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State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718

Tommy G. Thompson
Governor

Mark D. Bugher
Secretary of Revenue

March 1, 1996

The Honorable Tim Weeden
Co-Chair, Joint Committee on Finance
Senator, 15th Senate District
119 Martin Luther King Junior Blvd., Suite LL1
Madison, WI 53703

The Honorable Ben Brancel
Co-Chair, Joint Committee on Finance
Representation, 42nd Assembly District
Room 137 South, State Capitol
Madison, WI 53708

Dear Senator Weeden and Representative Brancel:

Section 565.02(7), Wis. Stats., requires a report to the Joint Committee on Finance every March 1, containing the following information:

- A. An estimate, for the current and subsequent fiscal years, of gross revenues from the sales of lottery tickets;
- B. The total amount paid as prizes and the prize payout ratio for each type of lottery game offered, based on these sales estimates; and
- C. An evaluation of the effect of prize payout ratios of lottery games on lottery sales, lottery operating costs and on maximizing the revenue available for lottery property tax relief.

The required report for 1996 is attached.

As a historical reference, the Lottery experienced its highest ticket sales in fiscal year (FY) 1994-95, reaching almost \$519 million and representing a 4.7 percent increase from the previous year's sales. Although the Lottery would like to maintain FY 1994-95 sales levels, FY 1995-96 ticket sales are expected to be closer to \$497 million, in part because of the expected reduction in on-line ticket sales for *Powerball* and *Wisconsin's Very Own Megabucks*. These games are older and of less interest to our players as evidenced by having fewer large jackpots and less ticket sales generated when large jackpots do occur. For FY 1996-97, sales are expected to remain stable at about \$497 million, which appears to be a plateau level for Lottery sales.

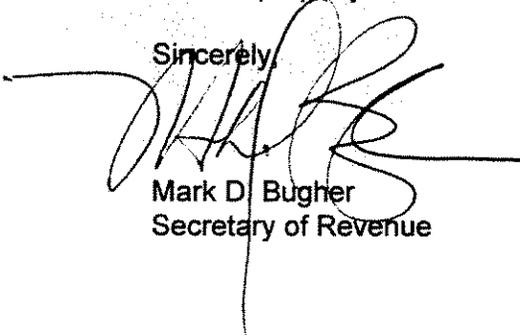
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The Honorable Ben Brancel
March 1, 1996
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In response to the declining on-line sales, the Lottery is planning to participate in a new on-line game offered by the Multi-State Lottery Association. The game is expected to be launched in the fall of 1996, although Wisconsin may not participate until late spring 1997.

It is believed that the increase in prize payouts for instant tickets, which was authorized by the Committee in May 1994, contributed to the increased sales in FY 1994-95. However, it would be imprudent to conclude that increased sales are exclusively a result of the increase in prize payout. Several other factors may contribute to increased sales, such as advertising, retailer incentives, cross-redemption abilities, as well as more external influences such as the state of the economy, competition from other gambling venues and the size of the on-line game jackpots. Fine tuning of sales can be achieved by adjusting the date and frequency of game introductions, the offering of different price point products (\$1, \$2, and \$5 instant tickets), and the play style of the games themselves.

The Wisconsin Lottery is ranked ninth highest in providing the instant ticket prize payout ratios, but like other lottery jurisdictions, is uncertain as to what the optimal cost-benefit prize payout level is. While increases in payout ratios have historically shown a relationship to increasing lottery sales, the Wisconsin Lottery is still without sufficient evidence that further increasing prize payouts would increase lottery proceeds. Because increased prize payouts directly impact the proceeds available for property tax relief, and because there is currently no evidence that continuing to increase prize payout levels will increase property tax relief, we are not requesting an increase in planned prize payouts for FY 1996-97 at this time. The Lottery will continue to analyze the correlation of prize payouts on ticket sales, as well as other factors mentioned above, to maximize the amount available for property tax relief.

Sincerely,



Mark D. Bugher
Secretary of Revenue

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Enclosure

F:\REFERRAL\LOTTERY

LOTTERY SALES AND PRIZE PAYOUT REPORT

REPORT TO THE JOINT COMMITTEE ON FINANCE

PREPARED BY:

**DIVISION OF LOTTERY
WISCONSIN DEPARTMENT OF REVENUE**

March 1, 1996

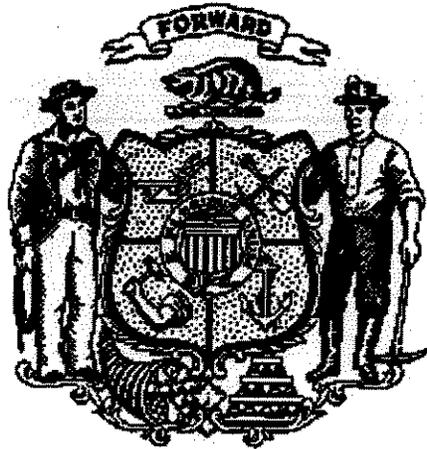


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A. HISTORY

Section 565.02(7), Wis. Stats., requires a report to the Joint Committee on Finance every March 1, containing the following information:

- A. An estimate, for fiscal years 1995-96 and 1996-97, of gross revenues from the sales of lottery tickets;
- B. The total amount paid as prizes and the prize payout ratio for each type of lottery game offered, based on these sales estimates; and
- C. An evaluation of the effect of prize payout ratios of lottery games on lottery sales, lottery operating costs and on maximizing the revenue available for lottery property tax relief.

In May 1994, the Wisconsin Gaming Commission submitted the first required report to the Co-chairs of the Joint Committee on Finance. Following a hearing on the report, the Committee authorized an increase in the average instant scratch ticket prize payout from 61% to 63% and an increase in the average instant pulltab ticket prize payout from 60% to 62%. On-line ticket designed prize payouts were held constant. An increase in the instant and pulltab prize payout percentages was requested to increase sales and lottery proceeds available for property tax relief. In March 1995, the Wisconsin Gaming Commission submitted a report on the Lottery's prize payout, but did not request an increase in the average payout percentage. In this report, no increases in prize payouts are being requested.

Instant games with higher payouts have been fully added to the mix of games available for sale. The Wisconsin Lottery first implemented the new higher prize payout with a \$2 instant scratch game introduction (High Roller) on September 19, 1994. The new higher prize payout was only added to one pulltab game introduction (Football) on October 24, 1994. No new pulltab games have been introduced since. Prize payouts for each on-line game have remained constant. Prize payouts for these games are game specific and the last on-line game introduction was September 13, 1993.

B. GROSS REVENUES FROM LOTTERY SALES (FY 1992-93 through FY 1996-97)

To provide a historical perspective, sales by game type for the past three years are shown in Table 1 in addition to estimated sales for the next two years. The Lottery experienced its highest sales in FY 1994-95, reaching almost \$519 million and representing a 4.7% increase from the previous year. Instant ticket sales have shown the greatest increase, while sales for the other two game types declined.

A decline of 4.2% from this record sales level is expected in FY 1995-96 because of the expected decline in on-line sales. Instant scratch and pulltab ticket sales are estimated using actual sales through January 1996 and a weighted average basis for February through June 1996 after making adjustments for seasonality considerations. On-line gross revenues are estimated based on a 52-week running average (Straight Line) of actual sales.

Projected FY 1996-97 sales are the same as FY 1995-96 because the Lottery's sales tend to plateau between \$495 and \$498 million. Estimated FY 1996-97 ticket sales will be adjusted throughout the year as actual sales occur.

Table 1
Ticket Sales by Fiscal Year and Game Type

Game Type	FY 1992-93 Sales Audited	FY 1993-94 Sales Audited	FY 1994-95 Sales Unaudited	FY 1995-96 Sales Estimate	FY 1996-97 Sales Projection
Instant Scratch	\$293,717,237	\$273,730,130	\$310,313,556	\$313,494,189	\$313,500,000
Instant Pulltab	\$17,234,572	\$11,587,320	\$10,042,539	\$7,997,130	\$8,000,000
On-line	\$184,180,122	\$210,203,461	\$198,558,875	\$175,741,211	\$175,750,000
Total	\$495,131,931	\$495,520,911	\$518,914,970	\$497,232,530	\$497,250,000

Exhibits 1 through 4 are graphical representations of Lottery sales.

C. TOTAL PRIZE PAYOUT RATIOS AND PRIZES PAID OR EXPECTED TO BE PAID (FY 1992-93 through FY 1996-97)

Table 2 shows the weighted average prize payouts estimated for the next two years as well as the weighted average prize payouts provided in the past three years. The weighted average prize payouts for instant scratch and pulltab games represent the average designed prize structures of all instant games in relation to ticket orders. For on-line games, the weighted average prize payout represents the average game designed prize structures for all on-line games in relation to on-line sales. The prize structure represents the number, value, and odds of winning for each prize and is used to estimate the expected amounts to be paid to Lottery winners. Exhibit 5 identifies the game designed prize payout percentages for current Lottery games.

Table 2
Weighted Average Prize Payout Percentages by Fiscal Year and by Game Type
 (percentages are rounded)

Game Type	FY 1992-93 Prize Payout	FY 1993-94 Prize Payout	FY 1994-95 Prize Payout	FY 1995-96 Prize Payout Estimate	FY 1996-97 Prize Payout Projection
Instant Scratch	61.56%	61.40%	62.86%	62.99%	63.00%
Instant Pulltab	60.30%	60.30%	60.30%	62.00%	62.00%
On-line	50.93%	50.83%	50.67%	50.65%	50.65%

The percent of each game's *actual* prizes paid will vary from the average expected prize payout percentage primarily because of ticket holders not claiming their winning tickets. Table 3 identifies the actual prizes paid in the past three years. Expected prizes to be paid in FY 1995-96 and FY 1996-97 are not adjusted for unclaimed prizes but represent the game designed prize payout.

Table 3
Actual Prizes Paid or Expected to be Paid by Fiscal Year and by Game Type

Game Type	FY 1992-93 Prizes Paid (Audited)	FY 1993-94 Prizes Paid (Audited)	FY 1994-95 Prizes Paid (Unaudited)	FY 1995-96 Expected Prizes	FY 1996-97 Projected Prizes
Instant Scratch	\$180,293,997	\$166,950,503	\$194,253,050	\$197,469,990	\$197,500,000
Instant Pulltab	\$10,386,262	\$6,990,948	\$6,098,868	\$4,958,221	\$5,000,000
On-line	\$90,699,684	\$99,748,968	\$98,465,571	\$89,013,564	\$89,015,000
Total	\$281,379,943	\$273,690,419	\$298,817,489	\$291,441,775	\$291,515,000

D. EVALUATION OF PRIZE PAYOUT RATIOS

Even though increases in payout ratios have been followed by increased lottery sales, the Wisconsin Lottery, like many other lottery jurisdictions, is without evidence that continuing to increase prize payouts provides a solution to desired increased sales since it may not result in additional property tax relief. The Wisconsin Lottery currently provides the ninth highest prize payout ratio for instant tickets among other lottery jurisdictions, but the optimal level for maximum benefit remains unclear. Because increased prize payouts directly impact proceeds available for property tax relief, we are apprehensive about proposing any changes to existing payout ratios at this time. The Lottery will be seeking other alternatives to increasing sales such as new games, retailer training, etc.

The remainder of this section analyzes the possible impact of prize payout ratios on lottery sales, costs, and in turn, proceeds as experienced by other lottery jurisdictions as well as the Wisconsin Lottery. Proceeds are defined as lottery sales less operational costs. In general, the industry consensus is that proceeds have increased with increases in the prize payout ratio, but it is unclear the optimum prize payout level and the role other factors play.

1. Effect on Lottery Sales, Operational Costs and Proceeds

The consensus throughout the lottery industry is that increasing the percentage for prize payouts, up to some maximum point, stimulates and increases sales, primarily by increasing the chances of a player having a "winning" experience. However, the payout ratio is only one of many factors that contributes to increased lottery sales. Other factors include advertising, retailer incentives and cross-redemption of winning tickets, as well as more global influences such as the state of the economy and competition from other gambling venues. More specific influences include the date and frequency of game introductions, the offering of different price point instant ticket games (\$1, \$2, and \$5) instant tickets and the play style of the games themselves. These factors are also important to on-line sales, but the primary determinant of the success of on-line sales (at least for on-line pari-mutuel games, which in Wisconsin account for 50% of on-line sales) has historically been the size of the jackpot. While many of these factors are difficult to quantify in terms of their direct effect on sales, it is the Lottery's intent to analyze the relationship these factors have to ticket sales and lottery proceeds and to incorporate the findings into the Lottery's marketing strategy.

The lottery industry typically defines operational costs as the administrative costs necessary to operate the lottery. However, from an accounting perspective, operational costs also include prize expenses and retailer commissions. Because many of the Lottery's costs increase proportionately to increases in ticket sales, the dollar amount of costs increase relative to increased sales. For example, total retailer commissions increase as sales increase, however, the increase remains constant at 5.5% of sales. Similarly, total printing costs also increase as instant ticket sales increase, but the share of these costs increases proportionately with sales.

Proceeds available for property tax relief represent the remainder of lottery sales after total operational costs have been paid. Historically, both sales revenues and operational costs have increased with increases in the prize payout ratio. However, as a share of sales the only percentage increase in operational costs comes from increasing the percentage of prize payout ratio. Thus, as a percent of sales, any increase in prize payout ratio will result in a lower percentage for property tax relief.

To illustrate this point, consider a hypothetical example portrayed in Table 5: Ticket sales in Year 1 are \$100 million and increase 10% to \$110 million in Year 2. For Year 2 assume two scenarios: in scenario 1 the prize payout increases to 63% and in scenario 2 payouts increase to 65% with sales at \$110 million in both scenarios. The three operational costs are prize expenses, retailer commissions and other costs, which assumes all operating costs increase in proportion to sales, i.e., there are no fixed costs. Both retailer commissions and other costs increase in absolute value, but remain constant as a share of revenue. Prize expenses, on the other hand, increase in both absolute value and as a share of revenue. Thus, as a share of total revenue the only increase in costs due to increasing the prize payout ratio comes from the increase in prize expenses. More importantly, however, is that there is an optimum prize payout level, because as shown in Table 5, the increase in prize payout of 65% with only a 10% increase in sales negatively impacts proceeds compared to Year 1 proceeds.

Table 5
Hypothetical Example of Sales, Operating Cost, and Proceeds Relationship

	YEAR 1 (61% PRIZES)		YEAR 2: Scenario 1 (63% PRIZES)		YEAR 2: Scenario 2 (65% PRIZES)	
	Share of Revenue	Dollars (millions)	Share of Revenue	Dollars (millions)	Share of Revenue	Dollars (millions)
Sales		\$100.00		\$110.00		\$110.00
Costs:						
Prizes	61.0%	\$61.00	63.0%	\$69.30	65.0%	\$71.50
Retailer Commission	5.5%	\$5.50	5.5%	\$6.05	5.5%	\$6.05
Other Costs	6.0%	\$6.00	6.0%	\$6.60	6.0%	\$6.60
Total Costs	72.5%	\$72.50	74.5%	\$81.95	76.5%	\$84.15
Proceeds	27.5%	\$27.50	25.5%	\$28.05	23.5%	\$25.85

2. Experiences in Other States

The following cases illustrates experiences of six lotteries who appear to have increased their sales, and hence proceeds, in part through increasing their prize payout ratios. The first four cases pertain to instant sales and the final two pertain to on-line sales. The indicator to use when analyzing the effect of proposed prize payout changes is the change in the amount of proceeds, rather than the change in the share of proceeds as a percent of sales. That is, proceeds as a share of total sales may fall as sales increase, but the absolute amount of the proceeds may well increase. For example, as illustrated in the Colorado, Massachusetts, Ohio, and Arizona cases, each of these states increased their instant prize payout ratios and experienced proceed increases, even though proceeds as a share of total sales decreased.

Also, even though these lotteries appear to have achieved success primarily through increasing the payout ratio, they instituted other programs in conjunction with the increased payout, which may have helped to contribute to the increase in lottery proceeds. For instance, Colorado's success came from a nine-step program that was modeled after the Massachusetts Lottery. The nine-step program included increasing the payout ratio, but also included implementing a full on-line instant ticket validation system in place of separately accounting for guaranteed low-end prizes. Furthermore, it is not clear that the return from increasing the prize payout ratio is the same at all levels of the payout ratio; that is, sales may respond more to changes in the ratio from 50% to 60% than they do when changing the ratio from 60% to 70%. Several of the states show great success, but they increased their payout ratios from rather low levels (current industry average is 59.1%) to levels more in-line with the upper tier of payout ratios, to which Wisconsin belongs. Thus, increasing the payout ratio in Wisconsin from the already high rate of 63% may produce a lower marginal rate of return.

INCREASE IN INSTANT PRIZE PAYOUT RATIO

The **Colorado** Lottery reports that it increased the instant prize payout from 50% to 65% in FY 1992-93. It also reports that sales have increased from \$71 million in FY 1991-92 to \$180.9 million in FY 1994-95. This represents an increase of 109.9 million, or 155% in three years. Over the same period, proceeds increased \$16.6 million, or 58%, even though proceeds as a percentage of sales declined from 40% to 25%. It should be noted that the Colorado lottery increased their payout ratio as part of an overall nine-step program, based upon the Massachusetts Lottery. (Exhibit 6)

The **Massachusetts** Lottery, which leads the nation in both instant per capita sales and the payout ratio (70%), reports that it increased its instant prize payout incrementally from 65% in FY 1989-90 to 70% in FY 1994-95. Over this period annual sales increased from \$700 million to \$1,793 million, which represents an increase of \$1,093 million, or 156% in five years. In addition, proceeds increased \$220 million, or 126%, even though proceeds as a percentage of sales declined from 25% to 22%. Part of the success of any lottery depends on its flexibility to advertise, respond to conditions, research products and compete effectively. (Exhibit 7)

The **Ohio** Lottery reports that it has incrementally increased the instant prize payout ratio from 59.4% in FY 1991-92 to 62.9% in FY 1994-95. During this three year period, annual sales increased from \$577 million to \$1,032 million, an increase of \$454 million, or 79%. During the same period proceeds increased \$141.1 million, or 63%, even though as a percentage of sales proceeds declined from 36% to 32%. During this period the Ohio lottery also implemented cross redemption and sales incentive programs (both of which are known to increase sales.) (Exhibit 8)

The **Arizona** Lottery reports that it increased the instant prize payout from 49% in FY 1991-92 to 55% in FY 1994-95, and plans to increase the payout again to an estimated 59% during FY 1995-96. During the same period annual sales increased from \$57.1 million to \$77.5 million, an increase of \$20.4 million, or 36%. At the same time proceeds increased from \$19 million to \$24.4 million, representing an increase of \$5.4 million, or 28%. However, proceeds as a percentage of sales declined from 35% to 32%. (Exhibit 9)

INCREASE IN ON-LINE PRIZE PAYOUT RATIO

Though it is believed that jackpots are the primary determinants of on-line sales, increasing the prize payout may also lead to higher sales. For example, the **Kentucky** Lottery Corporation reports that it increased its prize payout of on-line *Pick 3* from 50% to 60% in FY 1991-92. Sales increased from \$18 million in 1991 to \$72.8 million in FY 1994-95, which represents an increase of \$54.8 million, or 304%. During the same period proceeds increased from \$6 million to \$22.6 million, representing an increase of 16.6 million, or 277%. The Kentucky lottery provides an example of a lottery where sales increased in years after the increase in the payout ratio, which may suggest that payout ratios have lagged effects. (Exhibit 10)

In addition, the **Maryland** Lottery reports that it introduced a promotion to its on-line *Club Keno* game in FY 1994-95, which increased the prize payout from 58% to 65%. Over the 10 weeks pre- and post-implementation, sales increased from \$25 million to \$47 million, with a 50% increase in proceeds to the state.

Therefore, increases in the payout ratio have shown a relationship to increases in both lottery sales and proceeds. However, there are many other factors which also contribute to increased sales and proceeds. Therefore, further analysis is necessary before concluding that increasing the payout ratio will continue to increase the proceeds available for property tax relief.

3. Experience in Wisconsin

The **Wisconsin** Lottery has performed well in comparison to the other 36 lottery jurisdictions in the U.S. for instant ticket sales and operating efficiencies. Among the 7 U.S. lotteries with similar populations (AZ, LA, MN, MD, MO, WA, IN), the Wisconsin Lottery ranks 1st in per capita sales of instant tickets, 2nd in instant ticket sales and 3rd in operating efficiency.

Among all 37 U.S. lottery jurisdictions the Wisconsin Lottery ranks:

- 9th in the instant ticket prize payout ratio with 63%. Payouts range from 50% to 70%.
- 12th in instant ticket sales with \$310.2 million in FY 1994-95.
- 17th in total ticket sales with \$518.8 million in FY 1994-95.
- 9th in per capita instant ticket sales with \$60.82 per capita in FY 1994-95. Per capita sales in other states range from \$9 to \$298.83.

The Wisconsin Lottery has not fared as well for on-line sales. It ranks 29th in per capita sales of on-line tickets.

Despite reaching the highest sales amount in the Wisconsin Lottery's history in FY 1994-95, the amount available for property tax relief did not increase. This was due to a decline in on-line sales of 5.5%, even though the increase in the instant ticket payout rate helped to contribute to 13.4% growth in sales. Although the increase in instant sales is larger than the decline in on-line sales, the Wisconsin Lottery receives proportionately more of its net revenue from on-line sales. Thus, on-line sales have a larger impact on proceeds than instant sales.

Instant Sales: Wisconsin increased its prize payout from 61.4% in FY 1993-94 to 62.86% in FY 1994-95. During this period, sales increased from \$273.7 million to \$310.3 million, an increase of \$36.6 million, or 13.4%. The sales increase is likely due to a combination of factors because other changes were made during this period, such as introducing more tickets with higher than \$1 price points (\$2 and \$5 tickets). However, the increased prizes are a contributing factor to the 13.4% sales increase.

Pulltab Sales: Although the prize payout has been increased for pulltab games, sales of pulltab games have generally declined. Pulltab tickets have not been profitable for the Lottery, partially because nonprofit organizations which sell the tickets are allowed 30% retailer commissions (as authorized in the Administrative Code) and because the Lottery has not placed marketing emphasis on this product. Ten percent of ticket sales by nonprofit organizations are retained by the Lottery to cover operational costs, such as printing and ticket delivery. Minnesota is often given as an example of a State with a high pulltab payout ratio (81%) and correspondingly high pulltab sales, but it should be noted that Minnesota's pulltab sales are also not profitable for the State.

On-line Sales: Sales of on-line games are expected to be lower in FY 1995-96 than they were in the two previous fiscal years, due almost entirely to lower projections for *Powerball* and *Wisconsin's Very Own Megabucks (Megabucks)* ticket sales. These on-line games are pari-mutuel games whereby increased sales without any jackpot winners result in further increases in jackpot amounts. In total, these two games contribute over 50% to on-line lottery sales. Wisconsin currently offers three other on-line games (*Super Cash*, *Daily Pick 3*, and *Money Game 4*) that have fixed prize structures, and thus more closely resemble instant games. Sales for these three games in FY 1995-96 are expected to remain at levels

similar to those reached in FY 1994-95. The primary reason behind the expected decline in *Powerball* and *Megabucks* ticket sales for FY 1995-96 is declining player interest due to fewer large jackpots and comparatively lower ticket sales when large jackpots do occur, as seen in Tables 6 and 7.

Table 6
Large *Powerball* Jackpots Compared to Average Ticket Sales
(Wisconsin Experience Only)

Fiscal Year	Total Sales	Average Sales per Drawing	Avg. Jackpot per Drawing	Number of Drawings with Jackpots of at least \$50 Million
1993-94	\$86.3 million	\$831,000	\$17.5 million	7
1994-95	\$88.2 million	\$848,000	\$23.5 million	13
1995-96 (to date)	\$63.1 million	\$665,000	\$21.4 million	5
1995-96 (estimate based on trend)				8

Table 7
Large Wisconsin's Very Own *Megabucks* Jackpots
Compared to Average Ticket Sales

Fiscal Year	Total Sales	Average Sales per Drawing	Avg. Jackpot per Drawing	Number of Drawings with Jackpots of at least \$8 Million
1993-94	\$41.9 million	\$403,000	\$4.8 million	24
1994-95	\$32.4 million	\$312,000	\$3.4 million	6
1995-96 (to date)	\$29.2 million	\$269,000	\$3.2 million	4
1995-96 (estimate based on trend)				6

In addition, *Powerball* and *Megabucks* are fairly old games, and in the case of *Powerball* there is some indication of a national trend in declining sales among the states which have offered *Powerball* the longest. Wisconsin was one of the first states to offer *Powerball* in

April, 1992. It is generally acknowledged that on-line games have a natural life-cycle, and that new games need to be introduced as players' interest in older games fade.

The Multi-State Lottery Association, which operates *Powerball*, is introducing a new game in the fall of 1996, called *All American Cash*. Wisconsin expects to offer *All American Cash* in the spring of 1997. This game will have a payout ratio of about 50%, which is the same as *Powerball* and slightly less than *Megabucks*, but it is assumed that the "newness" of the game and its different design will increase on-line player participation and overall sales.

E. CONCLUSION

The most important goal of the Wisconsin Lottery is to maximize proceeds available for property tax relief. Therefore, it is important that the Lottery carefully consider any proposed changes to reduce the likelihood of decreases in the amount available for property tax relief, despite increasing sales. FY 1995-96 tickets sales are estimated to be \$497 million and to remain at approximately that level through FY 1996-97. Since the payout ratio will not change in FY 1995-96 or FY 1996-97, proceeds available for property tax relief will be unaffected by changes in the payout ratio. Nevertheless, the payout ratio remains one of several factors the Lottery needs to continue to consider in influencing sales and in maximizing the amount available for property tax relief.

EXHIBIT 1

TOTAL TICKET SALES

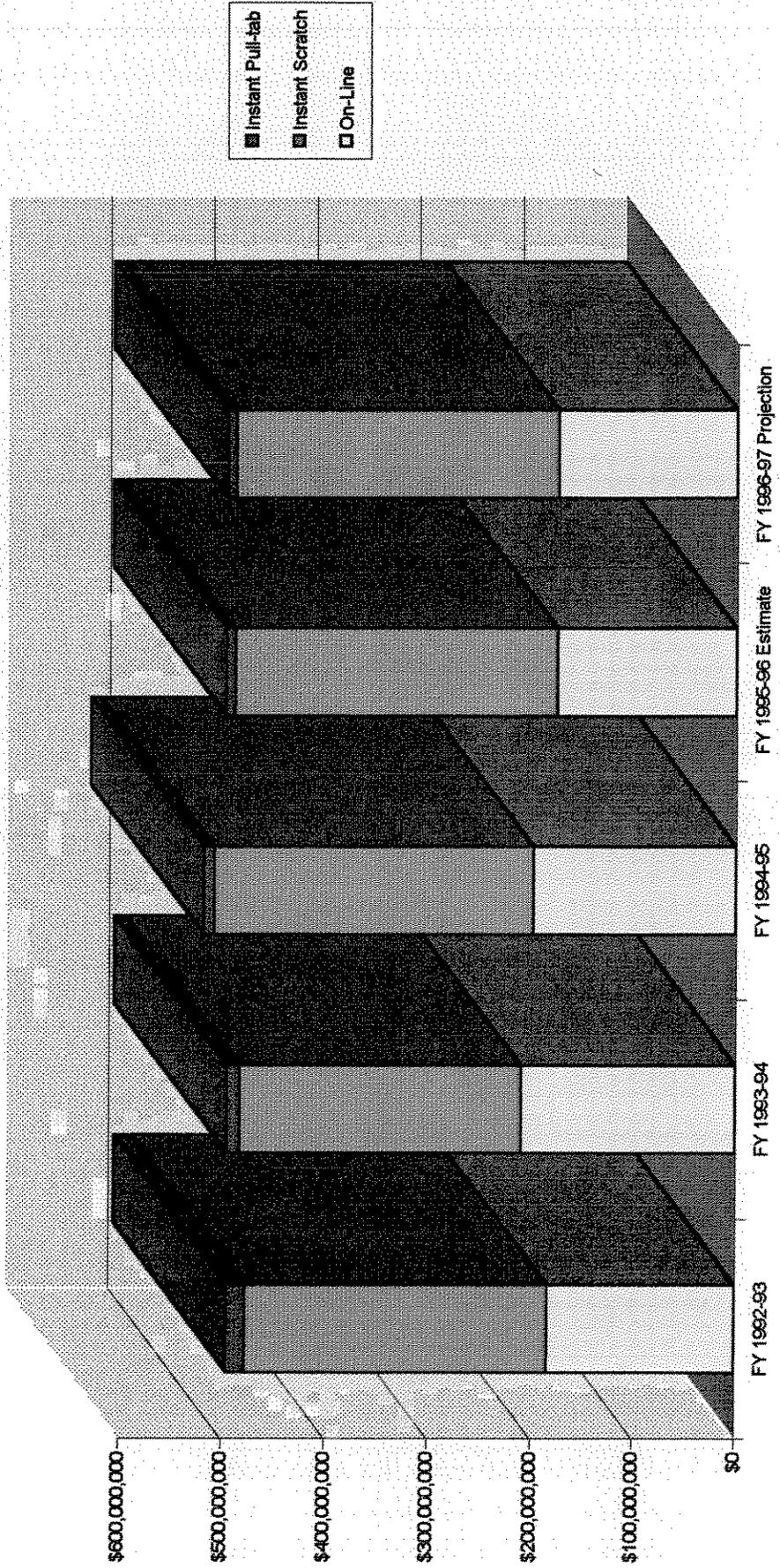


EXHIBIT 2

INSTANT SCRATCH TICKET SALES

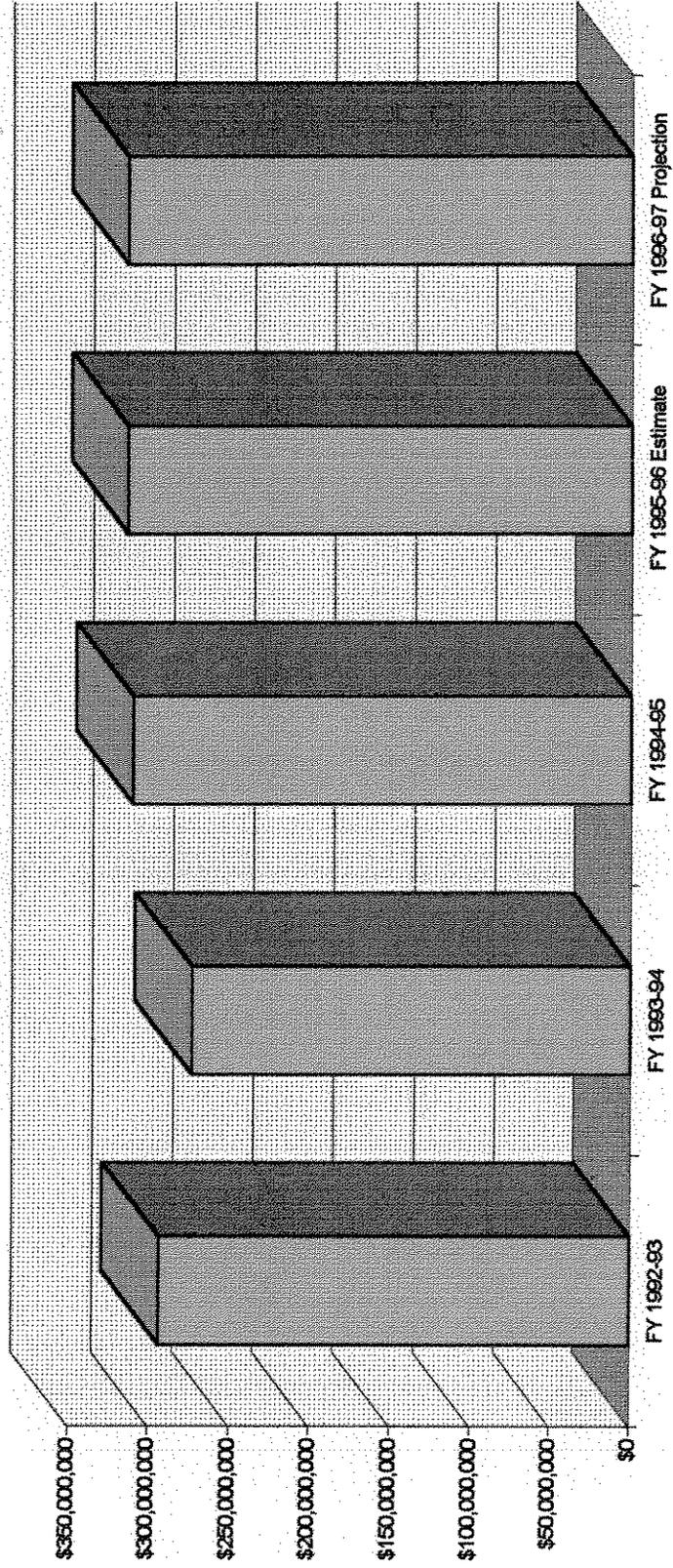


EXHIBIT 3

INSTANT PULLTAB TICKET SALES

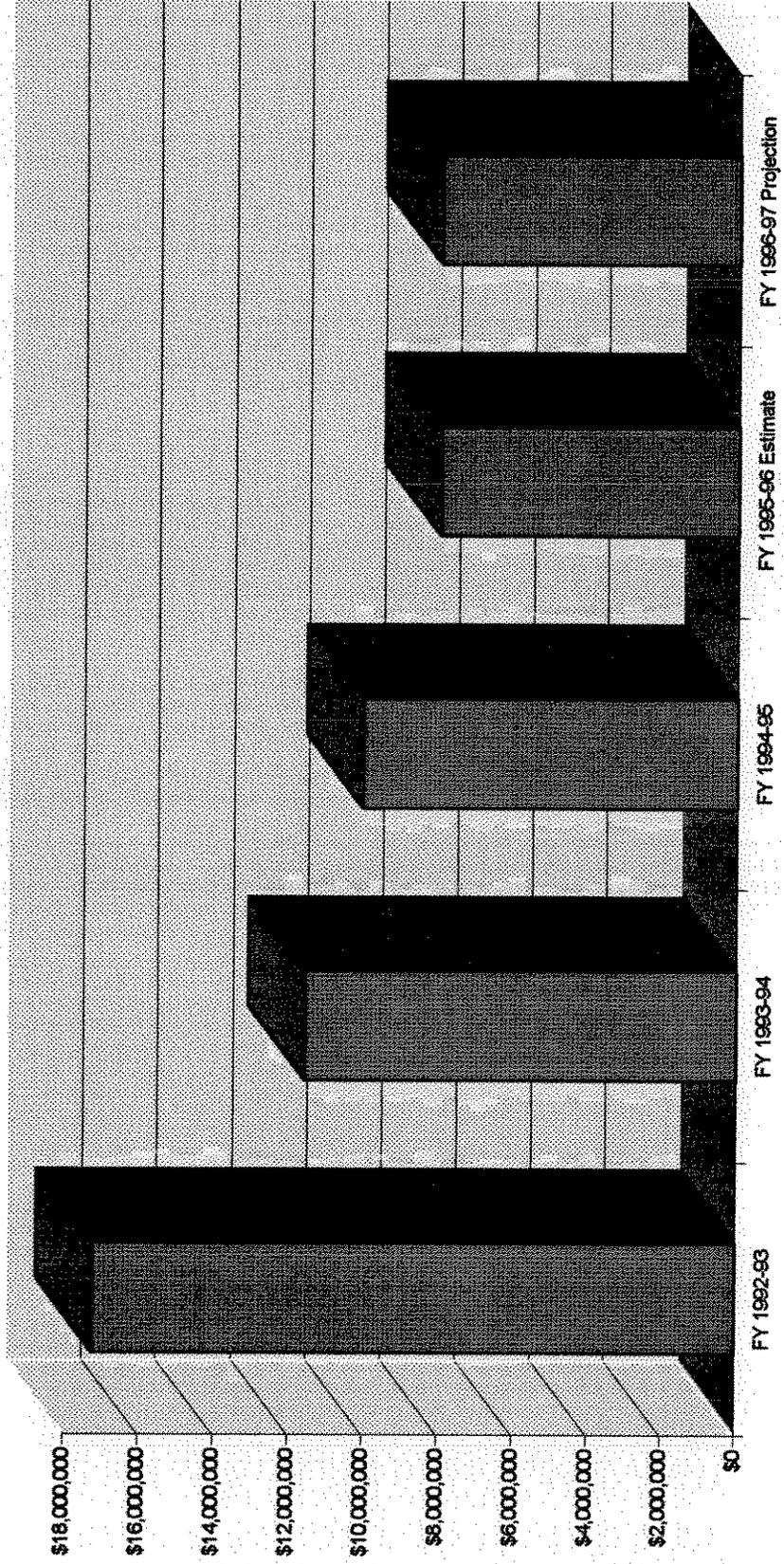
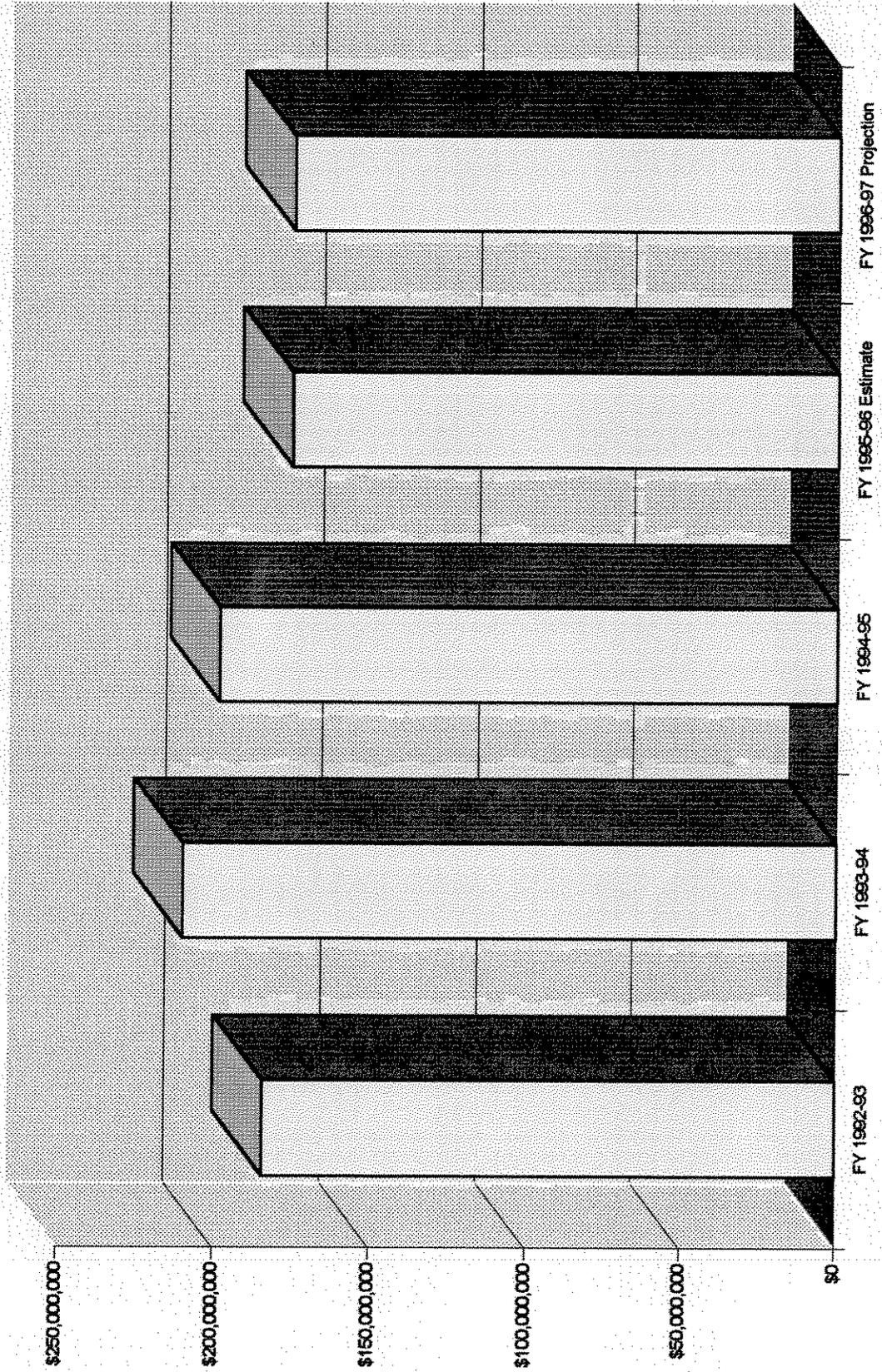


EXHIBIT 4

ON-LINE TICKET SALES



**PRIZE PAYOUT PERCENTAGES
FOR CURRENT WISCONSIN LOTTERY GAMES**

EXHIBIT 5
Page 1 of 2

Instant Scratch Games

<u>Game</u>	<u>Price Point</u>	<u>Start Date</u>	<u>Prize Payout</u>
Vacation Moola**	\$1	04/26/93	64.91%
American Moola	\$1	06/21/93	63.79%
Spin N' Win	\$1	07/12/93	60.03%
Money Game	\$1	08/30/93	62.55%
Pocket Cash *	\$1	11/01/93	60.01%
Break the Bank *	\$1	01/10/94	60.01%
Hog Mania *	\$1	01/31/94	63.53%
Instant Scratch Bingo*	\$5	02/14/94	60.00%
Instant Monopoly*	\$1	03/14/94	60.00%
High Roller *	\$2	09/19/94	63.02%
Stocking Stuffer *	\$2	11/14/94	65.00%
Holiday Surprise *	\$1	12/05/94	70.33%
Weekly Cash**	\$2	12/12/94	63.07%
Cabin Fever *	\$1	01/09/95	66.02%
Couch Potato Doubler *	\$1	01/09/95	66.24%
Little Scratch Bingo	\$2	01/30/95	61.17%
Double Blackjack	\$1	02/13/95	66.12%
Lucky 7's*	\$1	03/06/95	60.50%
Pennant Fever	\$1	03/27/95	66.13%
Joker's Wild	\$2	04/17/95	63.15%
Ace in the Hole	\$1	05/01/95	60.89%
Instant Scratch Lucky Match	\$5	05/15/95	63.17%
Magic Hats	\$5	05/15/95	63.17%
Sizzlin' Cash Doubler**	\$1	06/05/95	62.21%
3 of a Kind	\$1	06/19/95	61.06%
Lucky Dog	\$1	07/17/95	60.06%
The Big Game	\$2	08/07/95	60.35%
First and Ten	\$1	08/28/95	60.78%
Cash Harvest	\$1	09/11/95	69.13%
Little Scratch Bingo Bucks	\$2	09/18/95	63.00%
Instant Scratch Bingo Bucks	\$5	09/18/95	62.57%
Let it Roll 7-11	\$1	10/02/95	61.00%
Winning Hand	\$1	10/02/95	60.89%
Bank Shot	\$1	10/23/95	61.06%
Slap Shot	\$1	10/23/95	60.99%
Tic Tac Toe Doubler	\$1	11/06/95	67.76%
Double Doubler	\$1	11/06/95	61.28%
Jingle Bell Cash	\$5	11/27/95	66.88%
Big Lucky 7's	\$2	12/11/95	63.04%
Cold Cash	\$1	12/11/95	60.89%
Couch Potato	\$1	01/08/96	66.00%
Royal Flush	\$1	01/29/96	60.90%
Cash Blast	\$1	02/19/96	68.31%

* Tickets sold out; game ended on 12/2/95, last day to pay prizes 5/30/96.

** Tickets sold out; game not yet scheduled to end.

**PRIZE PAYOUT PERCENTAGES
FOR CURRENT WISCONSIN LOTTERY GAMES**

EXHIBIT 5
Page 2 of 2

Pulltab Games

<u>Game</u>	<u>Start Date</u>	<u>Prize Payout</u>
Badger Cash	07/06/90	60.00%
Luck of the Draw	06/01/92	60.00%
Casino Gold	06/29/92	60.39%
Triple Diamonds	11/09/92	60.39%
Easy 7's	11/30/92	60.00%
Bonanza	05/23/94	62.15%
Football	10/24/94	62.94%

On-Line Games

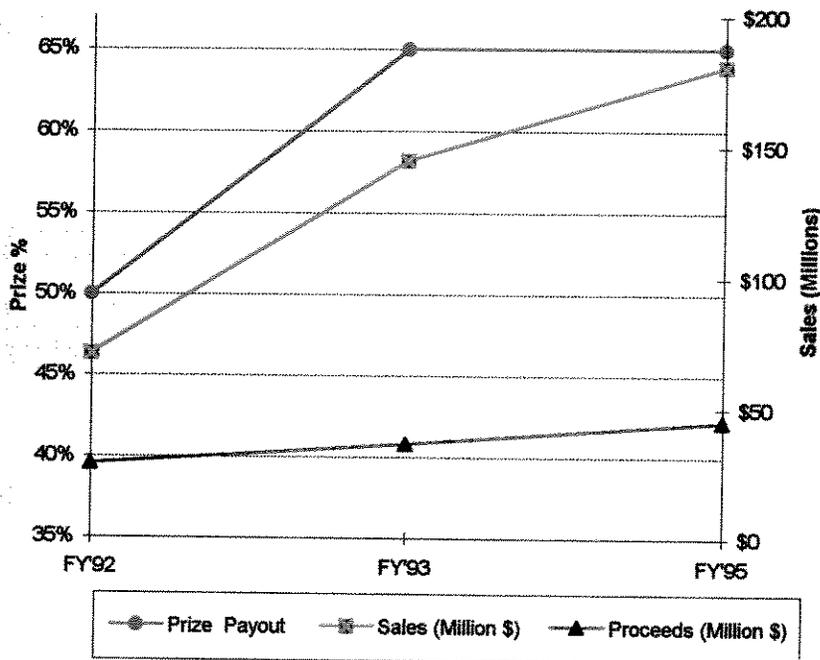
<u>Game</u>	<u>Start Date</u>	<u>Prize Payout</u>
Supercash!	02/04/91	51.6%
POWERBALL®	04/19/92	50.0%
Wisconsin's Very Own Megabucks	06/18/92	53.5%
Daily Pick 3	09/21/92	48.2%
Money Game 4	09/13/93	47.0%

Colorado Lottery

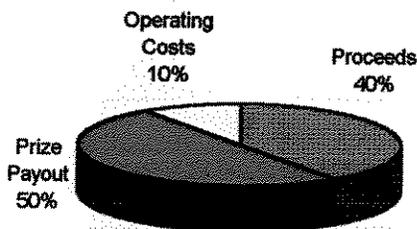
Impact of Increase in Prize Payout on Gross Instant Scratch Product Sales & Net Proceeds

YEAR	Sales (Million \$)	Proceeds (Million \$)	Percent of Sales		
			Proceeds	Prize Payout	Operating Costs
FY'92	71.0	28	40%	50%	10%
FY'93	145.0	38	25%	65%	10%
FY'95	180.9	45	25%	65%	10%
\$ Change (FY1992-95)		109.90			
% Change (FY 1992-95)		155%			

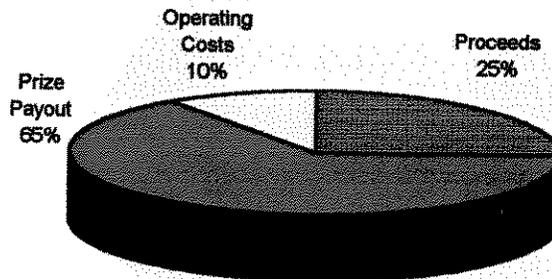
All data shown as % product sales; Not % of total sales.



FY'92 Sales \$71 million
FY'92 Proceeds \$28 million



FY'95 Sales \$180.9 million
FY'95 Proceeds \$45 million



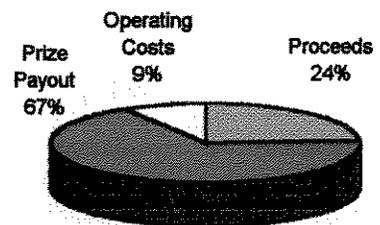
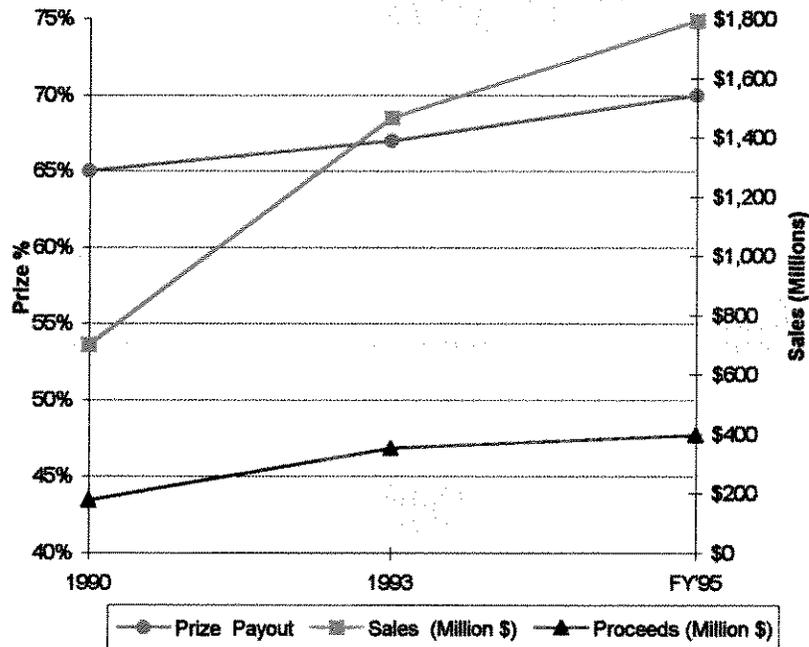
Massachusetts Lottery

Impact of Increase in Prize Payout on Gross Instant Scratch Product Sales & Net Proceeds

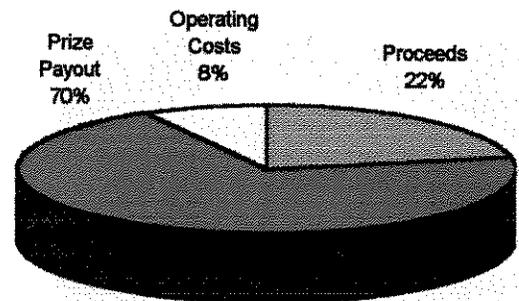
YEAR	Sales (Million \$)	Proceeds (Million \$)	Percent of Sales		
			Proceeds	Prize Payout	Operating Costs
1990	700.0	175	25%	65%	10%
1993	1,465.0	352	24%	67%	9%
FY'95	1,793.0	395	22%	70%	8%
\$ Change (FY 1990-95)		1,093.0			
% Change (FY 1990-95)		156%			

All data shown as % product sales; Not % of total sales.

1990 Sales \$700 million
1990 Proceeds \$175 million



FY'95 Sales \$1,793 million
FY'95 Proceeds \$395 million



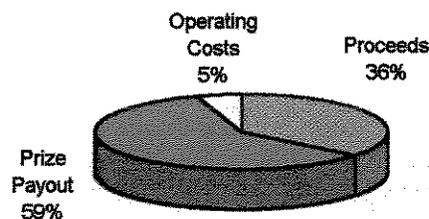
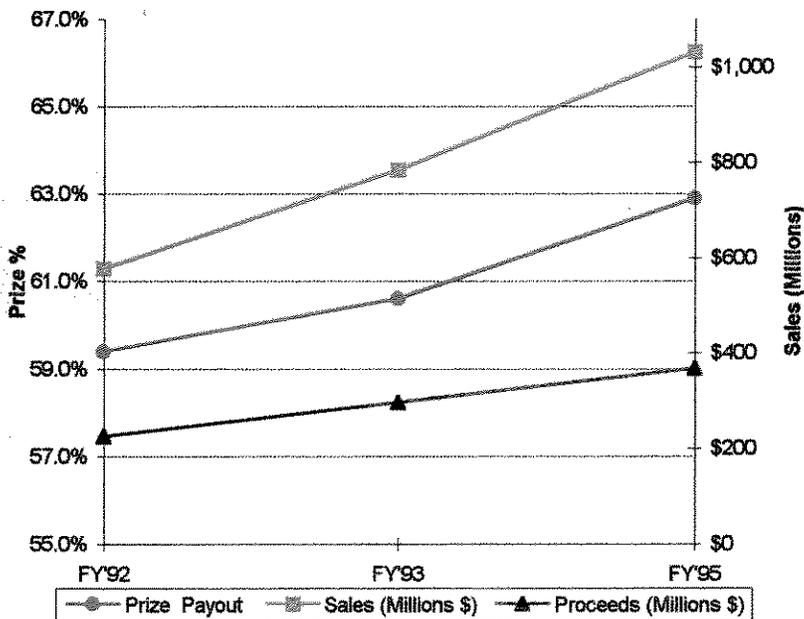
Ohio Lottery

Impact of Increase in Prize Payout on Gross Instant Scratch Product Sales & Net Proceeds

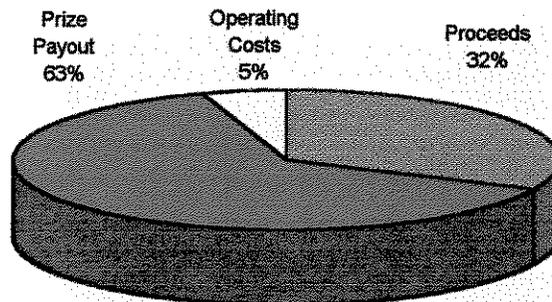
YEAR	Sales (Millions \$)	Proceeds (Millions \$)	Percent of Sales		
			Proceeds	Prize Payout	Operating Costs
FY92	577.6	225.6	36%	59.4%	5%
FY93	783.7	296.8	34%	60.6%	5%
FY95	1,031.6	367.0	32%	62.9%	5%
\$ Change (FY 1992-95)		454.00			
% Change (FY 1992-95)		79%			

All data shown as % product sales; Not % of total sales.

FY'92 Sales \$577.6 million
FY'92 Proceeds \$225.6 million



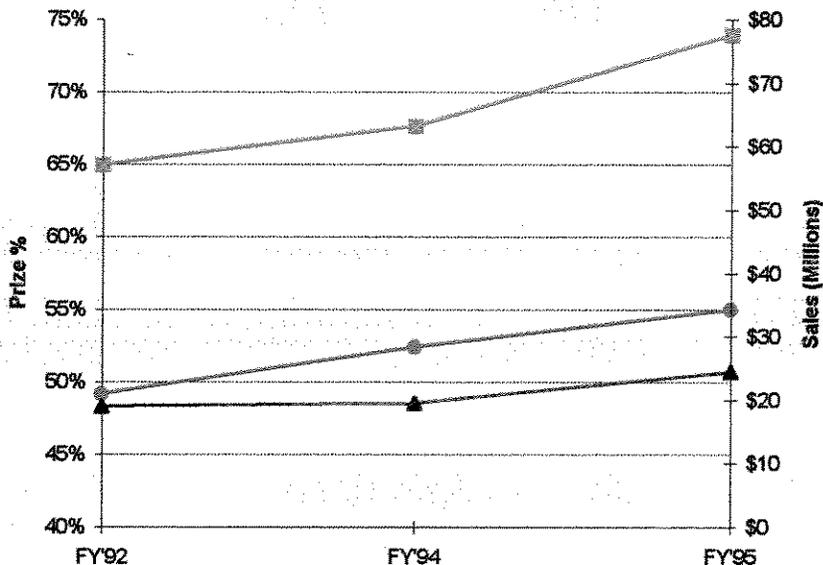
FY'95 Sales \$1,031.6 million
FY'95 Proceeds \$367.0 million



Arizona Lottery

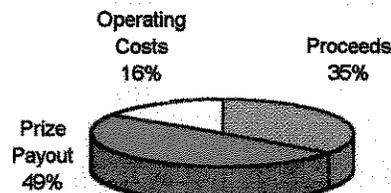
Impact of Increase in Prize Payout on Gross Instant Scratch Product Sales & Net Proceeds

YEAR	Sales (Millions \$)	Proceeds (Millions \$)	Percent of Sales		
			Proceeds	Prize Payout	Operating Costs
FY92	57.1	19.0	35%	49%	16%
FY94	63.2	19.5	32%	52%	16%
FY95	77.5	24.4	32%	55%	13%
\$ Change (FY 1992-95)					
	20.40	5.40			
% Change (FY 1992-95)					
	36%	28%			

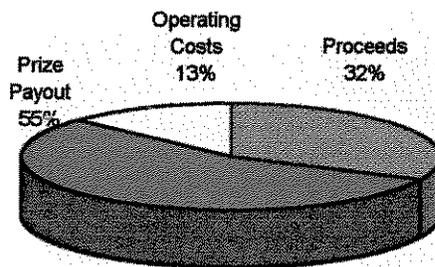


—●— Prize Payout —■— Sales (Millions \$) —▲— Proceeds (Millions \$)

FY'92 Sales \$57.1 million
FY'92 Proceeds Est. \$19 million



FY'95 Sales \$77.5 million
FY'95 Proceeds \$26.95 million

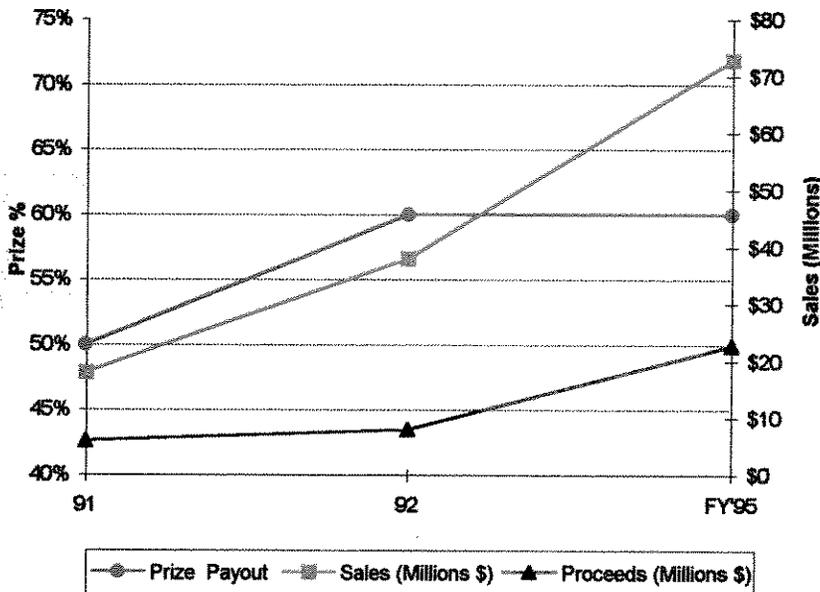


Kentucky Lottery

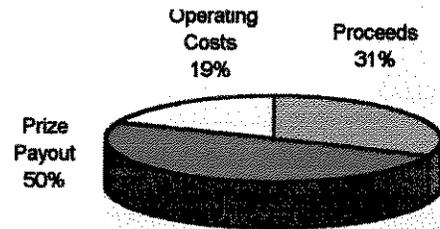
Impact of Increase in Prize Payout on Gross Pick 3 On-Line Sales & Net Proceeds

YEAR	Sales (Millions \$)	Proceeds (Millions \$)	Percent of Sales		
			Proceeds	Prize Payout	Operating Costs
91	18.0	6	31%	50%	19%
92	38.0	8	21%	60%	19%
FY95	72.8	22.6	31%	60%	9%
<hr/>					
\$ Change (FY 1991-95)	54.80	16.60			
% Change (FY 1991-95)	304%	277%			

All data shown as % product sales; Not % of total sales.



1991 Sales \$18 million
1991 Proceeds \$6 million



FY95 Sales \$72.8 million
FY95 Proceeds \$22.6 million

