



Legislative Fiscal Bureau

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March 1, 2024

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Revenue's Annual Lottery Prize Payout Report

Under s. 565.02(7) of the statutes, the Department of Revenue (DOR) is required to submit a lottery prize payout report to the Joint Committee on Finance, not later than March 1 of each year, that includes: (a) an estimate for that fiscal year and for the subsequent fiscal year of the gross revenues from the sale of lottery tickets; (b) the total amount paid as prizes and the prize payout ratio for each type of lottery game offered; 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 the lottery and gaming tax credit. The report for this fiscal year was submitted to the Committee on February 26, 2024.

The report is subject to a 14-day passive review by the Committee. If, by March 14, 2024, the Committee's Co-chairs notify DOR that a meeting has been scheduled for the purpose of reviewing the Department's proposed prize payouts, DOR may proceed with its plans for the prize payouts for the subsequent fiscal year only with Committee approval. If the Co-chairs do not notify the Department by March 14, 2024, that a meeting has been scheduled to review the Department's proposed prize payouts, the Department's plans for the prize payouts for the subsequent fiscal year are considered approved by the Committee.

Lottery Sales and Prize Payouts

Since 1994, the Joint Committee on Finance has approved numerous changes to maximum prize payout ratios. The most recent approval was on March 13, 2023. Though actual payouts can result in different payout ratios, the currently authorized maximum prize payout ratios are: (a) 68.75% for instant scratch games; (b) 62.81% for instant pull-tab game tickets sold by all retailers and 80% for instant pull-tab game tickets sold exclusively by nonprofit organizations; and (c) 50.48% for lotto games.

The report submitted by DOR addresses the requirements of s. 565.02(7) of the statutes and

provides actual lottery sales, prize payouts, and prize payout ratios for the three prior fiscal years (2020-21, 2021-22, and 2022-23) and estimated amounts for 2023-24 and 2024-25. This data is summarized in the following table.

Lottery Sales and Prize Payout Data
Department of Revenue Report under s. 565.02(7)
February 26, 2024

Game Type	Actual			Estimated	
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23*</u>	<u>2023-24</u>	<u>2024-25</u>
Total Sales					
Scratch	\$634,653,960	\$637,777,252	\$652,963,645	\$621,425,662	\$621,425,662
Pull-tab	525,015	1,128,015	1,416,300	1,330,131	1,330,131
Lotto	<u>259,362,390</u>	<u>248,915,588</u>	<u>327,288,769</u>	<u>307,918,628</u>	<u>307,918,628</u>
Total	\$894,541,365	\$887,820,855	\$981,668,714	\$930,674,421	\$930,674,421
Prize Payout					
Scratch	\$433,319,594	\$434,003,294	\$444,484,956	\$427,230,143	\$427,230,143
Pull-tab	329,033	708,090	890,116	836,386	836,386
Lotto	<u>126,042,780</u>	<u>122,403,926</u>	<u>162,618,480</u>	<u>160,487,189</u>	<u>160,487,189</u>
Total	\$559,691,407	\$557,115,310	\$607,993,552	\$588,553,718	\$588,553,718
Prize Payout Ratios					
Scratch	68.28%	68.05%	68.07%	68.75%	68.75%
Pull-tab	62.67	62.77	62.85	62.88	62.88
Lotto	<u>48.60</u>	<u>49.17</u>	<u>49.69</u>	<u>52.12</u>	<u>52.12</u>
Total	62.57%	62.75%	61.93%	63.24%	63.24%

*Unaudited, and subject to change.

Under the 2023-25 biennial budget act (2023 Wisconsin Act 19), lottery sales were projected to total \$912.1 million in 2023-24. In October, 2023, under the annual statutory process whereby the Department of Administration (DOA) and the Joint Committee on Finance certify the amount of lottery funds available for the lottery and gaming tax credit, the 2023-24 sales estimate was modified to \$930.7 million (2.0% above than the Act 19 estimate). Similar to the October certification, this \$930.7 million 2023-24 sales estimate is maintained in the Department's 2024 prize payout report for 2024-25. These sales estimates result in estimated payout percentages for both years of 68.75% for instant scratch games, 62.88% for instant pull tab games, and 52.12% for lotto games.

The 2024-25 sales estimate of \$930.7 million will be reassessed in October, 2024, when DOA and the Committee certify the amount of lottery funds available for the lottery and gaming credit for 2024(25) property taxes.

Prize Payment Ratio Recommendation

The March prize payout report and approval process is typically a means for the Department to propose, and the Committee to approve or disapprove, changes to the authorized maximum prize payout ratios in the fiscal year following the report's submission. The Department's 2024 prize payout report proposes the following 2024-25 maximum prize payout ratios: (a) the same ratio as 2022-23 of 68.75% for instant scratch game tickets; (b) an increase from 62.81% in 2022-23 to 62.88% for instant pull-tab game tickets sold by all retailers; and (c) an increase from 50.48% to 52.12% for lotto games.

Summary

The DOR report before the Committee conforms to the requirements of s. 565.02(7) and informs the Committee of estimated sales, prize payout amounts, and projected payout ratios in 2023-24 and 2024-25. The report estimates total lottery sales of \$930.7 million in 2023-24 and \$930.7 million in 2024-25. The Department proposes the following maximum prize payout ratios for 2024-25: maintaining a payout ratio of 68.75% for instant scratch game tickets; an increase from 62.81% to 62.88% for instant pull-tab game tickets sold by all retailers; and an increase from 50.48% to 52.12% for lotto games.

The report will be approved, as submitted by DOR, unless the Committee chooses to schedule a meeting on the lottery prize payout report by March 14, 2024.

BL/NA/lb