



STATE OF WISCONSIN

Legislative Audit Bureau

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SUMMARY

Wisconsin Lottery Fiscal Year 2019-20

The Wisconsin Lottery sells instant tickets and lotto tickets, and participates in the multijurisdictional Powerball and Mega Millions lotto games. The Wisconsin Constitution and Wisconsin Statutes impose certain limitations on lottery expenses. The Wisconsin Constitution also requires that net proceeds from the Wisconsin Lottery be used exclusively for property tax relief for Wisconsin residents. Net proceeds from the Wisconsin Lottery are largely distributed to owners of primary residences in Wisconsin through the Lottery and Gaming Tax Credit.

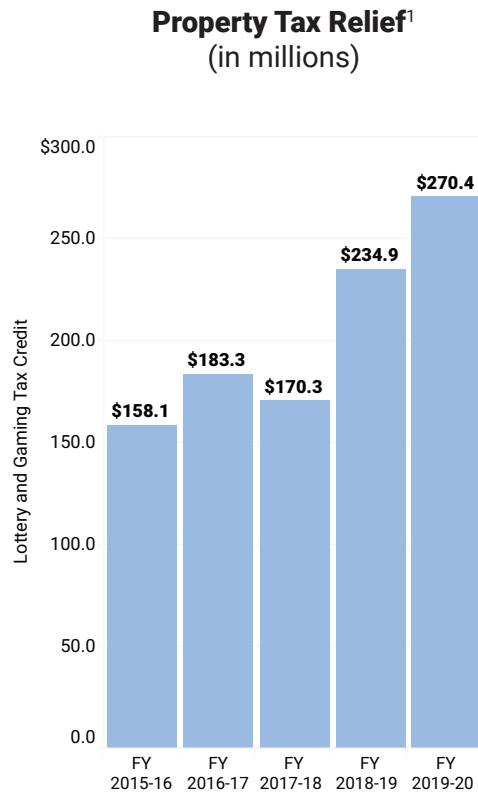
We provided an unmodified opinion on the Wisconsin Lottery's financial statements as of and for the years ended June 30, 2020, and June 30, 2019. These financial statements account for the financial position and activity of the Wisconsin Lottery, which is administered by the Department of Revenue. We conducted this financial audit by auditing the Wisconsin Lottery's financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and issuing our auditor's report on internal control and compliance. We also assessed the Wisconsin Lottery's compliance with certain statutory requirements.

Since its inception, the Wisconsin Lottery has provided \$4.9 billion in property tax relief, including \$270.4 million distributed in fiscal year (FY) 2019-20. Wisconsin Lottery ticket sales increased from \$713.1 million in FY 2018-19 to \$725.4 million in FY 2019-20, or by 1.7 percent. The Wisconsin Lottery was in compliance with the statutory requirements for FY 2019-20. The Wisconsin Lottery spent \$43.7 million on basic commissions and \$7.0 million on Retailer Performance Program payments in FY 2019-20.

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The Wisconsin Lottery was provided with general purpose revenue (GPR) of \$8.0 million in FY 2017-18 and \$40.0 million in FY 2018-19 for retailer compensation expenses. In FY 2019-20, the Wisconsin Lottery was also provided with GPR of \$71.7 million for retailer compensation expenses, vendor fees, and certain general program operation expenses. The provision of GPR funding increased net lottery proceeds available for the Lottery and Gaming Tax Credit. The net lottery proceeds used to fund the Lottery and Gaming Tax Credit increased from \$234.9 million in FY 2018-19 to \$270.4 million in FY 2019-20, or by 15.1 percent.

In October 2020, the Department of Administration and the Legislature's Joint Committee on Finance authorized the use of \$237.4 million in net lottery proceeds for the FY 2020-21 Lottery and Gaming Tax Credit.



¹Property tax relief is funded by net proceeds from the Wisconsin Lottery and by transfers from other gaming-related appropriations, including racing and charitable bingo operations.

Wisconsin Lottery ticket sales increased from \$713.1 million in FY 2018-19 to \$725.4 million in FY 2019-20, or by 1.7 percent

Sales of instant tickets, which are scratch-off and pull-tab tickets, increased by \$62.4 million, or by 13.8 percent from FY 2018-19 to FY 2019-20. This increase is the result of increased sales of scratch-off tickets that sold for \$10 or more. Lotto ticket sales decreased \$50.1 million, or 19.1 percent, due to decreased Powerball and Mega Millions ticket sales resulting from the jackpots being lower in FY 2019-20 than those in FY 2018-19.

Wisconsin Lottery Ticket Sales (in millions)



The Wisconsin Lottery was in compliance with the statutory requirements for FY 2019-20

Wisconsin Statutes impose limitations on certain types of lottery expenses, including requirements that:

- at least 50 percent of lottery ticket sales be used as prize payments to players;
- certain administrative expenses may not exceed 10 percent of gross lottery revenues; and
- payments to retailers for performance incentives not exceed 1.0 percent of gross revenues from the sale of lottery tickets.

Through this and other annual audits of the Wisconsin Lottery, we found the Wisconsin Lottery to be in compliance with the statutory requirements from FY 2015-16 through FY 2019-20.

Compliance with Statutory Requirements

Complied with Requirement from FY 2015-16 through FY 2019-20
At least 50 percent of lottery sales be used as prize payments to players. ✓
Certain administrative expenses may not exceed 10 percent of gross lottery revenues. ✓
Retail Performance Program to provide incentives may not exceed 1.0 percent of gross revenues from the sale of lottery tickets. ✓

The Wisconsin Lottery spent \$43.7 million on basic commissions and \$7.0 million on Retailer Performance Program payments in FY 2019-20

Statutes establish maximum compensation rates for basic commissions and performance program payments to retailers who sell lottery tickets. Basic commission rates, established in Wisconsin Statutes, are currently 5.5 percent of the retail price for lotto tickets and 6.25 percent for instant tickets.

The Retailer Performance Program includes sales incentives for retailers that increase ticket sales, a bonus for retailers that sell winning tickets, and short-term incentives for retailers that increase ticket sales of certain games for specific time periods. During FY 2019-20, performance payments for the sales incentives for increasing ticket sales accounted for 76.3 percent of the total incentive payments, winning ticket bonuses accounted for 17.4 percent, and short-term incentives accounted for 6.3 percent. There were five short-term incentives during FY 2019-20. Total payments for each of the five short-term incentives ranged from \$1,641 to \$151,400, and the number of retailers who participated in each of these short-term incentives ranged from 497 retailers to all retailers, which was 3,515 retailers as of June 30, 2020.