.**

“Instant ticket” means a scratch ticket or an instaplay ticket as defined in this chapter.

“Instaplay ticket” means an instant ticket printed on lotto terminal paper with play symbols that are not concealed by a removable covering.

“Play symbols” means the numbers or symbols appearing under the removable covering on ~~the~~ a scratch ticket or on the face of an instaplay ticket.

“Scratch ticket” as used in this chapter means an instant lottery ticket that is played by removing a rub-off covering on the ticket.

“Validation number” means the characters or numbers found on a ticket or ticket stub.

This rule is intended to implement Iowa Code Supplement sections 99G.3 and 99G.9(3).

ITEM 5. Amend rule 531—18.3(99G) as follows:

**531—18.3(99G) ~~Scratch~~ Instant ticket price.** The lottery shall specify the price of scratch tickets and instaplay tickets in the specific game rules for each game.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 6. Amend subrule 18.5(2) as follows:

**18.5(2)** At the lottery’s discretion, a scratch ticket game or an instaplay game may include a special prize event. The number of prizes and the amount of each prize in the prize event shall be determined by the lottery. The dates and times, as well as the procedures for conducting any elimination drawings or prize events, shall be determined by the lottery in the specific game rules.

Finalists for prize events shall be selected in the manner stated in the specific game rules.

ITEM 7. Amend rule 531—18.6(99G) as follows:

**531—18.6(99G) Annuity prizes.** If a prize offered in a scratch game or an instaplay game is an annuity, the prize shall consist of an initial prize payment followed by yearly installments as described in the specific game rules. If the current cash value of an annuity prize attributable to a single ticket or entry is less than \$100,000, the lottery may elect to pay the current cash value of the prize in one lump-sum payment.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3), 99G.21, and 99G.31.

ITEM 8. Amend subrule 18.8(1) as follows:

**18.8(1) Claim period.** ~~Prizes~~ Scratch ticket prizes must be claimed within 90 days of the announced end of the scratch game. Instaplay ticket prizes must be claimed within 90 days of the date of sale of the instaplay ticket.

ITEM 9. Amend subrule 18.8(5) as follows:

**18.8(5) Variation by specific game rules.** The specific game rules may vary the terms of this rule in respect to the manner in which prizes are claimed or the claim period applicable to any scratch or instaplay game or special event.

ITEM 10. Amend rule 531—18.9(99G) as follows:

**531—18.9(99G) Ticket validation requirements.**

**18.9(1)** To be a valid scratch ticket, a ticket must meet all of the following validation requirements. A ticket must:

- a. Have been issued ~~by the lottery~~ in an authorized manner as determined by the lottery.
- b. Not be altered, unreadable, reconstructed or tampered with in any manner.
- c. Not be counterfeit in whole or in part.

- d.* Not be stolen or appear on any list of omitted tickets on file with the lottery.
- e.* Be complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error.
- f.* Have play symbols and captions as described in the specific game rules. All symbols, numbers and codes must be present in their entirety, legible, right side up, and not reversed in any manner.
- g.* Have the appropriate bar code, pack-ticket number, retailer verification code and security code.
- h.* Have a validation number that appears on the lottery's official list of validation numbers of winning tickets. A ticket with that validation number shall not have been previously paid.
- i.* Pass all additional validation requirements stated in the specific game rules and any confidential validation requirements established by the lottery.

**18.9(2)** To be a valid instaplay ticket, a ticket must meet all of the following validation requirements. A ticket must:

- a.* Have been issued in an authorized manner as determined by the lottery.
- b.* Not be altered, unreadable, reconstructed or tampered with in any manner.
- c.* Not be counterfeit in whole or in part.
- d.* Not be stolen, canceled, or appear on any list of omitted or test tickets on file with the lottery.
- e.* Be complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error.
- f.* Have play symbols and captions as described in the specific game rules. All symbols, numbers and codes must be present in their entirety, legible, right side up, and not reversed in any manner.
- g.* The information on the ticket or share must correspond precisely with the lottery's computer record.
- h.* The ticket or share serial number must appear in its entirety, and correspond, using a computer validation file, to the winning game play or plays printed on the ticket or share.

i. A ticket or share shall be void unless the ticket or share is printed on a paper stock roll that was validly issued to and used, at the time of the play, by the retailer from whom the ticket or share was purchased.

j. Pass all additional validation requirements stated in the specific game rules and any confidential validation requirements established by the lottery.

~~18.9(2)~~ **18.9(3)** Any ticket not passing all applicable validation requirements is invalid and is ineligible for any prize. The chief executive officer's determination that a ticket is invalid is final.

The chief executive officer, in the chief executive officer's sole discretion, may choose to pay an amount equal to the prize that would have been won on an invalid ticket if the lottery is able to determine the prize which would have been won by use of a symbol, number, color code, or other mechanism. The chief executive officer's decision as to whether to pay a player the sum equal to the prize on an invalid ticket is final.

If an invalid ticket is purchased by a player, the only responsibility or liability of the lottery shall be to replace the invalid ticket with an unplayed ticket from the same game or any other game or issue a refund of the sale price.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3), 99G.21, and 99G.31.

ITEM 11. Amend rule 531—18.10(99G) as follows:

**531—18.10(99G) Official end of game.** The lottery shall announce the official end of each scratch game and each instaplay game. Retailers may continue to sell tickets for each game up to the cutoff date specified by the lottery.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 12. Amend rule 531—18.11(99G) as follows:

**531—18.11(99G) Board approval of games.** The lottery shall provide board members with a written

description of each specific scratch game and each specific instaplay game. The chairperson or a quorum of the board may call a special meeting to review the instant game selection. The board shall not contest the selection of a scratch game or an instaplay game more than five days after receiving written notice of the selection.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 13. Amend rule 531—19.2(99G) as follows:

**531—19.2(99G) Definitions.** As used in this chapter the following definitions are applicable.

*“Low-tier prizes”* are prizes which are included in the guaranteed low-end prize structure of a pull-tab game.

*“Pull-tab tickets”* are instant lottery tickets that are played by opening tabs to reveal if a prize was won. “Pull-tab tickets” do not include “scratch tickets” that are played by removing a rub-off covering from the play area or instaplay tickets that are played using the play symbols printed on lotto terminal paper.

This rule is intended to implement Iowa Code Supplement sections 99G.3 and 99G.9(3).

ITEM 14. Amend rule **531—20.2(99G)**, definitions of “Predetermined pool drawing machine” and “Scratch (instant) ticket vending machine,” as follows:

*“Predetermined pool drawing machine”* means a computer or other device external to a lotto terminal, ~~scratch~~ instant ticket vending machine, on-line vending machine, or monitor vending machine that predetermines winning and losing tickets or shares, assigns them to preprogrammed and prepackaged sequential electronic pool files and subsequently utilizes the files in production and distribution of electronic game cards and paper game tickets or shares produced in manufactured packs or through lotto terminals or vending machines.

*“~~Scratch (instant)~~ Instant ticket vending machine”* or *“ITVM”* means a vending machine or self-service kiosk that dispenses ~~preprinted~~ printed paper lottery tickets with or without a scratch-off area ~~or electronic game cards with preprogrammed and prepackaged sequential electronic pool files~~

~~that have been determined to be winning or losing tickets by a predetermined pool drawing machine prior to the dispensing of the tickets.~~



## Iowa Lottery Authority—Financial Management

Section	Procedure No.	Page No.	Effective Date
Pre-Audit	210.400	1 of 1	<u>October 1, 2016</u>
<b>Subject</b> Travel—International—Mode of Transportation			

### 1. Airline Travel Accommodations

- a. The most economical mode of airline travel is coach or economy class, if available. If coach class is not available, it should be noted on the claim which is submitted for reimbursement of travel expenses. Exceptions to this procedure are outlined below in sections 1(b) and 1(c).
- b. On international flights with continuous flight time of ten (10) hours or more or in transit time of thirteen (13) hours or more, staff may, subject to the approval of the CEO or a designee, use business class.
- c. When traveling with clients of the ILA, ILA employees will be allowed to travel business class if necessary. This will be at the discretion of the CEO or a designee.

2. **Purchase of Tickets.** Tickets for out-of-state transportation shall be obtained as economically and efficiently as possible.

3. **Passport.** A passport is required for all international travel. The expense related to the initial purchase or renewal of a passport may be reimbursed by the ILA for employees in positions that require international travel.

Factors that will be considered in determining if a passport will be reimbursed include, whether the ILA is under contract with a ticket printing vendor that maintains printing facilities located outside the United States and it is a typical practice to visit ticket printing facilities as part of normal job duties. Employees that perform those job duties would be eligible for reimbursement at the time of initial passport application or subsequent renewals. Additionally, employees assigned as an evaluation committee member on a Request for Proposal (RFP) that will require international travel as part of the evaluation process would be eligible for reimbursement at the time of initial passport application or subsequent renewals.

If the employee already holds a passport prior to employment with the ILA or obtaining a position that travels internationally as part of normal job duties or scheduled conference attendance, that employee is not eligible for reimbursement until the next renewal.

43. **Expenditure Object Codes.** Expenditure object codes 2160 through 2170 & 2172 will be used to charge expenditures for international travel. Expenditure object code 2108 will be used for reimbursement of passport expenses. An Out-of-State Travel Authorization (OTA) is not required for the reimbursement of passport expenses where no other international expense has been incurred.

## Budget for Lottery Fund

	FY 2016 ACTUAL	FY 2017 BOARD APPROVED FINAL BUDGET	FY 2018 PROPOSED BUDGET	FY 2019 PROPOSED BUDGET
<u>Resources</u>				
Lottery sales	\$ 366,910,923	\$ 324,920,000	\$ 333,820,000	\$ 333,820,000
Interest income	\$ 194,873	\$ 500,000	\$ 500,000	\$ 500,000
Application fees	\$ 4,175	\$ 5,000	\$ 5,000	\$ 5,000
Other	\$ 33,065	\$ 5,000	\$ 5,000	\$ 5,000
<b>Total Resources</b>	<b>\$ 367,143,037</b>	<b>\$ 325,430,000</b>	<b>\$ 334,330,000</b>	<b>\$ 334,330,000</b>
<u>Expenses and Change in Net Assets</u>				
Prizes	\$ 221,767,401	\$ 193,151,515	\$ 199,136,196	\$ 200,867,504
Retailer compensation	\$ 24,561,634	\$ 20,987,254	\$ 22,347,472	\$ 22,347,472
Advertising production and media purchases	\$ 6,821,537	\$ 12,996,800	\$ 13,352,800	\$ 13,352,800
Retailer Lottery system/Terminal Communications	\$ 7,942,965	\$ 7,593,157	\$ 7,851,213	\$ 5,716,434
Instant/Pull-tab ticket expense	\$ 3,258,644	\$ 3,942,000	\$ 4,142,000	\$ 4,142,000
Vending machines & maintenance/Ticket dispensers	\$ 820,542	\$ 1,819,000	\$ 1,965,800	\$ 1,965,800
Courier delivery of instant tickets	\$ 563,738	\$ 660,000	\$ 660,000	\$ 660,000
Lottery operating expense	\$ 12,654,373	\$ 14,620,690	\$ 14,996,492	\$ 14,971,892
Increase (decrease) in net assets	\$ 727,584	\$ (85,000)	\$ (332,700)	\$ (412,100)
<b>Total Expenses and Change in Net Assets</b>	<b>\$ 279,118,417</b>	<b>\$ 255,685,415</b>	<b>\$ 264,119,272</b>	<b>\$ 263,611,802</b>
<u>Proceeds</u>				
Proceeds Transfer to General Fund	\$ 85,524,619	\$ 67,244,585	\$ 67,710,728	\$ 68,218,198
Proceeds Transfer to Veterans Trust Fund	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
<b>Total Proceeds Transfers</b>	<b>\$ 88,024,619</b>	<b>\$ 69,744,585</b>	<b>\$ 70,210,728</b>	<b>\$ 70,718,198</b>
<b>Total Expenses and Proceeds</b>	<b>\$ 367,143,037</b>	<b>\$ 325,430,000</b>	<b>\$ 334,330,000</b>	<b>\$ 334,330,000</b>

## Lottery Operations - Budget Detail

	FY 2016 ACTUAL	FY 2017 BOARD APPROVED FINAL BUDGET	FY 2018 PROPOSED BUDGET	FY 2019 PROPOSED BUDGET
Administrative payroll*	\$ 9,977,828	\$ 11,302,592	\$ 11,302,592	\$ 11,302,592
Travel	\$ 275,272	\$ 435,000	\$ 435,000	\$ 435,000
Supplies	\$ 104,490	\$ 105,000	\$ 105,000	\$ 105,000
Printing	\$ 4,190	\$ 20,000	\$ 20,000	\$ 20,000
Postage	\$ 6,636	\$ 7,000	\$ 7,000	\$ 7,000
Communications	\$ 263,414	\$ 317,098	\$ 186,000	\$ 186,000
Rentals	\$ 309,412	\$ 320,000	\$ 320,000	\$ 320,000
Utilities	\$ 87,942	\$ 101,000	\$ 101,000	\$ 101,000
Professional fees	\$ 135,660	\$ 220,000	\$ 225,000	\$ 225,000
Outside services and repair	\$ 243,794	\$ 315,000	\$ 334,000	\$ 419,000
Data processing	\$ 122,421	\$ 125,000	\$ 125,000	\$ 125,000
Equipment	\$ 306,251	\$ 436,000	\$ 593,200	\$ 479,200
Reimbursement to state agencies	\$ 430,088	\$ 480,000	\$ 506,000	\$ 506,000
Depreciation	\$ 333,223	\$ 350,000	\$ 650,700	\$ 655,100
Other expenses	\$ 53,751	\$ 87,000	\$ 86,000	\$ 86,000
<b>Total operating expenses</b>	<b>\$ 12,654,373</b>	<b>\$ 14,620,690</b>	<b>\$ 14,996,492</b>	<b>\$ 14,971,892</b>

\* 2018 and 2019 Proposed Budgets for "Administrative Payroll" do not include salary and benefit cost increases