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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

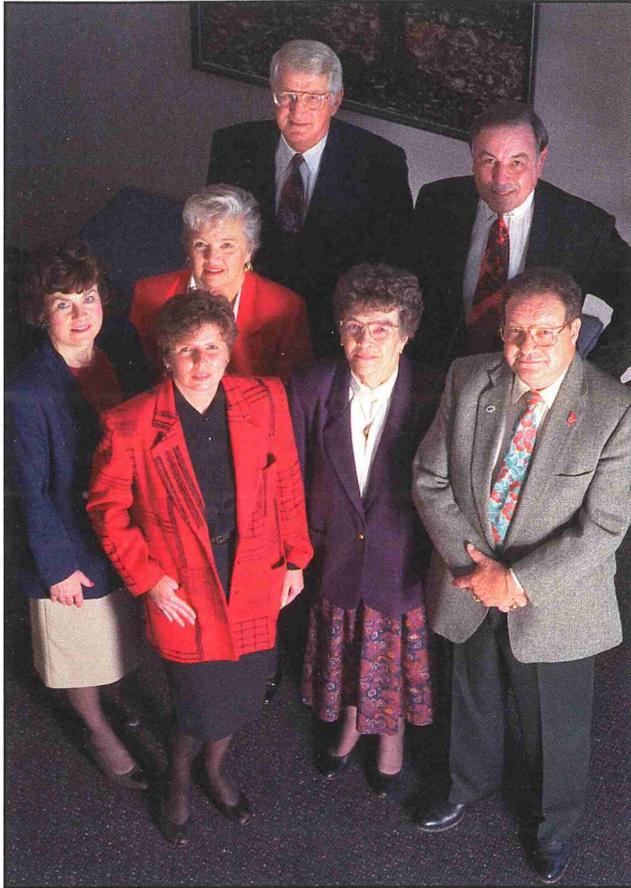


PHOTO BY JOHN DANICIC

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.

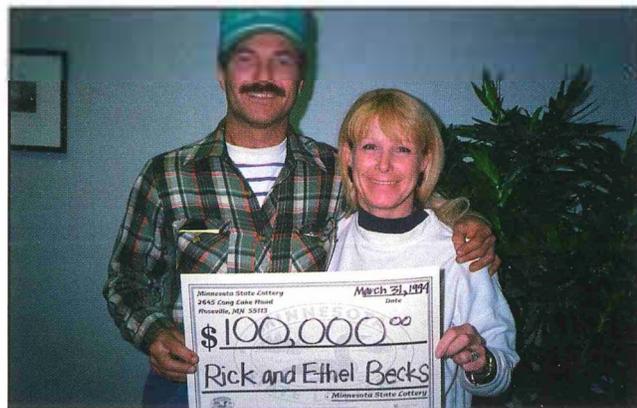
Gopher 5 also saw an increase, and totaled \$22.7 million. Daily 3 sales totaled \$14.8 million and DATO! (launched in April) had sales of more than \$650,000.

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

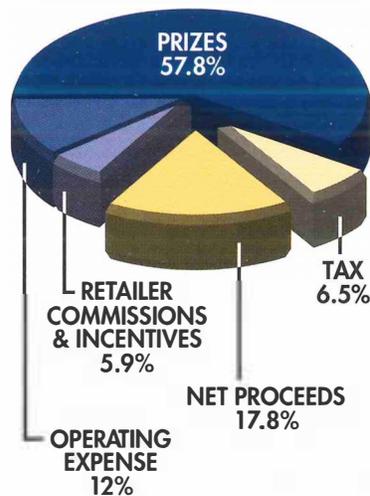
EXPENSES	1994	1993
Prize Expense	\$192,253,677	\$196,873,180
Retail Commissions & Incentives	\$19,673,485	18,160,627
Operating Expense		
Ticket Cost	\$3,613,567	3,389,438
Ticket Delivery	548,085	562,850
On-Line Vendor Commission	8,178,766	7,089,270
Contribution: Compulsive		
Gambling & Public Safety	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).

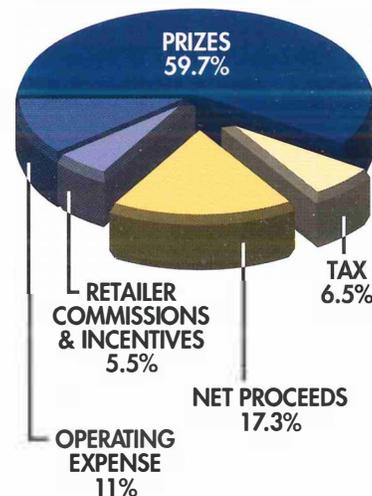
FISCAL YEAR 1994

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%



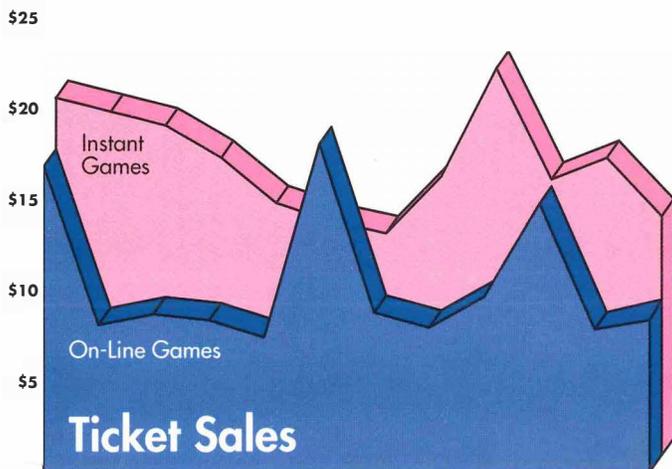
statements of cash flows

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



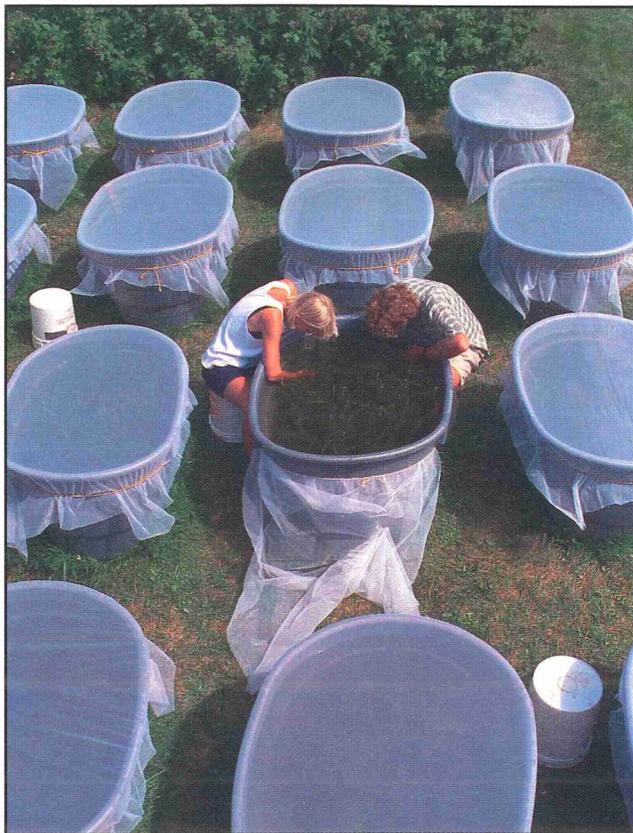


PHOTO BY JOHN DANICIC

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.

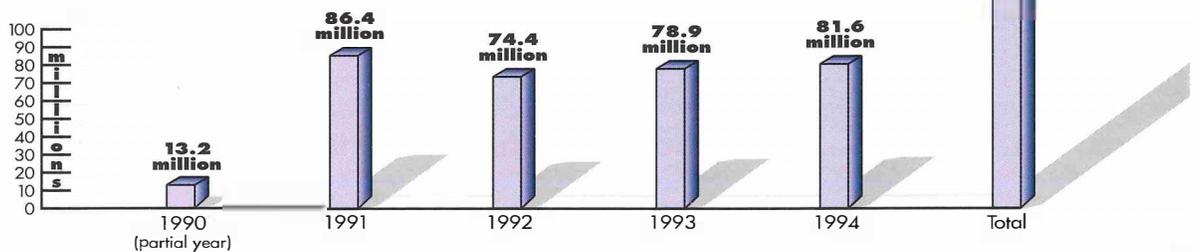
When Minnesota plays, everybody wins.

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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
Subtotal Net Proceeds	\$59,369,247 \$57,144,788
Tax (In-Lieu-of-Sales Tax)	
to General Fund	\$21,545,886 21,374,335
Compulsive Gambling & Public Safety	685,000 450,000
Grand Total to State	\$81,600,133 \$78,969,123



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	
Total Assets	\$21,591,112	\$24,760,671	

LIABILITIES AND RETAINED EARNINGS		1994	1993
Liabilities:			
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	
Total Liabilities	21,591,112	24,760,671	
Commitments and Contingencies	1994	1993	
Retained Earnings.....	—	—	
Total Liabilities and Retained Earnings.....	\$21,591,112	\$24,760,671	

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,

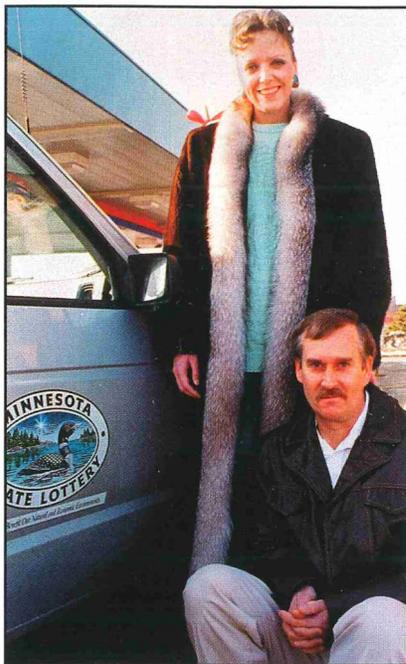


PHOTO BY JOHN DANICIC

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

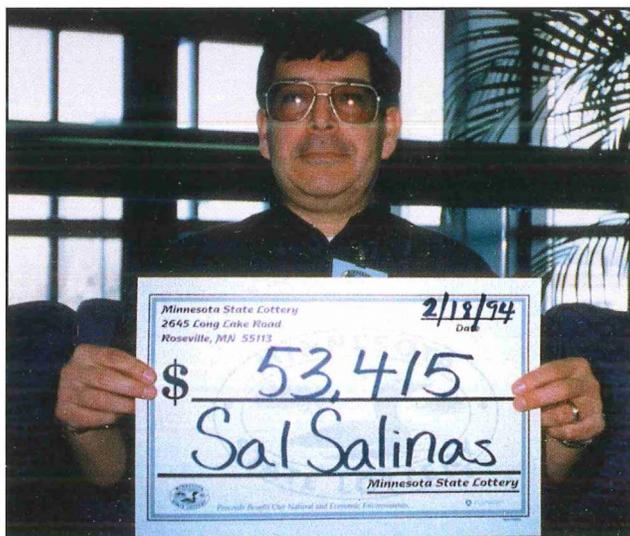
winners

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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Printed on recycled paper con-
taining 40 percent pre-consumer
and 10 percent post-consumer
waste. Soy-based inks were
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

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