



# OVERVIEW

## 2013



Welcome to the Minnesota State Lottery's 2013 Overview. The purpose of this document is to provide some general information about the Lottery. You will find financial information for Fiscal Year 2012; a summary of the Lottery's contributions to the state; descriptions of the Lottery's operation, games and retailer network; and a discussion of the Lottery's efforts relating to problem gambling treatment and prevention. You will also find information about gambling in Minnesota and throughout the United States.

There is, of course, much information that is not included in this document. The Lottery has a very comprehensive website that includes information on gambling studies, proceeds, winners, winning numbers, problem gambling, and more. The website also provides links to other U.S. and Canadian lotteries, lottery vendors, and to problem gambling resources. Please visit us at [www.mnlottery.com](http://www.mnlottery.com).

Please contact me at 651-635-8210 or [edv@mnlottery.com](mailto:edv@mnlottery.com) with any questions or comments you may have about the Minnesota State Lottery, this document, or the website.

Sincerely,

A handwritten signature in black ink that reads "Ed Van Petten". The signature is written in a cursive, flowing style.

Ed Van Petten  
Executive Director

This document is available in alternative formats to individuals with disabilities by calling 1-888-LOTTERY (568-8379) or TTY (deaf or hard of hearing) 1-800-657-3833.

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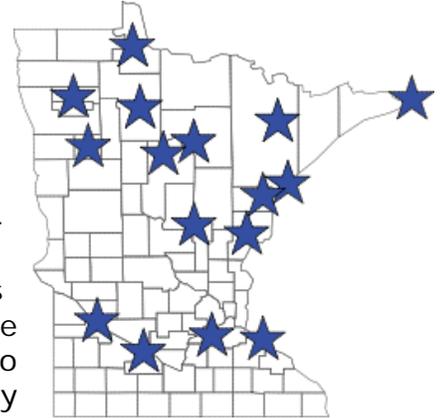
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## **Gambling in Minnesota: The Legal Framework**

- Legal gambling in Minnesota includes charitable gambling, pari-mutuel horse racing, the Minnesota State Lottery, card rooms, and casinos owned by Minnesota Indian tribes.
- Private social bets that are not commercial in nature are not considered gambling under Minnesota law.

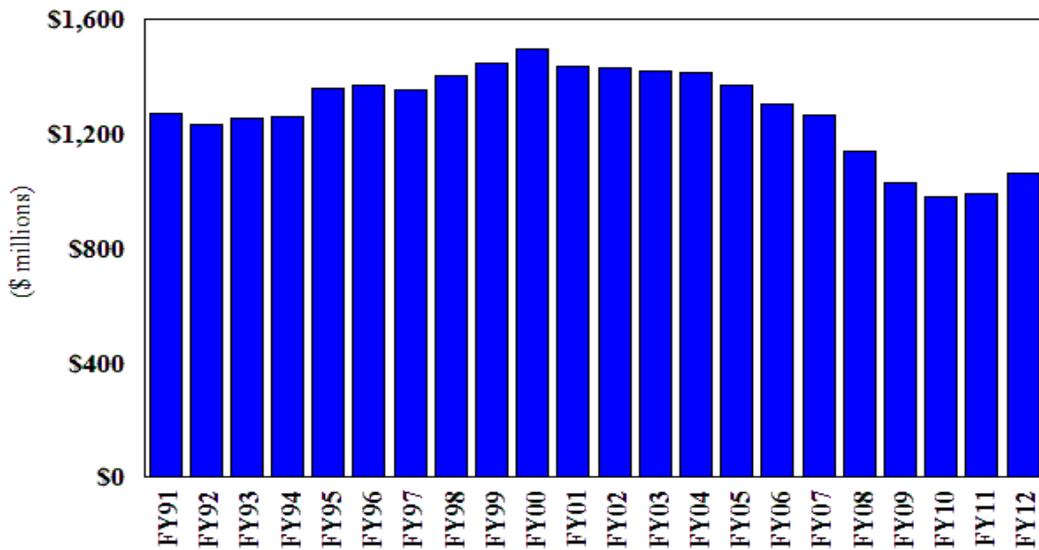
**Minnesota Tribal Casinos**



- Gambling at Minnesota Indian casinos is conducted in accordance with tribal-state compacts and the federal Indian Gaming Regulatory Act. Minnesota compacts call for regulation of gambling equipment at these casinos by the Alcohol and Gambling Enforcement Division of the Minnesota Department of Public Safety. Other regulation is conducted by individual tribal governments and the federal Indian Gaming Regulatory Commission. The gross wager at Minnesota tribal casinos is unknown, but has been estimated to be as high as \$10 billion. Net revenue (after prizes, but before expenses) has been estimated to be between \$1 billion and \$2 billion a year. One widely cited estimate (that cannot be independently verified) places Minnesota's Indian casino revenues seventh highest in the nation.
- Pari-mutuel horse racing at Canterbury Park recorded wagers of \$41.6 million in 2011, including \$9.6 million on live racing and \$32.0 million on simulcasts. Racing is conducted under the regulatory supervision of the Minnesota Racing Commission.
- 2011 was the fourth year of operations for Running Aces Harness Park near Forest Lake with wagers of \$9.2 million. Of this \$9.2 million, \$0.9 million was on live racing and \$8.3 million on simulcasts. The Park offered a 51-day season of live harness racing in addition to year-around simulcast wagering and a card club.
- Both Running Aces and Canterbury Park operate card clubs that offer "non-banked" games - games such as poker where players compete against each other rather than against the operator. The tracks collect a fixed percentage of each wager (the "rake"), a portion of which is used to supplement horse race purses and the Minnesota Breeders' Fund. In 2011, the combined rake from both clubs was \$43.3 million.
- Sales of Minnesota State Lottery products totaled \$520 million in Fiscal Year 2012, with total contributions to the state of \$124 million.

- Lawful or charitable gambling - including pull-tabs, paddlewheels, tip boards, bingo and raffles - is regulated by the Minnesota Gambling Control Board. In Fiscal Year 2012, 1,205 licensed organizations operating out of 2,776 locations accepted over \$1 billion in wagers on the various forms of charitable gambling. These organizations made \$43 million in lawful purpose expenditures and paid \$4 million in state taxes.

## Lawful Gambling Gross Sales

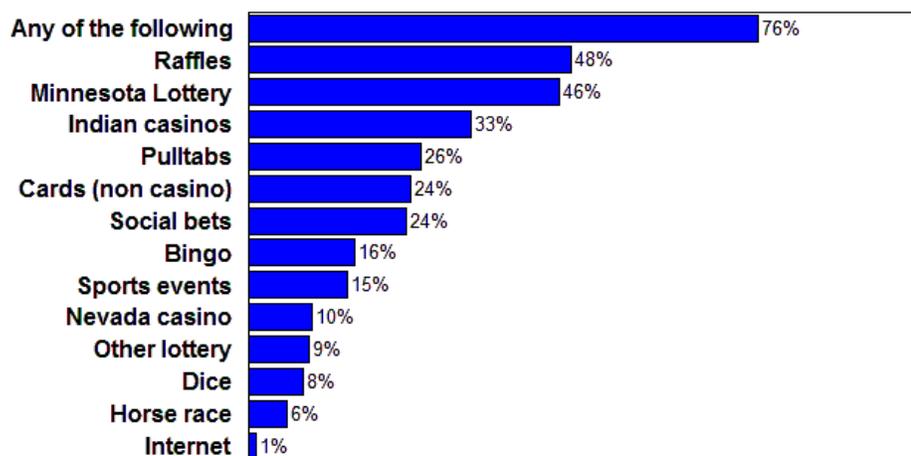


- Illegal gambling has been estimated to be in excess of \$2 billion a year in Minnesota. Organized, for-profit sports betting is the most common form of illegal gambling with illegal lotteries and black market pull-tabs among the other forms of illegal gambling present in the state. Laws against illegal gambling are enforced by local law enforcement officials, the Attorney General, the Alcohol and Gambling Enforcement Division of the Department of Public Safety, and the FBI.

## Gambling in Minnesota: Who and What

- A 2012 survey conducted by the Minnesota State Lottery and St. Cloud State University found that 76 percent of adult Minnesotans had gambled during the previous year. An additional 14 percent had gambled at some other point in their life.
- The average Minnesotan has bet on five different gambling activities in their lifetime.
- The most popular form of gambling were raffles - 48 percent of the state's adults had participated in a raffle in the year prior to the survey. It was followed by the Minnesota State Lottery (46 percent), Indian casinos (33 percent), and pull-tabs (26 percent).
- Minnesota's oldest and youngest adults are the least likely to gamble. Only 59 percent of those 75 or older reported gambling in the past year and 62 percent of those between the ages of 18 and 24 reported gambling in the past year, compared to 83 percent of those between the ages of 45-54 and 82 percent of those between the ages of 35-44.
- The lowest rates of gambling are found among those with the lowest household incomes - 56 percent of those with incomes under \$15,000 gambled in the year preceding the survey.

## Past Year Gambling Participation



2012 SCSU Survey

## **Gambling in Minnesota: A Chronology**

- 1857** Minnesota Constitution includes prohibition on “lotteries”.
- 1945** Legislature authorizes bingo by charities, the first form of gambling legalized in the state.
- 1967** Legislature places a sales tax on bingo, the first time the state has collected revenue from gambling operations.
- 1972** First lottery bill introduced in legislature.
- 1978** Tip boards, paddlewheels and raffles to benefit charity legalized.
- 1981** Pull-tabs permitted as part of charitable gambling.
- 1982** Constitution amended to permit pari-mutuel horse racing.  
First bingo hall opens on a Minnesota Indian reservation.
- 1984** State takes over regulation of charitable gambling.  
Minnesota Gambling Control Board established.
- 1985** Canterbury Park opens as the state’s first pari-mutuel racing facility.
- 1988** Constitution amended to permit a state-operated lottery.
- 1989** Congress passes the Indian Gaming Regulatory Act requiring states and tribes to negotiate the conduct of casino-type gambling on native land.
- 1990** First Minnesota State Lottery tickets sold.  
Tribal-state compacts permitting video games of chance at tribal casinos signed.
- 1991** Tribal-state compacts permitting blackjack at tribal casinos signed.
- 1996** Constitutional amendment allowing off-track betting fails.
- 2000** Card club opens at Canterbury Park.
- 2008** Running Aces Harness Park and card room open.
- 2012** Electronic pull-tabs and linked bingo introduced as charitable gambling.

## **Gambling in the United States**

- Some form of gambling is legal in all states except Utah and Hawaii.
- As of January 2013, lotteries are available in 43 states and the District of Columbia.
- Some form of casino-type gambling is available in 38 states, including 31 with tribal gaming facilities and 28 with some form of non-tribal facility.
- Pari-mutuel wagering is available in 39 states, with 113 horse tracks and 15 dog tracks operating in 2010.
- Among the forms of gambling not conducted in Minnesota, but permitted elsewhere, are dog racing, jai alai, video lottery terminals, sports wagering, keno, craps, roulette, off-track betting, and riverboat casinos.
- A 2000 national survey found that 82 percent of Americans had gambled in the past year, a number very close to the 83 percent rate found that year in Minnesota.

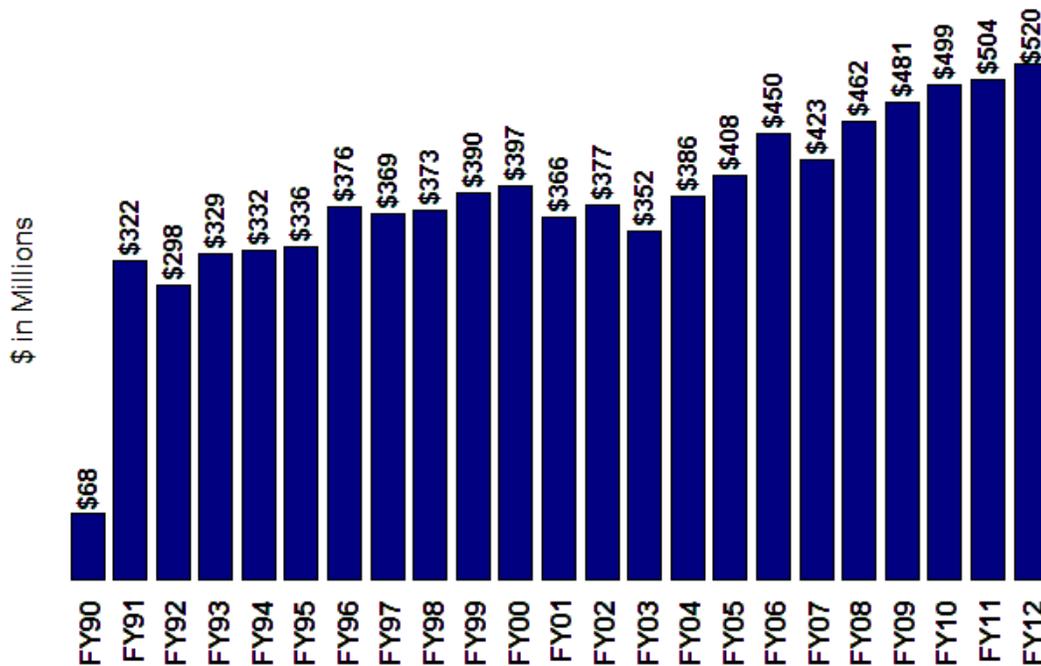
## **The Minnesota State Lottery: The Legal Context**

- The Minnesota Constitution (Article XIII, Section 5) prohibits lotteries with the exception of a "lottery operated by the state."
- Laws governing the operation of the Minnesota State Lottery are set out in Minnesota Statutes, Chapter 349A.
- The Lottery is operated under the control of a director appointed by the governor with the advice and consent of the Senate.
- The Lottery operates outside the state treasury and is not subject to the legislative appropriations process. By law, the Lottery's operating budget may not exceed 9 percent of gross revenue. The legislature sets a maximum amount that may be spent by the Lottery on operating expenses. For Fiscal Year 2013, that limit is \$29 million.
- Advertising expenditures may not exceed 2.75 percent of gross revenue.
- The Minnesota Constitution guarantees that a minimum of 40 percent of net lottery proceeds is allocated to the Environment and Natural Resources Trust Fund through 2024. All other revenues are distributed at the discretion of the legislature.

## Lottery Finances

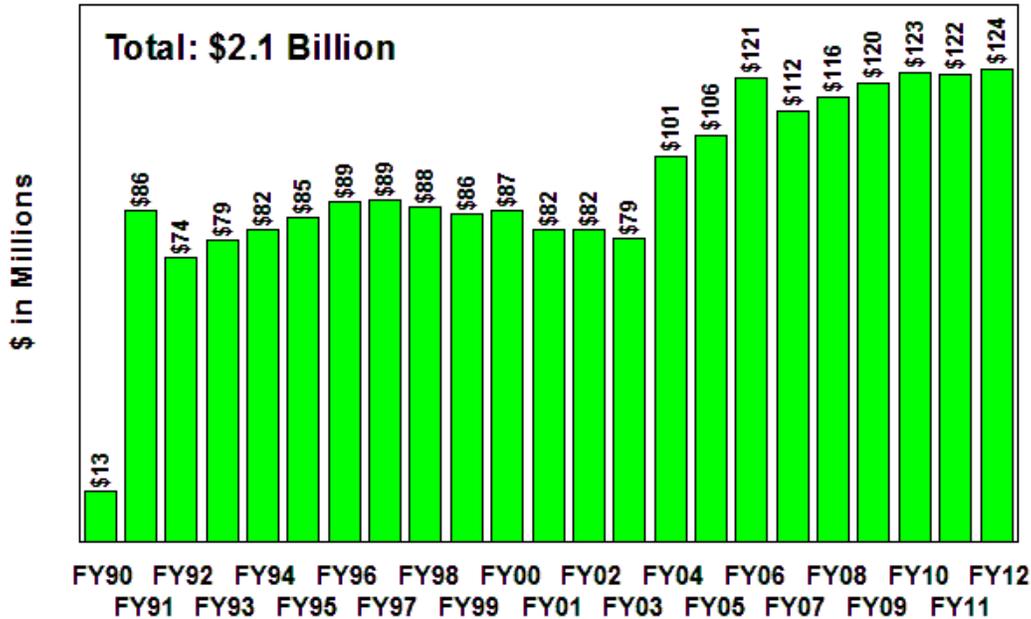
- From the start of the Lottery in April 1990 through June 2012, sales have exceeded \$8.8 billion. More than \$2.1 billion in proceeds has been paid to the state.
- Fiscal Year 2012 lottery sales of \$520 million were the highest in the Lottery's 22-year history.

### Minnesota State Lottery Sales by Fiscal Year



- Annual contributions to state programs exceeded \$100 million in Fiscal Year 2004 for the first time ever. Contributions grew to \$106 million in Fiscal Year 2005 and reached a record \$124 million in Fiscal Year 2012.

## Lottery Contributions to the State of Minnesota



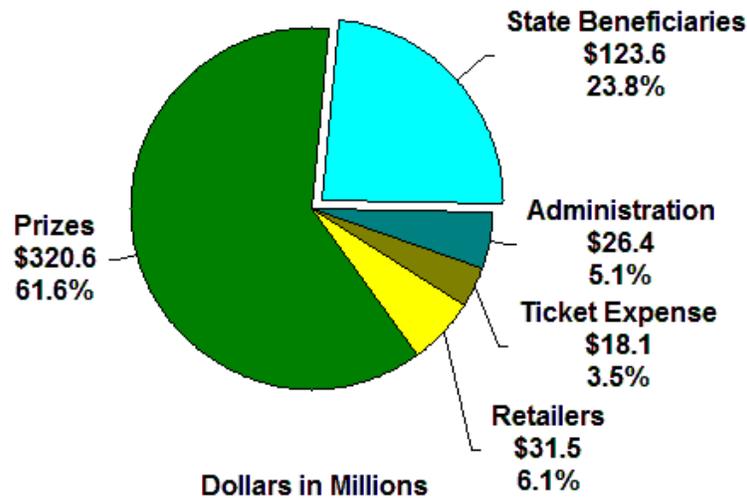
- By law, lottery finances are subject to an annual outside independent audit. Copies of each year's audit are available upon request.

### Distribution of Lottery Revenues

- The bulk of lottery revenue (nearly 62 percent) is returned to players as prizes. Prize payments in Fiscal Year 2012 alone exceeded \$320 million. Since April 1990, players have won over \$5.2 billion in prizes.
- Retailers earn 5.5 percent on each dollar of sales and 1 percent of each prize redeemed at their store. They are also eligible to receive additional income through a winning ticket bonus program and periodic incentive programs. Since the Lottery began, retailers have earned over \$500 million from the sale of lottery products.
- In Fiscal Year 2012, the Lottery spent 5.1 percent of total revenue on operations, returning \$2.6 million in unspent operating funds to the state. Since inception, the Lottery has returned \$140.4 million in authorized, but unspent, operating funds.

- The Lottery will continue to aggressively pursue operating expense reductions while recognizing that prudent investments in technology, marketing, research and other areas can lead to higher revenues, greater efficiency and enhanced security.

## FY12 Lottery Revenue Distribution



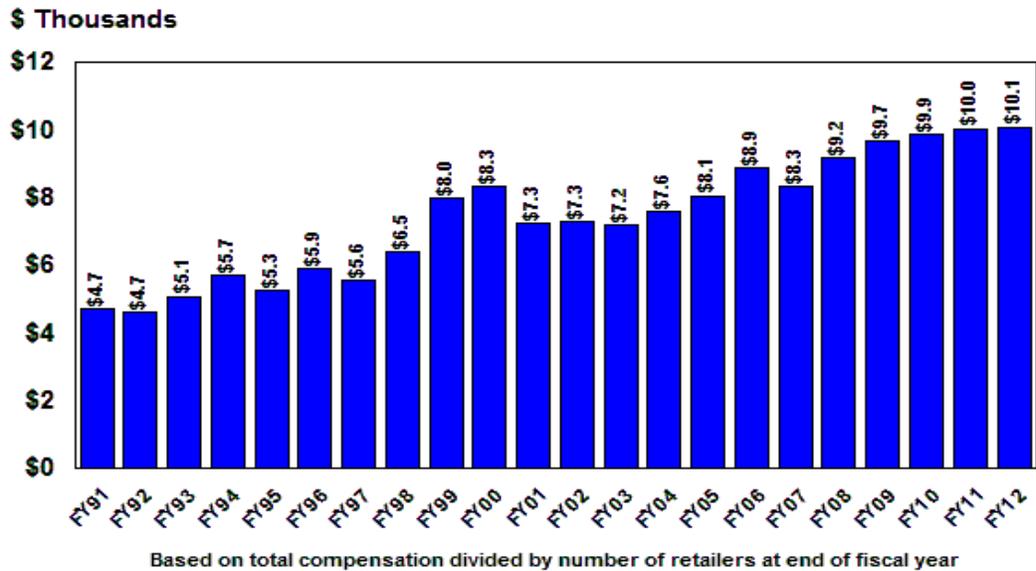
**Total Revenue: \$520.3 Million**

## Retailer Compensation

- Retailers earn 5.5 cents for every dollar in lottery products they sell. In addition, they earn 1 percent of each winning ticket that is redeemed at their store.
- Total retailer compensation for Fiscal Year 2012 was \$31.5 million, an average of \$10,094 per retailer. Average compensation has more than doubled since the Lottery's first full year of operation. The greatest increase followed a commission increase mandated by law in 1998.

- Unlike many states, retailers in Minnesota pay no fees to the Lottery beyond an initial contract application fee of \$100, and \$20 for annual contract renewal. In many parts of the country, retailers must pay for such items as ticket dispensers or telecommunications. In addition, scratch tickets in Minnesota are sold to retailers on commission, as opposed to an upfront form of payment, leading to higher sales and stronger retailer cooperation in our state.
- Retailers may not accept credit cards for lottery purchases. Debit cards and personal checks, however, are acceptable.
- Lottery tickets must be sold at face value. Retailers may not “mark up” lottery tickets nor sell them at a discount.

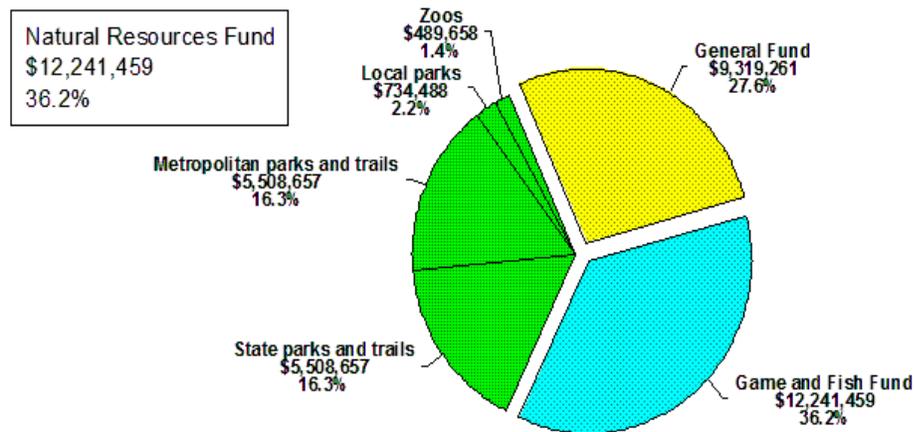
## Average Compensation Per Retailer



## Lottery Beneficiaries

- The state benefits from lottery net proceeds (profits), an in-lieu-of-sales tax, unclaimed prizes, appropriations for compulsive gambling programs, revenue recapture, and taxes paid by lottery winners. A portion of net proceeds (40 percent) is dedicated to the Environment and Natural Resources Trust Fund in the Minnesota Constitution. The beneficiaries of all other funding are determined by statute.
- The remaining 60 percent of net proceeds are currently dedicated to the General Fund.
- In addition, a 6.5 percent in-lieu-of-sales tax is allocated to several programs. The Fiscal Year 2012 distribution of these funds is shown below.

### FY2012 Distribution of the Lottery's In-Lieu-of-Sales Tax

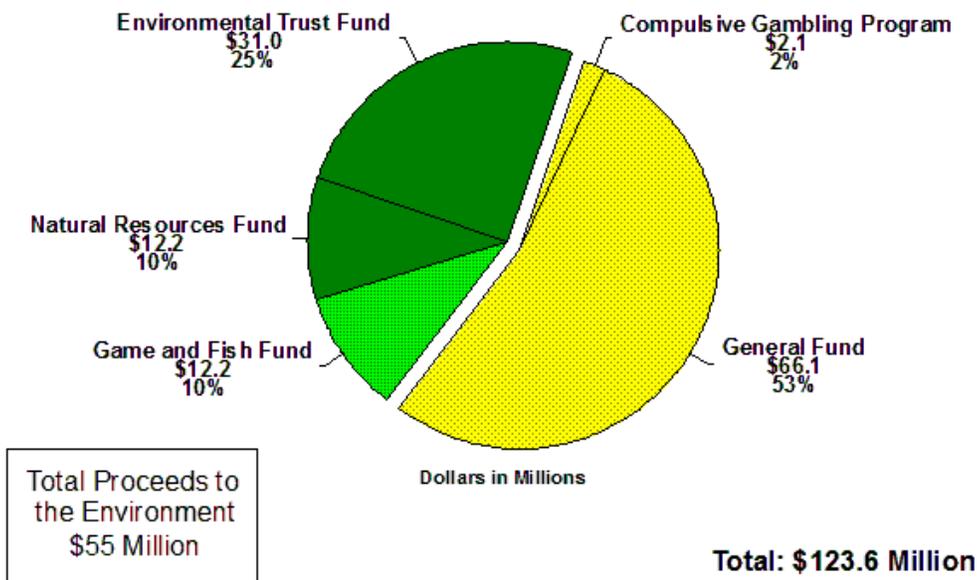


**Total: \$33.8 Million**

- The Lottery returned \$124 million to the state in Fiscal Year 2011. In May 2011, the Lottery reached a major milestone, contributing more than \$2 billion to the state.
- Since 1990, the Lottery has contributed \$583 million to the Environment and Natural Resources Trust Fund while the General Fund received more than \$1.2 billion. The Game and Fish Fund and the Natural Resources Fund each received \$129 million. An additional \$36 million was allocated to the Greater Minnesota Corporation and the Infrastructure Development Fund in Fiscal Year 1990 and Fiscal Year 1991.

- Unclaimed prizes amounted to \$10.2 million in Fiscal Year 2012. All unclaimed prizes are dedicated to the General Fund. Players have one year from the date of a drawing or the end of a scratch game to claim their prize.
- During Fiscal Year 2012, the Lottery provided \$2.1 million to the Department of Human Services and the Gambling Control Board for problem gambling programs. Through Fiscal Year 2012, the Lottery transferred more than \$35 million to these programs.
- In Fiscal Year 2012, \$12.3 million was withheld from prizes for Minnesota income tax.
- The Lottery collected \$194,400 in debts owed to the state in Fiscal Year 2012 through the Revenue Recapture Act, including child support and taxes. All prizes of \$600 and above are subject to this process. Since the Lottery began, more than \$3 million has been collected through this process.

## Distribution to Lottery Beneficiaries Fiscal Year 2012



## **The Environment & Natural Resources Trust Fund**

- The Environment and Natural Resources Trust Fund is a permanent fund established in the Minnesota Constitution. It is designed to fund projects of long-term benefit to the state's environment.
- The Trust Fund was established through a constitutional amendment passed on November 8, 1988, with 77 percent of the vote.
- A constitutional amendment, passed in November 1990, dedicated 40 percent of the Lottery's net proceeds to the Trust Fund through 2001. This amendment received 75 percent of the vote.
- The dedication of Lottery proceeds was further extended to December 31, 2024, by a November 1998 constitutional amendment that received 77 percent of the vote.
- Proceeds from the Lottery are added to the Trust Fund's principal. The legislature may annually appropriate 5.5 percent of the Fund's market value as of the last day of the preceding biennium. The Fund is managed by the state Board of Investment and its value subject to fluctuations in financial markets.
- The legislature appropriated more than \$50 million to nearly 70 projects for the 2012-2013 biennium. Since the Lottery's start, the Trust Fund has provided more than \$360 million to more than 800 projects around the state.
- Proposals for funding are submitted to the Legislative-Citizen Commission on Minnesota Resources which makes recommendations to the full legislature.
- The Trust Fund must be used for projects "whose benefits become available only over an extended period of time."
- By law, Trust Fund money may be spent only on certain types of projects.
  - The Reinvest in Minnesota program (fish and wildlife habitat and related recreation).
  - Research leading to more effective protection or management of the state's environment and natural resources.
  - Collection and analysis of information to help develop environmental and natural resource policy.
  - Enhancement of public education, awareness, and understanding of the environment and natural resources.
  - Capital projects for the preservation and protection of unique natural resources.
  - Activities that preserve or enhance natural resources threatened with impairment or destruction.

- The Trust Fund may not be used as a substitute for traditional sources of funding for environmental activities.
- Trust Fund money may not be used for:
  - Environmental compensation and liability.
  - Municipal water pollution control.
  - Decommissioning nuclear power plants.
  - Hazardous waste disposal facilities.
  - Solid waste disposal facilities.

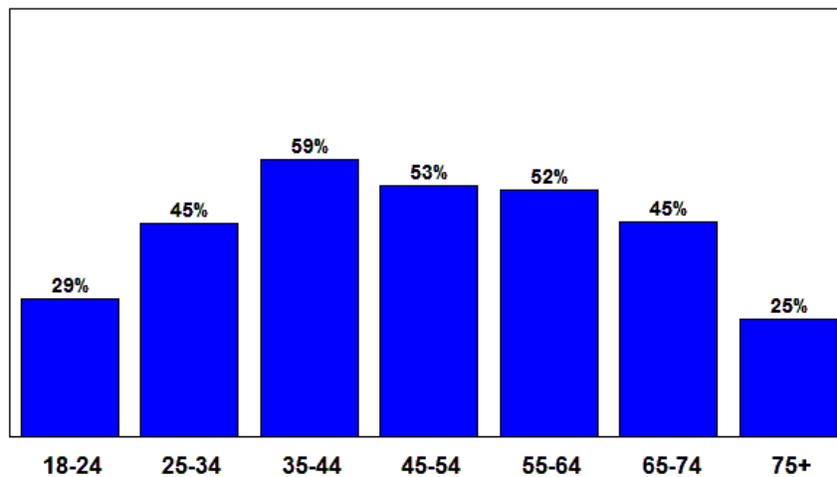


The Environment & Natural Resources Trust Fund has helped expand several state parks through the purchase of “inholdings,” or privately-owned land within park boundaries. Among the parks benefiting from this program is Tettegouche State Park on Lake Superior’s North Shore, where 260 acres were added. Photo: MnDNR

## Who Plays the Minnesota State Lottery?

- A 2012 study, conducted for the Lottery by St. Cloud State University, shows that nearly two of every three Minnesota adults (64 percent) have played the lottery in their lifetime. Forty-six percent played in the year preceding the survey. However, nearly twice as much money is wagered on charitable gambling each year while many more times as much money is wagered at Minnesota casinos.
- Exclusive lottery play is rare. Of Minnesota adults that have wagered, more than 98 percent have also wagered on something other than the lottery.
- Most lottery players play for fun and entertainment. Few play with the expectation of financial reward.
- Minnesotans with moderate or high incomes are more likely to buy lottery tickets and spend more money on the lottery than those with low incomes.
- A majority of men, women, young adults, the middle-aged, and those with high school or college educations play the Lottery.
- The lottery is less popular with the elderly, those aged 18-24, and those without a high school diploma.

### **Minnesota Lottery Participation by Age**



2012 SCSU Survey

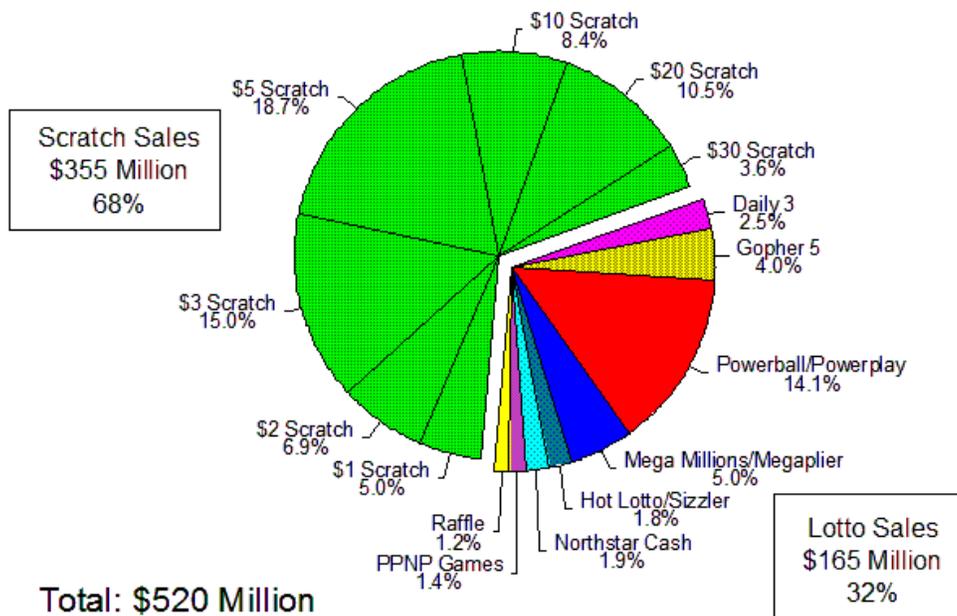
## Lottery Games

- The Lottery offers two types of products: scratch games and lotto games.
- Scratch games feature a paper ticket with a coating that, when scratched off, reveals if a player has won. They accounted for 68 percent of lottery sales in Fiscal Year 2012.
  - Winning tickets are randomly printed through a computer-generated process.
  - Prize payouts range from 64 percent to 72 percent. State law requires a minimum payout of 60 percent.
  - Top prizes range from \$500 to \$1,000,000 or up to \$50,000 a year for life. Ticket prices range from \$1 to \$30.



- Lotto games are produced through computer terminals at retail locations that are connected to the Lottery's central computer. A player wins if the numbers they select match the numbers selected in a random drawing. Current games include Powerball®, Gopher 5®, Hot Lotto®, Northstar Cash®, Daily 3®, and Mega Millions®.

## Minnesota State Lottery Sales Fiscal Year 2012



- Progressive Print-N-Play is a lotto game with an instant win. Tickets are produced through computer terminals at retail locations that are connected to the Lottery's central computer. A player can win instantly and does not have to wait for a drawing.
- The Minnesota Millionaire Raffle game made its debut in November of 2006, offering players two chances to win a \$1 million top prize in the New Year's Day drawing. Offered only during the fall/winter holiday season, all available tickets (600,000 in 2012) have been sold every year since inception.
- Powerball, Mega Millions, and Hot Lotto are multi-state games. The Multi-State Lottery Association, based in Des Moines, Iowa, conducts the drawings for Powerball and Hot Lotto, while the Mega Millions group is administered by a consortium of its 12 original members. Each member lottery keeps all of the profits from the sale of tickets in its jurisdiction.
- On January 31, 2010, the Lottery introduced the Mega Millions game to Minnesota, previously available only in 12 other states. Mega Millions is a big jackpot lotto game with drawings on Tuesdays and Fridays.

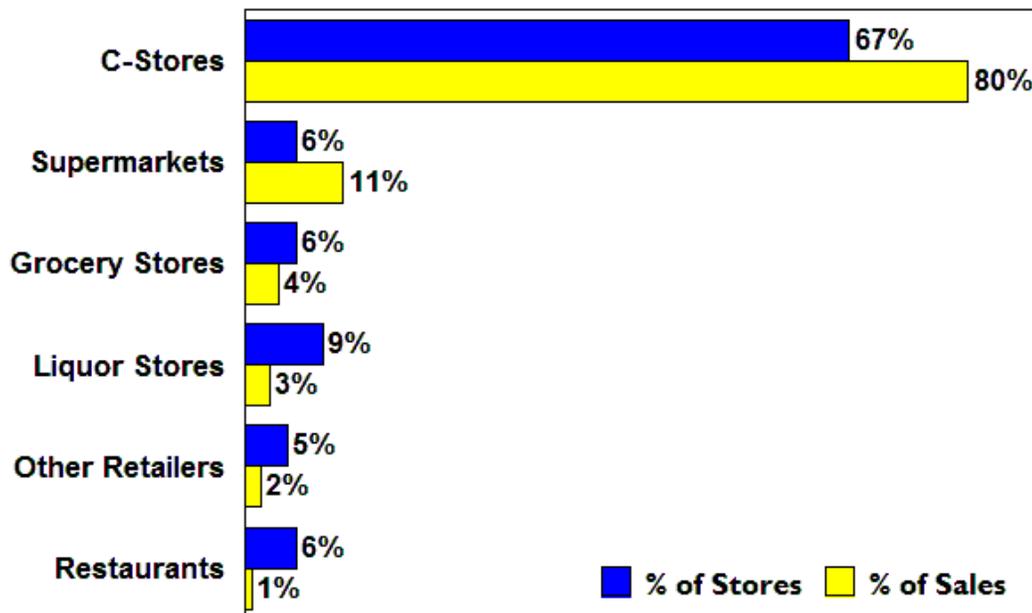


Michael Snyder of Wadena (pictured with his wife Lea) was one of two winners of one million dollars in the 2011 Minnesota Millionaire Raffle.

## The Retailer Network

- Lottery tickets were sold by 3,126 retailers as of July 2012. These retailers are located in over 650 cities and in all 87 counties.
  - 1,254 retailers are located in the seven-county Twin Cities area and 1,872 are in Greater Minnesota.
- Lottery retailers represent 32 types of businesses. Convenience stores that sell gas, however, account for 57 percent of lottery retailers and 71 percent of sales. Supermarkets and grocery stores account for another 12 percent of stores and 15 percent of sales.
- Twenty-five percent of lottery retailers are affiliated with chains of 25 or more stores. However, these stores account for more than 35 percent of lottery sales.

### Percent of Stores and Sales Fiscal Year 2012



## **Lottery Operations**

- The Lottery has headquarters in Roseville and four regional offices statewide: Virginia, Detroit Lakes, Marshall, and Owatonna. The regional offices provide local service and information, process winning tickets, provide a base for field marketing staff, and serve as storage and distribution centers. The Owatonna office also serves as a backup site for computer operations. The Lottery also leases warehouse space in the Energy Park district of St. Paul.
- The Lottery has 147 permanent employees as of January 2012. Employment levels have declined by 30 percent since 2000.

## **Security and Integrity**

Public confidence in the security and integrity of lottery products is key to its success. People will play the lottery only if they trust that the games are secure. The Minnesota State Lottery emphasizes the importance of this security concept in all aspects of its operations.

- Minnesota State Lottery security procedures and operations are recognized as one of the best in the industry. Rigorous enforcement and updating of policies and procedures are done as needed.
- The Lottery's Security Division works with local law enforcement in investigating, prosecuting, and deterring offenses committed against the Lottery. Security personnel also spend time in training law enforcement agencies on recognizing fraud schemes, perpetrator identification utilizing Lottery information, etc.
- State-of-the-art intrusion and detection systems are in place at all Lottery facilities to ensure safety of employees, security of sensitive equipment, and secure storage for products awaiting distribution.
- All data-processing operations of the Lottery and its lotto vendor (GTECH) are constantly monitored by two Lottery security auditors. These operations are housed in limited access areas and are under 24-hour camera surveillance. Backup systems for these two critical functions are equipped to be monitored in the same manner should the need arise. These systems are tested on a regular basis to ensure their availability should the need arise.
- Cameras monitor and record all lotto drawings held at the Lottery. These drawings are held in secure areas and are verified by an independent auditing firm.

- Scratch ticket production is a complex process. All aspects of this process from printing at the production plant and shipping to Minnesota to distribution and return of tickets have Lottery security personnel involved in each step to ensure maximum security.
- Regular undercover compliance checks and state-of-the-art validation systems for both lotto and scratch products have been extremely effective in preventing fraudulent claims.
- Incidents of attempts to cash stolen, forged or, otherwise, fraudulent lottery products have steadily declined in the past years. Ticket integrity, security, proactive measures, and auditing oversight, coupled with effective cooperation from law enforcement agencies, have been responsible for these successes
- Ticket checkers are available at most retail locations so players can check their own tickets to determine winning status.
- Player protection guidelines have been established, implemented, and published.

## **Player Commitment Statement**

The Minnesota State Lottery is committed to maintaining the integrity of its games and maintaining the public's confidence in its operations.

The Minnesota State Lottery will fulfill this commitment through the following actions:

- By treating each person who contacts the Lottery with respect.
- By clearly stating the guidelines and procedures for its games, second chance drawings, and other promotions.
- By making information relating to its games, promotions, and operations readily accessible to the public.
- By operating its games and operations in an open, transparent, and accountable manner.
- By educating and routinely reminding lottery retailers and their employees of their obligations relating to selling lottery tickets and paying prizes to lottery players.
- By monitoring the practices of lottery retailers to ensure compliance with lottery rules and their contractual obligations.
- By establishing a formal consumer complaint process so that players can easily report suspicious behavior to the Lottery.
- By treating seriously every complaint made by a lottery player regarding the Lottery's operations or the activities of a lottery retailer by thoroughly addressing/investigating each complaint.
- By ensuring that Lottery operations are secure so that each game is operated in a fair manner.

Any person with a complaint relating to the security or the integrity of the Lottery or any of its games, whether the complaint relates to a Lottery employee, vendor working for the Lottery or a lottery retailer, may contact the Lottery at 651-635-8100.

## **Lottery Advertising**

- The Lottery must sell its product in a competitive marketplace. The competition includes not only other forms of gambling, but all other products vying for the discretionary entertainment dollar. As such, continued advertising is necessary to maintain awareness and interest about lottery products and to ensure lottery revenue and proceeds goals are met.
- The Lottery, by law, may spend no more than 2.75 percent of gross revenue on "advertising". During Fiscal Year 2012, advertising expenditures, including production and agency fees, but not including promotional action, was \$7.4 million or 1.4 percent of gross revenue.
- Total lottery paid media expenditures of all types was 1.0 percent of revenue or much lower than other consumer products found in grocery or convenience stores. Many companies marketing to consumers spend more than 5 percent of revenue on advertising; figures in excess of 10 percent are not uncommon in some industries.
- Minnesota law places restrictions on the content of advertising. Lottery advertising must be consistent with the dignity of the state and may only:
  - Present information about lottery games.
  - Identify state programs supported by lottery revenues.
  - Present the lottery as a form of entertainment.
  - State winning numbers or identity of winners.
- Lottery advertising may not:
  - Market the lottery as a means of relieving financial difficulties.
  - Target with the intent to exploit a specific group or economic class of people.
  - Exploit a religious holiday through use of a religious theme or symbol.
  - Present the purchase of a lottery ticket as a financial investment or a way to achieve financial security.
  - Use the name or picture of an elected state official to promote a lottery game.
  - Misrepresent the chance of winning a prize.
  - Denigrate those people who do not buy a ticket or unduly praise those who do.
- All Lottery advertising and brochures prominently state, "Lottery players must be 18 years of age or older." The Lottery takes great care in avoiding advertising messaging or media vehicles that may appeal to those under 18.
- Lottery advertising is scheduled, purchased, and evaluated on a reach and frequency measurement consistent with standard industry business practices. The Lottery attempts to inform all players about our products on a statewide basis and, when possible, make efficient use of selected media vehicles that provide higher returns on investment.

## **Problem Gambling**

- Problem gambling is any gambling that crosses the “normal” bounds of gambling for fun, recreation or entertainment. Pathological (or “compulsive”) gambling is the inability, over an extended period of time, to resist impulses to gamble. It is often characterized by increasing preoccupation with gambling and a general loss of control. Pathological gamblers often “chase” their losses, feel a need to bet more frequently and in larger amounts and continue to gamble in spite of the serious negative consequences of their behavior.
- In addition to uncontrolled gambling, problem gamblers often suffer from serious mental health problems. A University of Minnesota Medical School study found that 70 percent of pathological gamblers have suffered from an affective disorder (like depression), 60 percent have had a substance abuse disorder (like alcohol abuse), and 38 percent have had an anxiety disorder (like phobias or a panic disorder).
- Researchers generally believe that pathological gambling, along with other addictions, is a response to extreme stress in one’s personal life. For example, Dr. Jeffrey Derevensky, Director of the Youth Gambling and Treatment Clinic at McGill University, has written that “gambling is not their problem. It’s their attempt at a solution.”
- There are no current reliable estimates of the number of pathological gamblers in Minnesota. Recent national studies estimate the rate of current pathological gambling at less than 1 percent of the population.
- Minnesota currently has about 65 treatment programs that are eligible for state reimbursement. Treatment has been shown to be effective in a great many cases.
- The University of Minnesota School of Medicine has been named one of two national Centers of Excellence for Research into Gambling Addiction.
- State-sponsored treatment, prevention, and education efforts are funded through a legislative appropriation from the Lottery Prize Fund and, as of July 2012, revenue from the sale of pull-tabs.
- A 1996 report from the University of Minnesota Medical School found that only eight of 944 (0.85 percent) pathological gamblers admitted to treatment programs named the lottery as their preferred form of gambling. Gambling machines were listed by 308 of those studied, followed by card games (307), pull-tabs (118), and bingo (42). Compulsive gamblers are generally attracted to games with some perception of skill, a high degree of sensory stimulation, or immediate gratification.

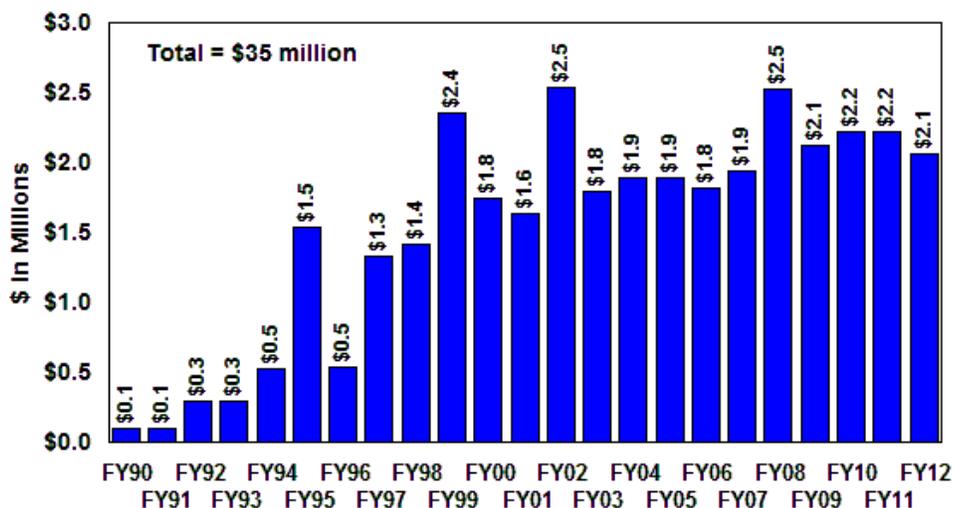
## Lottery Contributions to Problem Gambling Programs

Through Fiscal Year 2012, the Lottery has transferred over \$35 million to the Department of Human Services for problem gambling programs, pursuant to law.

In addition to the contributions required by statute, the Lottery:

- Designed and printed more than 100,000 stickers advertising the Problem Gambling Helpline. These stickers have been posted at all lottery retailers and are available free to other organizations.
- Collaborated with the National Council on Problem Gambling on posters and brochures raising awareness of problem gambling, placed these brochures at every lottery retailer, and made them available to organizations nationwide.
- Was principal sponsor of "The Hidden Addiction," a 30-minute documentary on problem gambling produced by Twin Cities Public Television.
- Annually sponsors the Northstar Problem Gambling Alliance's Minnesota conference series.

## **Lottery Contributions to DHS Problem Gambling Programs**



- Places the Problem Gambling Helpline number on all tickets and brochures advertising or describing lottery games.

- Provides training to all Lottery staff on problem gambling.
- Is an active member of the Minnesota Department of Human Services' Compulsive Gambling Advisory Committee and the Northstar Problem Gambling Alliance.
- Is an organizational member of the National Council on Problem Gambling and serves on that organization's board of directors.
- Reminds players on every advertisement that "Lottery players must be 18 years of age or older."

**When gambling  
becomes  
more than a game,  
no one wins.**

Warning signs: Preoccupation with gambling. Gambling to win back what you've lost. Lying to cover up gambling. If you or someone you know may have a problem, you're not alone. Get help. Treatment is confidential. And it works.

Call 24/7 for advice and treatment info.  
**1-800-333-HOPE**

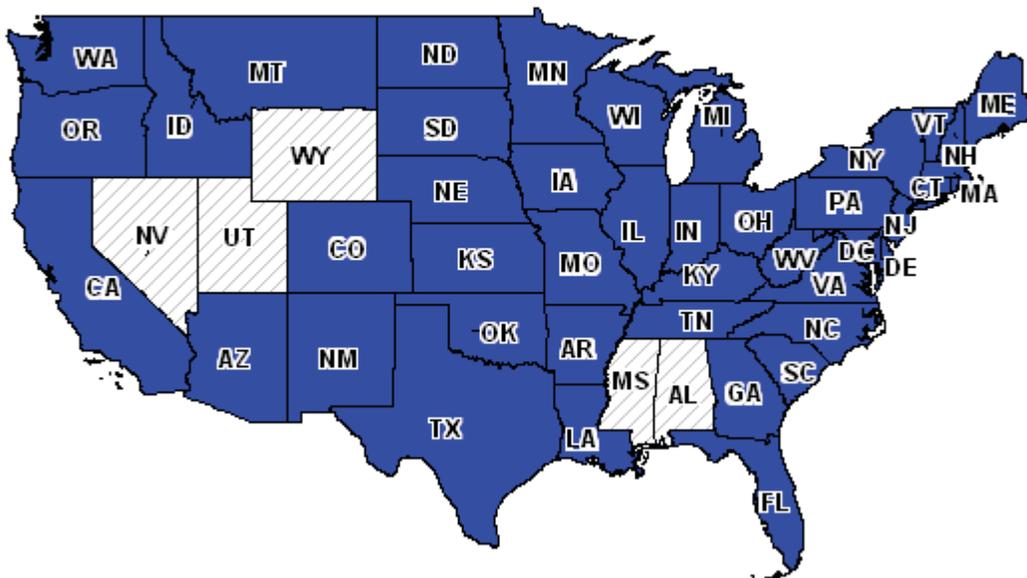
MINNESOTA STATE LOTTERY

NATIONAL COUNCIL ON PROBLEM GAMBLING

## Lotteries in the United States

- Forty-three states and the District of Columbia operate lotteries. Arkansas is the latest state to start a lottery - sales began in 2009.
- All U.S. lotteries, except North Dakota, operate both scratch and lotto games. North Dakota offers only multi-state lotto games.
- Twelve state lotteries offer “fast” keno with drawings every four or five minutes.
- Three states (Oregon, South Dakota, and West Virginia) offer video lottery at licensed beverage establishments. Another seven state lotteries (Delaware, Maine, Maryland, New York, Pennsylvania, Rhode Island, and West Virginia) offer video lottery at racetracks. Video lottery in six other states is not operated by the lottery. The Kansas and Maryland lotteries regulate the operation of casinos in their state.
- Pull-tabs are sold by lotteries in nine states including Iowa and Wisconsin.
- Total U.S. lottery sales in Fiscal Year 2012 reached \$57.6 billion, up 3 percent from Fiscal Year 2011. Over \$18.5 billion was given to state beneficiaries.

### Lottery States



Although not shown on this map, Alaska and Hawaii do not have lotteries.

## Lottery History

### Year

?	Scholars are not sure who started the ancient tradition of lotteries, but there are references in the Bible. In Chapter 26 of the Book of Numbers, Moses uses a lottery to decide the outcome of awarding land west of the River Jordan.
c. 100 BC	Forms of lotteries date back to Caesar.
100 BC	The Hun Dynasty in China created keno. Funds raised by this game were used to construct the Great Wall of China.
1465	Lotteries in Belgium helped fund chapels, almshouses, canals, and port facilities.
1519	In Genoa, Italy, lots were drawn once a year to choose members of the senate. Side bets on these selections soon became city-sanctioned, leading to one of the first European government lotteries.
1530	Florence, Italy held a "number lottery" with cash prizes.
1539	King Francis I of France authorized a lottery to replenish depleted funds in the treasury. Many of these funds had been flowing to foreign lotteries.
1567	Queen Elizabeth I established the first English state lottery. Prizes included cash, plate, and tapestry, with 400,000 tickets offered for sale.
1612	King James I of England, by royal decree, created a lottery in London. The proceeds were used to aid the first British colony in America - Jamestown, Virginia. Interestingly, Anglican churches held two of three winning tickets for the first draw.
1700s	Many of our Founding Fathers played and sponsored lotteries. Some examples include: <ul style="list-style-type: none"><li>• Benjamin Franklin used lotteries to finance cannons for the Revolutionary War.</li><li>• John Hancock operated a lottery to rebuild historic Faneuil Hall in Boston.</li><li>• George Washington operated a lottery to finance construction of the Mountain Road which opened westward expansion from Virginia.</li></ul>
1726	The Netherlands formed what is now the oldest lottery still in operation.
1753	A lottery was held in England for the establishment of the British Museum.

- 1775 Lotteries were authorized to raise money for the Colonial Army.
- 1776 Louis XV founded the Loterie Royale of the Military School in France. With the advent of this lottery, other lotteries were outlawed and the funds were to be used to reduce the state's debts. The king thus created a monopoly which became the forerunner of the Loterie Nationale.
- 1789 Lotteries were most active during the period following the adoption of the Constitution and prior to the establishment of effective means of local taxation and the wave of anti-lottery reform in the 1830s. Before 1790, America had only three incorporated banks. Therefore, lotteries were standard sources for public and private financing.
- 1790 to the Civil War  
Fifty colleges, 300 schools, and 200 churches were erected with lottery proceeds. Most notably, universities such as Harvard, Yale, Princeton, and Columbia were funded by lotteries.
- 1790 to 1860  
Twenty-four of the 33 states financed civic improvements such as courthouses, jails, hospitals, orphanages, and libraries through lotteries.
- 1812 Spain began its annual Christmas lottery drawing. Popularly known as "El Gordo" (the fat one), it has become the world's largest lottery event with sales approaching \$3 billion and prizes in excess of \$2 billion.
- 1820 through 1878  
Corruption in privately-operated lotteries became rampant. Many awarded fewer prizes than advertised or no prizes at all.  
  
Governments found themselves unable to regulate these lotteries and, as a result, began to consider prohibition.
- 1820s New York passed the first constitutional prohibition of lotteries in the United States.
- 1878 All states, except Louisiana, prohibited lotteries either by statute or in their constitution.
- 1890 Congress banned all lottery materials from the mail.
- 1905 The U.S. Supreme Court reaffirmed the states' use of police powers to control gambling, effectively ending the Louisiana Lottery and other gambling in the U.S. No state was directly involved in the operation of a gambling enterprise and lotteries were prohibited in

most states by constitutional provisions for the next 60 years.

- 1964 The New Hampshire legislature created the state lottery, the first legal lottery in this century; it was labeled a "sweepstakes" and tied to horse races to avoid the 70-year-old federal anti-lottery statutes.
- 1967 New York became the second state to start a lottery.
- 1970 New Jersey started a state lottery. Tickets were 50 cents for a weekly drawing. Manitoba and Quebec began the first modern Canadian lotteries.
- 1971 Led by New Jersey, which in its first fiscal year sold close to \$73 million in tickets, lottery sales nationwide surpassed the \$100 million mark for the first time.
- 1971 Automated Wagering implemented the world's first online system in New Jersey.
- 1973 Fiscal year sales for all lotteries surpassed \$500 million.
- 1974 Massachusetts offered the first scratch ticket.
- 1975 Federal law was amended to allow state lotteries to advertise on radio and TV.
- 1975 New Jersey introduced a statewide, online network of several hundred Clerk Activated Terminals (CATs).
- 1988 The Multi-State Lottery Association offered Lotto\*America as the first multi-state, big jackpot game. The District of Columbia, Iowa, Kansas, Oregon, Rhode Island, and West Virginia were the initial members.
- 1989 South Dakota became the first state in the U.S. to license and regulate video lottery games.
- 1989 The Oregon Lottery began accepting bets on NFL games, later adding other professional sports teams.
- 1992 Lotto\*America became Powerball, now played in 42 states, the District of Columbia, and the U.S. Virgin Islands.
- 1996 Georgia, Illinois, Maryland, Massachusetts, Michigan, and Virginia joined together to offer "The Big Game." Now Mega Millions, it is sold by 43 lotteries.
- 2010 The two multi-state associations offering big jackpot games agreed to allow the sale of their respective games (Powerball and Mega Millions) in each other's jurisdiction.

- 2012 The Powerball ticket price moves to \$2.00.
- 2012 The lucky owners of tickets sold in Illinois, Kansas, and Maryland shared a \$656 million Mega Millions jackpot in March, the largest in lottery history. A November, 2012 Powerball jackpot of \$587 million set a record for that game.
- 2013 As of January, Powerball is sold in 42 states while Mega Millions is available in 43 states. California will add Powerball in April, 2013.
- 2013 Forty-three states and the District of Columbia operate a lottery in the U.S., while lotteries exist in all Canadian provinces and territories. More than 100 foreign lotteries exist, many of which have operated for centuries. France, Japan, Mexico, and others have national lotteries. The World Lottery Association lists 79 member nations on every continent except Antarctica.