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Minn. Stat. 349A.15

**MINNESOTA STATE LOTTERY FISCAL YEAR 1994 ANNUAL REPORT**

# from the director

**Security, integrity and customer service are our watchwords, but our efforts are best rewarded through the fun and entertainment generated through Lottery games.**

Your Lottery is pleased to report on a productive and profitable fiscal year. It indeed has been a good 12 months — from improved systems and efficiencies designed for both players and retailers, to surveys that show almost two of every three Minnesotans now play the Lottery.

Security, integrity and customer service are our watchwords, but our efforts are best rewarded by the fun and entertainment generated by Lottery games. Minnesota's financial benefit to the General Fund and Environment and Natural Resources Trust Fund is significant, at \$81 million, and this voluntary public contribution to the much greater budget and programs of the state is appreciated.

The Lottery operates as a business designed to provide fun and entertainment through the possi-

bility of winning prizes from \$1 to many millions of dollars. From the nationwide phenomenon of Powerball, to our ever popular instant scratch games, the Lottery is Minnesota's most popular form of gaming.

The Lottery's success is easily measured through the industry and dedication of our employees, retailers and suppliers, and is reflected in the continued support of our players.

Thank you, from all of us at the Lottery.

Very truly yours,



George R. Andersen  
Director



*Proceeds Benefit Our Natural and Economic Environments.*

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# lottery board

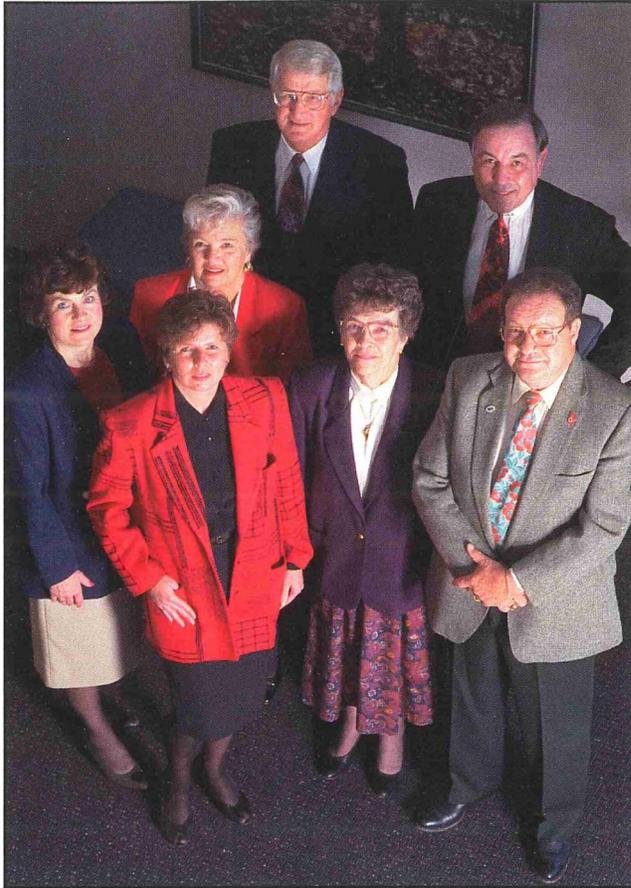


PHOTO BY JOHN DANICIC

**Minnesota State Lottery Board —**  
**Back row:**  
**Jim Evans,**  
**John Milne;**  
**middle:**  
**Grace Nelson;**  
**front row:**  
**Jean Rixe,**  
**Gail Rubin,**  
**Ruth Simmons,**  
**Wes Lane**

Grace Nelson, Welch, is chair of the Lottery Board. A former owner of Welch Village Ski Area, Nelson serves on her church council as well as the board of the Goodhue County Historical Society. She was appointed to the board in 1991.

Jim Evans, a director of First American Bank in his hometown of Detroit Lakes, was also a state representative from 1976-1984. The former proprietor of Detroit Lakes' Evans Markets, he has served on the board since 1991.

Wes Lane, Roseville, is a lobbyist as well as a representative for the Teamsters' Democratic-

Republican-Independent-Voter Education (D.R.I.V.E.) program. Lane was named to the board in 1989.

John Milne, Mendota Heights, is sales operations director for the Traffic Control Materials Division of 3M Company. He was appointed to the board in 1989 and recently resigned.

Jean Rixe, Clinton, a member of the Clinton City Council, also serves as activities director for the Good Samaritan Center nursing home. Rixe was appointed to the Lottery Board in July 1993.

Gail Rubin, Minneapolis, is vice president and promotion director for WatersMolitor Inc., a leading promotional marketing agency. She also serves as Media Task Force co-chair of the Minneapolis Initiative Against Racism. She was appointed to the Lottery Board in 1992.

Ruth Simmons, Gilbert, a retired high school teacher, still substitutes as an elementary choral director and volunteers with her church, political unit and local fire department auxiliary. She was named to the board in 1992.

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# financial highlights

**Large jackpots lifted Powerball sales 30 percent over fiscal year 1993 sales, totaling \$89 million. Still, the very popular instant games accounted for 62 percent of sales, yielding revenues of \$204.2 million.**

As the fifth anniversary of the Lottery approaches, fiscal year 1994 sales climbed to a high of \$331.5 million — up 1 percent from the \$328.8 million reported in 1993.

A shift from instant games sales to numbers games — Powerball, Gopher 5, Daily 3 and DATO! — brought big returns to Lottery beneficiaries. Instant game sales were down by 8 percent, but that revenue was offset by the success of numbers games: up 19.1 percent to \$127.2 million. Enormous and exciting Powerball jackpots captured players' interest, especially on July 7 — when the jackpot reached \$111 million — and again on December 22, when the jackpot reached \$90 million.

The Lottery marked its highest weekly sales for an on-line game with Powerball for the week ending July 12, 1993 — with \$11,015,222; the highest numbers game sales for a single drawing was \$5,859,593 for the July 7, 1993, drawing.

Large jackpots lifted Powerball sales 30 percent over fiscal year 1993 sales, totaling \$89 million. Still, the very popular instant games accounted for 62 percent of sales, yielding revenues of \$204.2 million.

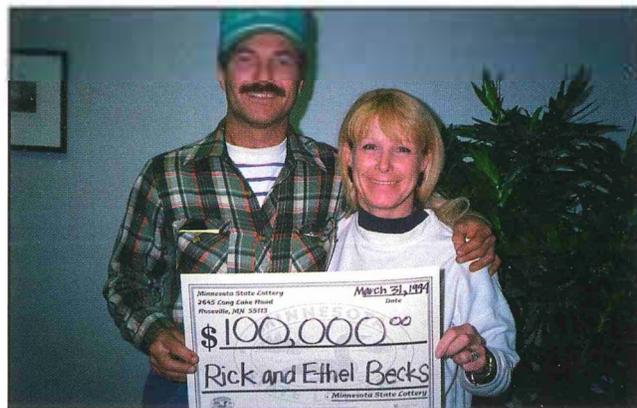
Gopher 5 also saw an increase, and totaled \$22.7 million. Daily 3 sales totaled \$14.8 million and DATO! (launched in April) had sales of more than \$650,000.

Fiscal year per capita Lottery sales reached \$74.22, with a high of \$129.05 per person in Polk County to a low of \$19.15 in Red Lake County.

Almost 58 percent of combined instant-and-numbers sales was returned to players as prizes, more than \$192.2 million for the year.

Some \$23.7 million, or 7.1 percent of fiscal year 1994 sales, was transferred to the Environment and Natural Resources Trust Fund. The state General Fund received \$35.6 million, or 10.7 percent of sales plus \$21.5 million from the in-lieu-of-sales tax.

The Lottery has yielded a big return for Minnesota — and has done so with the bottom line in mind. In fiscal 1994, the costs of running the Lottery were kept to 12 percent of revenue — through monitoring of cost controls and the renegotiation of procurement contracts with terms favorable to the Lottery. More than \$6 million authorized for operating expense was instead returned to the state of Minnesota.



# financial highlights

INCOME	1994	1993
Sales	\$331,475,147	\$328,835,922
Tax (In-lieu-of-Sales Tax)	21,545,886	21,374,335
Total Gross Receipts	\$309,929,261	307,461,587
Other Income	\$1,202,443	1,069,272
Total Gross Revenue	\$311,131,704	\$308,530,859

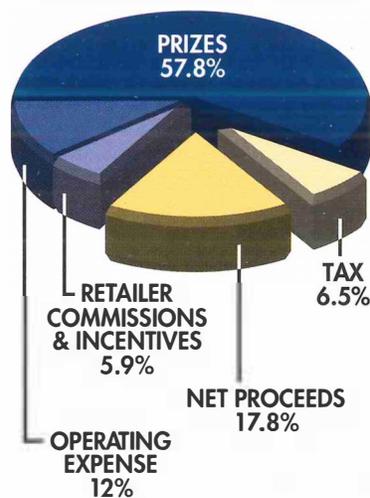
EXPENSES	1994	1993
Prize Expense	\$192,253,677	\$196,873,180
Retail Commissions & Incentives	\$19,673,485	18,160,627
Operating Expense		
Ticket Cost	\$3,613,567	3,389,438
Ticket Delivery	548,085	562,850
On-Line Vendor Commission	8,178,766	7,089,270
Contribution: Compulsive		
Gambling & Public Safety	685,000	450,000
Occupancy Costs	1,647,460	1,649,365
Depreciation	1,195,519	1,077,799
Advertising	8,410,787	7,800,355
Salaries and Benefits	8,120,033	7,583,765
Promotion	2,682,911	2,540,684
Purchased Services	1,137,467	939,751
Communications	1,440,490	1,681,496
Computer Maintenance	343,904	325,309
Supplies and Materials	1,135,725	592,617
Interest Expense	29,835	59,666
Other	665,746	609,899
Total Operating Expense	\$39,835,295	\$36,352,264
Net Proceeds	\$59,369,247	\$57,144,788

Note: Complete financial statements are available upon request.

**Record sales in 1994 were due primarily to an unusual number of high rollovers in Powerball jackpot prizes (building up to \$111 million in July 1993, \$90 million in December 1993, and \$63.5 million in April 1994).**

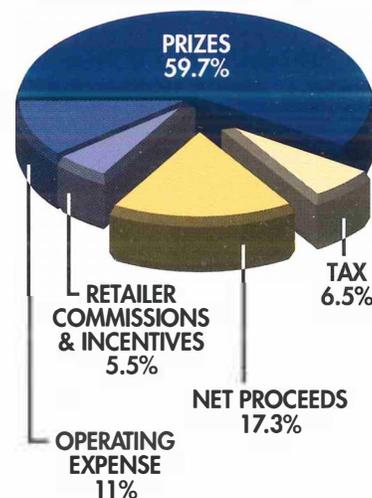
## FISCAL YEAR 1994

Total net proceeds, taxes, paid to state in 1994 — 24.3%



## FISCAL YEAR 1993

Total net proceeds, taxes, paid to state in 1993 — 23.8%



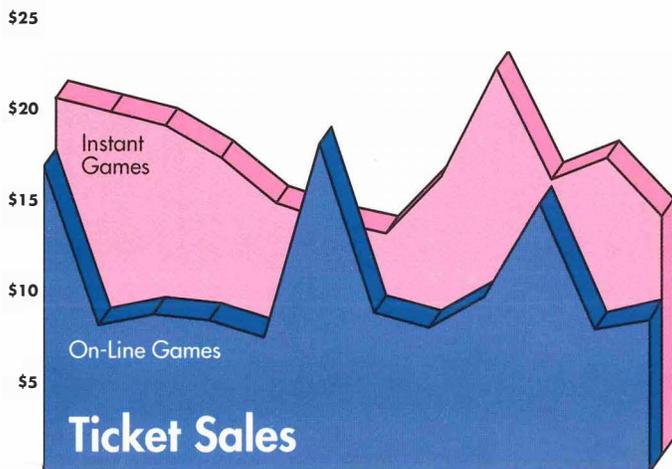
# statements of cash flows

June 30, 1994 and 1993

Cash Flows from	
Operating Activities .....	1994 ..... 1993
Operating Income .....	58,374,604 ..... 56,312,224
Adjustments to Reconcile	
Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation .....	1,195,519 ..... 1,077,799
Changes in Assets and Liabilities:	
Accounts Receivable .....	7,018,330 ..... (4,611,218)
Interest Receivable .....	(20,787) ..... (8,121)
Instant Ticket	
Inventory .....	294,949 ..... (201,960)
Merchandise Prize	
Inventory .....	89,137 ..... 1,004,164
Prepaid Expenses .....	19,260 ..... (87,420)
Accounts Payable .....	(1,111,532) ..... 480,115
Tax in Lieu of Sales	
Tax Payable .....	(902,010) ..... 711,354
Prize Liability .....	2,802,188 ..... (666,514)
Reserve for Prizes	
and Incentives .....	444,243 ..... (1,134,944)
Retailer Incentives	
Payable .....	(1,372,716) ..... 1,372,716
Compensated	
Absences Payable .....	172,378 ..... 117,604
Deferred Revenue .....	98,637 ..... (114,974)
Net Cash Provided	
by Operating Activities .....	67,102,200 ..... 54,250,825

Cash Flows from Noncapital	
Financing Activities .....	1994 ..... 1993
Proceeds Paid to	
Beneficiaries .....	(62,695,038) ..... (53,829,983)
Retailer Fees .....	110,883 ..... 108,533
Other Income .....	309,513 ..... 31,160
Other Expense .....	(177,963) ..... (177,041)
Net Cash Used by Noncapital	
Financing Activities .....	(62,452,605) ..... (53,867,331)
Cash Flows from Capital	
Financing Activities	
Purchases of Fixed Assets .....	(642,942) ..... (207,767)
Proceeds from	
Disposal of Fixed Assets .....	0 ..... 7,912
Interest Expense .....	(29,835) ..... (59,666)
Net Cash Used by Capital	
Financing Activities .....	(672,777) ..... (259,521)
Cash Flows from	
Investing Activities .....	1994 ..... 1993
Proceeds from Sales and	
Maturities of Investments .....	14,630,643 ..... 15,501,346
Purchases of	
Investments .....	(15,641,343) ..... (15,731,990)
Interest Income .....	782,047 ..... 929,579
Net Cash Provided (Used)	
by Investing Activities .....	(228,653) ..... 698,935
Net Increase in Cash	
and Cash Equivalents .....	3,748,165 ..... 822,908
Beginning of Year Cash	
and Cash Equivalents .....	4,772,829 ..... 3,949,921
End of Year Cash	
and Cash Equivalents .....	\$8,520,994 ..... \$4,772,829

MILLIONS



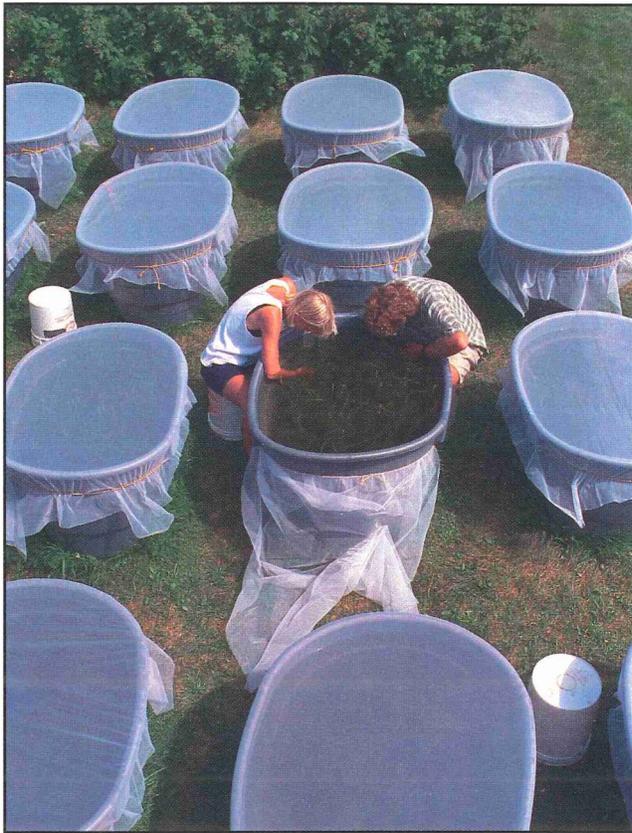


PHOTO BY JOHN DANICIC

**Researchers from the University of Minnesota, with money from the Environment and Natural Resources Trust Fund, are studying the use of insects to control Eurasian water milfoil, a plant that is damaging a growing number of Minnesota lakes.**

From coast to coast and even abroad, Minnesota is viewed as a scenic and valued environmental oasis. With its thick, sprawling forests, its pristine, sparkling blue lakes and its abundance of fish and wildlife, Minnesota's environment and natural resources are a focal point for a growing number of groups, organizations and agencies that are willing to take great strides in preserving and protecting Minnesota's great outdoors.

With help from Lottery funds, dozens of groups and agencies are able to fund projects that benefit Minnesota's natural resources. The money comes from the Environment and Natural Resources Trust Fund, which receives 7 cents of every dollar spent on Lottery tickets. Every two years, the Legislature selects environmental projects and programs to be funded.

In all, the trust fund is financing 29 projects during the 1993-95 biennium — a \$24.6 million investment in Minnesota's future. Since

the Lottery started, through June 30, 1994, about \$99 million in proceeds — 40 percent — has gone to the trust fund. The General Fund received almost \$200 million to support programs like K-12 education, health and human services, and public safety. An additional \$34 million was allocated to the Greater Minnesota Corporation and an Infrastructure Trust Fund in fiscal years 1990 and 1991.

The impact of these projects can be felt in nearly every county of the state. Some projects are highly visible and heavily used by the public: the Green Street exhibit at the Science Museum of Minnesota, many miles of walking and biking paths throughout the state, educational curricula for public schools, and new fishing piers and boat ramps on popular lakes and rivers.

Others projects may be less visible but they enable governmental agencies to collect important environmental information that is shared with the public: a survey of rare plants and animals native to Minnesota, digitized aerial maps of the state, sources of pollution on the Minnesota River, and a geological study of groundwater to protect it from pollution.

Through other projects, wilderness areas are protected from development, wildlife habitat is preserved and improved, solutions to the spread of Eurasian water milfoil are researched, and methods of lowering mercury levels in lakes and streams are studied.

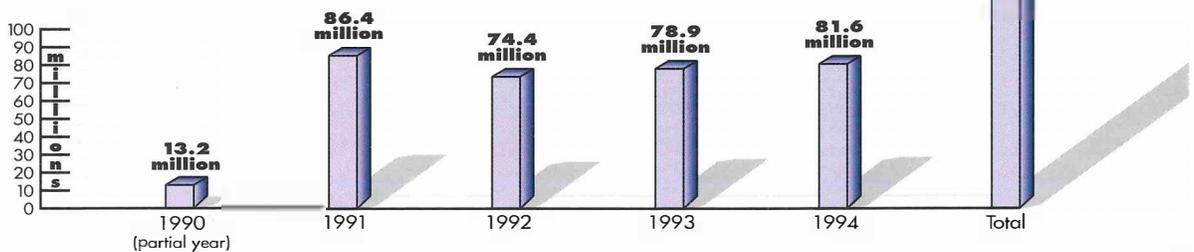
When Minnesota plays, everybody wins.

**With help from Lottery funds, dozens of groups and agencies are able to fund projects that benefit Minnesota's natural resources. The money comes from the Environment and Natural Resources Trust Fund, which receives 7 cents of every dollar spent on Lottery tickets.**

# fy94 lottery income to state

**Over \$334 million has gone into the state coffers as a direct result of Minnesota State Lottery players since the Lottery began in 1990.**

Year Ending June 30, 1994 Compared To Year Ending June 30, 1993	
NET PROCEEDS .....	1994 ..... 1993
40% Environment & Natural Resources Trust Fund .....	\$23,747,699 ..... \$22,857,915
60% General Fund .....	35,621,548 ..... 34,286,873
<b>Subtotal Net Proceeds .....</b>	<b>\$59,369,247 ..... \$57,144,788</b>
<b>Tax (In-Lieu-of-Sales Tax)</b>	
to General Fund .....	\$21,545,886 ..... 21,374,335
Compulsive Gambling & Public Safety .....	685,000 ..... 450,000
<b>Grand Total to State .....</b>	<b>\$81,600,133 ..... \$78,969,123</b>



## balance sheets

**June 30, 1994 and 1993**

ASSETS .....	1994 ..... 1993
Cash and Cash Equiv. ....	\$8,520,994 ..... \$4,772,829
Investments .....	8,100,393 ..... 7,089,693
Accounts Receivable, Net .....	1,315,034 ..... 8,333,364
Interest Receivable .....	100,855 ..... 80,068
Instant Ticket Inventory .....	159,306 ..... 454,255
Merchandise Prize Inventory .....	329,156 ..... 418,293
Fixed Assets, Net .....	2,329,685 ..... 2,882,262
Prize Investments .....	667,529 ..... 642,487
Prepaid Expenses .....	68,160 ..... 87,420
<b>Total Assets .....</b>	<b>\$21,591,112 ..... \$24,760,671</b>

LIABILITIES AND RETAINED EARNINGS .....	1994 ..... 1993
<b>Liabilities:</b>	
Net Proceeds Due to State Treasurer .....	\$3,485,584 ..... \$6,811,373
Accounts Payable .....	2,457,457 ..... 3,568,989
Tax in-Lieu-of-Sales Tax Payable .....	1,468,839 ..... 2,370,849
Prize Liability .....	10,244,808 ..... 7,442,620
Reserve for Prizes and Incentives .....	2,321,586 ..... 1,877,343
Retailer Incentives Payable .....	— ..... 1,372,716
Compensated Absences Payable .....	688,333 ..... 515,955
Deferred Revenue .....	256,976 ..... 158,339
Prize Annuity Payable .....	667,529 ..... 642,487
<b>Total Liabilities .....</b>	<b>21,591,112 ..... 24,760,671</b>
<b>Commitments and Contingencies .....</b>	<b>1994 ..... 1993</b>
Retained Earnings .....	— ..... —
<b>Total Liabilities and Retained Earnings .....</b>	<b>\$21,591,112 ..... \$24,760,671</b>

Alexon,  
Lakeville  
\$110,883  
Gopher 5.  
Joan  
Anderson,  
Roseau  
\$100,000  
Powerball.  
Allen Arvig,  
Perham  
\$239,935  
Gopher 5.  
James  
Kingsbury,  
Maple Grove  
\$1 million  
Instant  
Millions.  
Delores Loe,  
Albert Lea  
\$100,000  
Powerball.  
Noel & Lynn  
Olson,  
Plymouth  
\$28.3  
million  
Powerball.  
Ralph  
Leonard,  
Lake Crystal  
\$111,662  
Gopher 5.  
Duane  
Peterson,  
Moose Lake  
\$2 million  
Powerball.  
Vicki  
Cymbaluk,  
McIntosh  
\$100,000  
Powerball.  
Thomas  
Wright,  
Minneapolis  
\$111,000  
Daily 3 Spin.  
Helen Dion-  
isopoulos,  
Oakdale  
\$100,000  
Super Slots.  
George  
Shabatura,  
New Hope  
\$8 million  
Powerball.  
Sandra  
Gadsby,  
Silver Bay  
\$100,000  
Powerball.  
Donald  
Habeck,  
 Fargo, N. D.  
\$276,121  
Gopher 5.  
Thomas  
Haley,

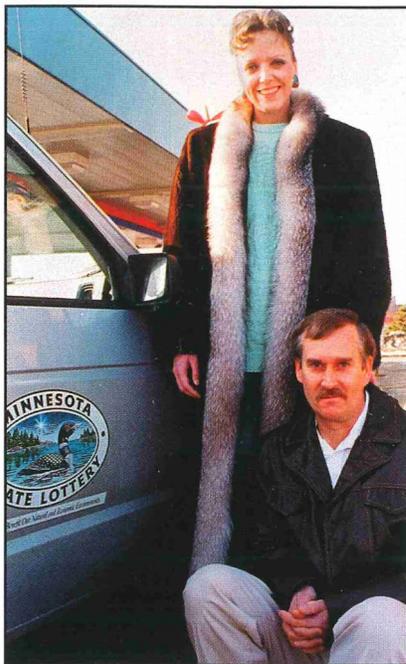


PHOTO BY JOHN DANICIC

Most Minnesotans — whether Gopher 5 or instant game aficionados, DATO! date-trivia buffs or quick-picking Powerball players — not only support the Lottery but play regularly. Approximately 2 million people in Minnesota 18 or older have bought tickets for at least one of the games. The Lottery's scope is sweeping, its appeal broad and the average player very much average: between 25 and 54 years of age with an annual household income of between \$20,000 and \$35,000.

In fiscal year 1994, three lucky Powerball jackpot winners were Minnesotans, (two of them back-to-back), 86 won \$100,000 playing Powerball and 41 players claimed Gopher 5 jackpots — ranging from \$100,000 to \$1,094,681. Sixteen instant games were launched in fiscal 1994 — and players scratched and matched their way to great fun as well as millions in prizes.

Almost 58 cents of every dollar spent was claimed as prize money by winning players; by June, the Lottery had paid out

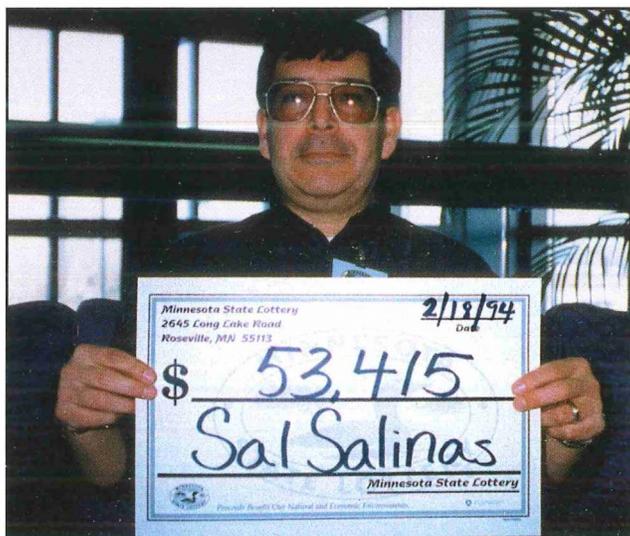
# winners

more than \$190 million to players.

Winners bought cars, went back to school, fattened their retirement funds and put down money on dream homes. Tom Tran of Maple Grove bought his girlfriend an engagement ring; Jeanne Nelson of River Falls, Wis., sent her quadriplegic son to a national wheelchair race in Boston. Jane Stoner of Coon Rapids paid her sister's tuition to graduate school; Rudolph Nelson of Cambridge has "bought enough bait to sink a ship" and, finally, at 68, fishes to his heart's content.

Lottery luck fulfills dreams — and paying happy players is one of the best parts of the Lottery's job.

**Jane Stoner of Coon Rapids paid her sister's tuition to graduate school; Rudolph Nelson of Cambridge has "bought enough bait to sink a ship."**



# retailers

## Top 10 Fiscal Year Lottery Retailers

**Holiday #99,  
East Grand  
Forks**

**Hornbacher  
Foods,  
Moorhead**

**Merwin Drug  
#3,  
Robbinsdale**

**M & H Gas,  
Moorhead**

**Holiday Plus  
#448,  
Plymouth**

**SuperAmerica  
#4210,  
Roseville**

**Holiday Plus  
#487,  
Fridley**

**Consource,  
East Grand  
Forks**

**Sullivan's  
New Market  
#1,  
Minneapolis**

**Bill's  
Superette  
#6, Brooklyn  
Park**

The Lottery's key to success has always been its retailers — the strong and fundamental business network that connects the agency to the playing public. From Omar Collis, who owns and operates the Mobil station in Lake Crystal, to Kevin Bodenner — who manages the largest SuperAmerica in Minneapolis — Lottery retailers benefit both the state and the consumer.

Fiscal year 1994 was financially rewarding for the 3,887 businesses that sold Lottery tickets. Their efficiency and expertise paid off: Including incentives, commissions for retailers was just under 6 percent and translates to \$19.7 million across the state. And the future looks bright: Virtually every day, technology yields new innovations and systems to make it easier and more efficient for retailers to sell tickets.

Those tickets are sold in diverse locations — a network that ranges from small, family-owned corner stores to the Mall of America; from colorful small-town hubs like the Tapp a Keg Inn to large metro grocery chains like Cub Foods. There's a bait shop, a butcher shop and a bingo hall in the network — as well as restaurants, liquor stores, and a campground.

The Lottery is committed to complete service and support for these retailers — with an emphasis on training and promotional assistance.

There are 10 telemarketers who contact retail clients on a regular basis — as well as a field representative staff of 45, who provide training, sales support and pitch in on special promotions. Retailers also receive the Lottery's monthly newsletter, the *Link*, which provides promotional tips, incentive information and news of winners, new games and technology.

The Lottery is committed to exceptional customer service — to help retailers build not only Lottery sales, but their businesses as a whole.

**Omar and  
Velma Collis  
of Lake  
Crystal sell  
Lottery tickets  
at their Mobil  
station.**

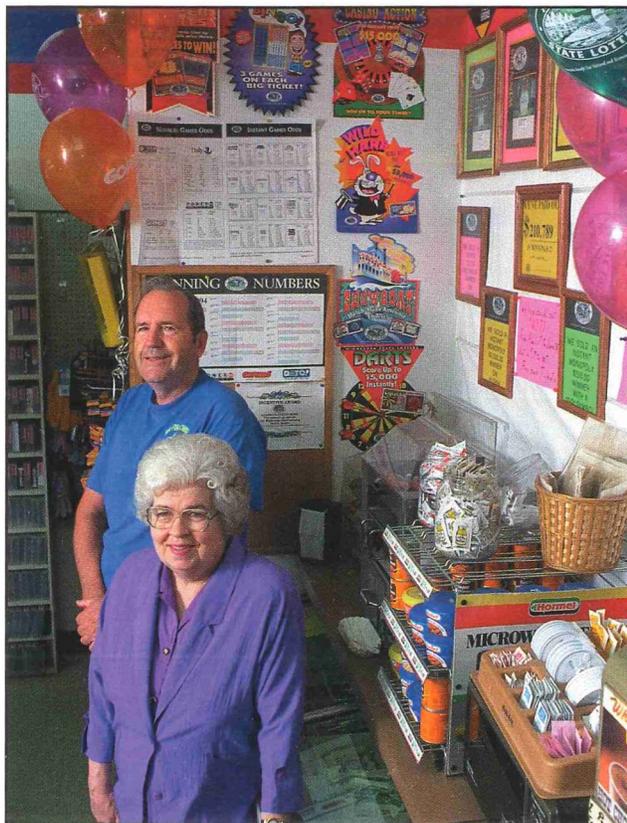


PHOTO BY JOHN DANICIC

# minnesota state lottery

## HEADQUARTERS

### Roseville

2645 Long Lake Road  
Roseville, Minnesota 55113  
(612) 297-7456, 635-8100

### Customer Service

(Weekdays 8 a.m. - 5 p.m.)  
1-(800) 475-4000, 297-7456  
(Twin Cities area)  
24-hour Player Hotline  
1-(800) 657-3496, 297-7371  
(Twin Cities area)

## REGIONAL OFFICES

### Virginia

327 Chestnut Street  
Virginia, Minnesota 55792  
(218) 749-9650  
Mark Staniger, Regional  
Manager

### Detroit Lakes

1111 Highway 10 East  
P.O. Box 70  
Detroit Lakes, Minnesota 56501  
(218) 846-0700  
Sandy Buchholtz, Regional  
Manager

### Marshall

1420 East College Drive  
P.O. Box 3065  
Marshall, Minnesota 56258  
(507) 537-6041  
Mark Heiling, Regional Manager

### Brainerd

523 South Sixth Street  
Brainerd, Minnesota 56401  
(218) 828-2722  
Donald Hanson, Regional  
Manager

### Owatonna

1836 South Cedar Avenue  
Owatonna, Minnesota 55060  
(507) 451-9601  
Steve Addabbo, Regional  
Manager

### Eagan

1060 Lone Oak Road, Suite 112  
Eagan, Minnesota 55121  
(612) 456-5454  
Ron Wilkinson, Regional  
Manager

### George R. Andersen

Director

### Don Masterson

Director for Operations

### Mary Ellen Hennen

Director for Administration

### Jim Burleson

Director for Marketing

### Dick Bacon

Chief of Security

### Don Feeney

Research and Planning Director

### Kate McCarthy

Public Relations Manager

### Debbie Hoffmann

Executive Assistant

### Dale McDonnell

Legal Counsel

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and 10 percent post-consumer  
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used.

This fiscal year 1994 annual  
report of the Minnesota State  
Lottery cost less than \$6,000 to  
produce.



50%  
TOTAL RECOVERED FIBER  
10% POST-CONSUMER FIBER



*When Minnesota plays,  
everybody wins...*

Minnesota State Lottery  
2645 Long Lake Road, Roseville, MN 55113  
(612) 635-8100