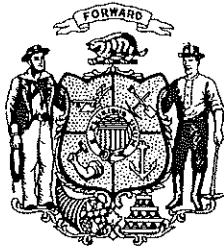


# State of Wisconsin

SENATE CHAIR  
**Howard Marklein**

316 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-0703



ASSEMBLY CHAIR  
**Mark Born**

308 East, State Capitol  
P.O. Box 8592  
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## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: February 26, 2024

Re: 14-Day Passive Review Approval – DOR

Pursuant to s. 565.02(7), Stats., attached is a 14-day passive review request from the Department of Revenue, received on February 26, 2024.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Thursday, March 14, 2024**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

HM:MB:jm



**State of Wisconsin • DEPARTMENT OF REVENUE**

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
FAX (608) 266-5718 • <http://www.revenue.wi.gov>

February 26, 2024

The Honorable Howard Marklein, Co-Chair  
Member, Joint Committee on Finance

The Honorable Mark Born, Co-Chair  
Member, Joint Committee on Finance

FEB 26 2024  
ST. FINANCE

Dear Senator Marklein and Representative Born:

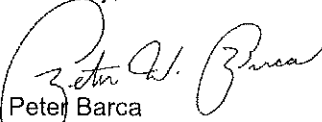
Section 565.02(7), Wis. Stats., requires a report to the Joint Committee on Finance no later than March 1 of each year, containing the following information:

- A. An estimate of lottery ticket sales and prize payment for the current and subsequent fiscal year;
- B. The prize payout percentages for each type of lottery game offered; and
- C. The Lottery's evaluation of the impact that prize payout ratios are likely to have upon ticket sales and operating costs, and upon the Lottery's constitutionally mandated mission to maximize revenue for property tax relief in Wisconsin.

The report, which is attached, recommends a prize payout of 63.24% for FY24 and proposes a payout of 63.24% for FY25.

Please feel free to contact me should you have any questions.

Sincerely,

  
Peter Barca  
Secretary of Revenue

Enclosure

# **Lottery Sales and Prize Payout**

**Report to the  
Joint Committee on Finance**

**Wisconsin Department of Revenue  
Lottery Division**

**February 26, 2024**



**WISCONSIN LOTTERY**

## EXECUTIVE SUMMARY

The Wisconsin Lottery's mission is to provide property tax relief to Wisconsin homeowners by offering entertaining games while operating with security, integrity, and social responsibility. The Lottery's sales outlook and ability to generate funds for property tax relief remain positive, with continued historically high levels of ticket sales.

Since the start of the Lottery on September 14, 1988, the Lottery has returned more than \$5.7 billion in property tax relief for Wisconsin homeowners, over \$1.2 billion in compensation for Wisconsin businesses, and more than \$10.9 billion in prizes for players.

- In Fiscal Year (FY) 2023, the Lottery had its highest sales year ever.
- Sales of both instant scratch and lotto tickets were the highest in Wisconsin history.
- Pull-tab ticket sales, notably smaller than the other two product lines, were the highest since FY13.

While the sales projections for FY24 and FY25 denote a slight decrease in sales, the sales projections remain significantly higher than pre-pandemic levels. Further, the Wisconsin Lottery is working to avoid any actual decrease in sales by improving its game mix in all product categories, and notwithstanding the projections, is still expecting its second-highest annual sales in FY24. Projected breakdowns for FY24 and FY25 are as follows:

| Game Type       | FY24                 | FY25                 |
|-----------------|----------------------|----------------------|
| Instant Scratch | \$621,425,662        | \$621,425,662        |
| Pull-tab        | \$1,330,131          | \$1,330,131          |
| Lotto           | \$307,918,628        | \$307,918,628        |
| <b>Total</b>    | <b>\$930,674,421</b> | <b>\$930,674,421</b> |

For FY25, the Lottery proposes an overall prize payout of 63.24 percent, consistent with the projected 63.24 percent payout in FY24. The projected breakdown for FY25 is as follows:

- Instant scratch prize payout of 68.75 percent
- Pull-tab payout of 62.88 percent
- Lotto game payout of 52.12 percent

Operating expenses, as a percentage of gross revenues, remain low. In FY23, administrative expenses were \$48.3 million, which is 4.92 percent of gross Lottery revenue, far below the 10 percent cap set by state statute. The Wisconsin Lottery continues to be one of the most efficient lotteries in the country, with the nation's seventh lowest per capita administrative expenses compared to 37 traditional lotteries in FY22, the latest year for which national figures are available.

The Lottery continues to maximize funds available for property tax relief. The proposed prize payouts will result in significant revenues for that purpose.

## WISCONSIN LOTTERY PRIZE PAYOUT REPORT 2024

### LOTTERY SALES

Fiscal Year (FY) 2023 sales were \$981.7 million, the highest in Wisconsin Lottery history. Instant tickets (scratch and pull-tab combined) were \$654.4 million, the highest in Wisconsin Lottery history. Sales of lotto tickets (e.g., *Powerball* and *Badger 5*) were \$327.3 million, also the highest in Wisconsin Lottery history.<sup>1</sup>

The Lottery's sales outlook and ability to generate funds for property tax relief remain consistent. The Lottery projects gross revenues of \$930.7 million from the sale of lottery tickets in FY24. Gross revenues are also projected at \$930.7 million in FY25.<sup>2</sup>

Lottery sales are difficult to project due to the volatility of jackpot game sales. These sales are largely driven by the size and frequency of the jackpots. Additionally, media coverage can affect sales when these games have high jackpots. Approximately 25 percent of all Lottery sales in FY23 came from these games.<sup>3</sup> The Lottery has established a range to forecast future jackpot game performance based upon past performance, but that range is broad. Jackpot game sales from year to year can be tens of millions of dollars different from estimates.

The Lottery continues to enhance its Wisconsin-only lotto games, such as *Badger 5* and the *Fast Play* group of games, through improvements to the games and limited time offers.

Much of the growth in instant scratch ticket sales has come from consumer demand for higher priced tickets which generally have higher top prizes, better overall odds of winning, and higher payouts. Offering higher price point tickets with higher payouts is consistent with the industry approach of offering more in prizes as players risk more in the purchase price of a ticket. Players see increased entertainment value in a higher risk-reward proposition.

Sales by game type for the past three years, and projected sales for the next two years, are shown on Table 1.

---

<sup>1</sup> FY23 sales data is from the Wisconsin Lottery's FY23 Unaudited Financial Statements as of January 17, 2024. These financial statements are preliminary and subject to change.

<sup>2</sup> Lottery Fund Condition Statement, September 5, 2023, used in certifying the amount of Lottery and Gaming Credit for property taxes levied in 2023.

<sup>3</sup> Includes *Powerball*, *Mega Millions*, *Megabucks*, *Badger 5*, and the *Fast Play* games.

**Table 1. Sales by Fiscal Year and Game Type**

| <b>Game Type</b>       | <b>FY21 Sales<br/>Final*</b> | <b>FY22 Sales<br/>Final*</b> | <b>FY23 Sales<br/>Preliminary**</b> | <b>FY24 Sales<br/>Projection***</b> | <b>FY25 Sales<br/>Projection***</b> |
|------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Instant Scratch</b> | \$634,653,960                | \$637,777,252                | \$652,963,645                       | \$621,425,662                       | \$621,425,662                       |
| <b>Pull-tab</b>        | \$525,015                    | \$1,128,015                  | \$1,416,300                         | \$1,330,131                         | \$1,330,131                         |
| <b>Lotto</b>           | \$259,362,390                | \$248,915,588                | \$327,288,769                       | \$307,918,628                       | \$307,918,628                       |
| <b>Total</b>           | <b>\$894,541,365</b>         | <b>\$887,820,854</b>         | <b>\$981,668,714</b>                | <b>\$930,674,421</b>                | <b>\$930,674,421</b>                |

Note: Totals may not equal the exact sum of the figures in each column, due to rounding.

\* Source: Wisconsin Lottery FY21 and FY22 Audited Financial Statements, rounded to the nearest dollar.

\*\* Source: Wisconsin Lottery FY23 Unaudited Financial Statements, rounded to the nearest dollar, as of January 17, 2024. These financial statements are preliminary and subject to change.

\*\*\* Source: Lottery Fund Condition Statement, September 5, 2023, used in certifying the amount of Lottery and Gaming Credit for property taxes levied in 2023, rounded to the nearest dollar.

## **PRIZE PAYOUT**

Each individual game has a unique prize structure that represents the value of its prizes and the odds of winning those prizes. The prize payout is the percentage of Lottery revenue that is returned to players in the form of prizes.

While the Lottery carefully plans and projects aggregate annual prize payout percentages, the actual percentage of prizes paid for individual scratch games may be more or less than the planned payout. This can occur when sales of a particular instant scratch game are discontinued before all tickets are sold, as is done when the last top prize in that game is claimed. Sales of games with drawing prizes may also accrue in one fiscal year, while the prizes are drawn and awarded in the following year. Finally, unclaimed prizes may be credited after the year in which the prize expense was accrued.

It is also difficult to project the annual prize payout of lotto games because, unlike scratch and pull-tab games, they normally do not have a predetermined number of winners. The number of winners and the amount of the prizes won occur randomly.

The Lottery can estimate the future aggregate annual prize payout percentages for each of its three main product types by examining current market trends, evolving consumer preferences, and forecasted sales figures from the Lottery Fund Condition Statement. This statement is used to certify the amount of Lottery and Gaming Credit for property taxes.

## **Scratch Tickets**

Much of the growth in instant scratch ticket sales has come from consumer demand for higher priced tickets, which generally have higher top prizes, better overall odds of winning, and higher payouts. Offering higher price point tickets with higher payouts is consistent with the industry approach of offering more in prizes as a player wagers more in the purchase price of a ticket. This practice has been the driving force behind increased sales, not just here in Wisconsin, but around the lottery industry. Players see increased entertainment value in a higher risk-reward proposition. Wisconsin, however, continues to trend behind the industry in overall scratch game payout percentages.

Price points at or above \$10 accounted for 66.6 percent of scratch sales in FY23, compared to 56.4 percent in FY20. This increase in higher price point sales has driven overall sales significantly higher in recent years; instant scratch game sales have posted twelve consecutive record-setting years, trending steadily up from \$320.1 million in FY12 to \$653.0 million in FY23;<sup>4</sup> this represents a 2.4 percent increase in sales from FY22. We anticipate sales will continue to be historically strong, though with a slight decrease to \$621.4 million in FY24, a level still well above pre-pandemic levels.

Table 2 depicts the shift in sales from lower priced tickets to higher priced tickets.

**Table 2. Percentage of Total Net Sales by Price Point**

| Price Point | FY20 % of Total Net Sales | FY21 % of Total Net Sales | FY22 % of Total Net Sales | FY23 % of Total Net Sales | FY24 YTD % of Total Net Sales* |
|-------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| \$1         | 3.6%                      | 2.9%                      | 2.8%                      | 2.5%                      | 2.4%                           |
| \$2         | 10.2%                     | 8.3%                      | 7.4%                      | 6.7%                      | 5.6%                           |
| \$3         | 8.7%                      | 8.0%                      | 7.8%                      | 7.0%                      | 6.3%                           |
| \$5         | 21.0%                     | 19.5%                     | 19.7%                     | 17.3%                     | 17.0%                          |
| \$10        | 21.6%                     | 24.0%                     | 23.8%                     | 22.9%                     | 22.2%                          |
| \$15**      | 1.4%                      | 1.2%                      | 1.2%                      | 1.4%                      | 2.8%                           |
| \$20        | 23.1%                     | 24.7%                     | 25.7%                     | 26.2%                     | 26.6%                          |
| \$30        | 10.3%                     | 11.4%                     | 11.6%                     | 9.7%                      | 10.6%                          |
| \$50***     | 0%                        | 0%                        | 0%                        | 6.4%                      | 6.6%                           |

Note: Percentages may not sum to 100% due to rounding.

\* Through December 9, 2023.

\*\* \$15 price point is a seasonal (holiday) game.

\*\*\* \$50 price point added in September 2022.

Ten years ago, 17 of the Lottery’s 74 instant scratch games were higher price point games (\$10 and higher). In FY24, the Lottery anticipates introducing 87 new instant scratch games, 37 at the \$10 price point and higher (Table 3). The total number of games launched will increase slightly due to the incremental nature of game sales at higher price points and the strong, growing demand for \$10, \$20, \$30, and \$50 games. However, we anticipate launching the same number of individual \$10 games in FY24 compared to FY23 due to increased print runs on some of our most popular offerings, resulting in a longer time on the market before sell-through. Additionally, the \$50 price point will continue to result in slightly longer sell-through of other high price point games while still leading to incremental sales.

<sup>4</sup> FY12 data is from Legislative Audit Bureau Report 13-11, July 2013: Financial Audit of the Wisconsin Lottery. (<https://legis.wisconsin.gov/lab/reports/13-11/full.pdf>)

**Table 3. Historical Perspective: Number of New Game Launches**

| <b>Price Point</b>                      | <b>FY14<br/>Number<br/>of Games</b> | <b>FY21<br/>Number<br/>of Games</b> | <b>FY22<br/>Number<br/>of Games</b> | <b>FY23<br/>Number<br/>of Games</b> | <b>FY24<br/>Anticipated<br/>Number of<br/>Games</b> | <b>FY25<br/>Anticipated<br/>Number of<br/>Games</b> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---|---|
| \$1                                     | 16                                  | 10                                  | 9                                   | 8                                   | 8   | 8   |
| \$2                                     | 14                                  | 13                                  | 12                                  | 11                                  | 11  | 11  |
| \$3                                     | 12                                  | 14                                  | 15                                  | 13                                  | 13  | 13  |
| \$5                                     | 15                                  | 20                                  | 20                                  | 18                                  | 18  | 18  |
| \$10                                    | 9                                   | 18                                  | 15                                  | 15                                  | 15  | 15  |
| \$15                                    | 1                                   | 1                                   | 1                                   | 1                                   | 1   | 1   |
| \$20                                    | 5                                   | 12                                  | 10                                  | 12                                  | 14  | 14  |
| \$30                                    | 2                                   | 7                                   | 7                                   | 5                                   | 5   | 5   |
| \$50                                    | 0                                   | 0                                   | 0                                   | 2                                   | 2   | 2   |
| <b>Total Number of<br/>Games</b>        | <b>74</b>                           | <b>95</b>                           | <b>89</b>                           | <b>85</b>                           | <b>87</b>   | <b>87</b>   |
| <b>Overall Scratch<br/>Prize Payout</b> | <b>65.40%</b>                       | <b>68.28%</b>                       | <b>68.05%</b>                       | <b>68.07%</b>                       | <b>68.75%</b>                                       | <b>68.75%</b>                                       |

The Lottery estimates continued strong sales of higher price point (higher prize payout) games will result in marginally higher aggregate scratch ticket payout percentages over the next two fiscal years. Payouts are expected to be accompanied by continued robust sales of \$621.4 million per year. The introduction of a \$50 priced scratch game in FY23 was in line with lottery industry trends and continues to help generate incremental sales with minimal cannibalization of other price points.

Prize payout for instant scratch tickets was 68.07 percent in FY23. Consistent with industry trends, sales of higher price point games are continuing to grow, and sales of low price point games are gradually declining as a percent of total scratch sales. The Lottery estimates aggregate instant scratch game prize payout will be 68.75 percent in FY24 and 68.75 percent in FY25, which is identical to the approved payout from a year ago. This payout percentage will allow the Lottery to continue its strategy of meeting the growing market demand for higher price point tickets and maximizing sales growth and funds available for property tax relief.

The Wisconsin Lottery's planned prize payout is lower than the lottery national average at all comparable price points (Table 4). The average instant prize payout for all other U.S. lottery jurisdictions was 69.66 percent in FY23, which is 1.59 percentage points higher than Wisconsin. Wisconsin's payout is the 13<sup>th</sup> lowest of the 38 jurisdictions reporting aggregate payout in FY23. The Wisconsin Lottery payout for FY24 is anticipated to be 68.75 percent, which is 0.97 percentage points below the projected national average of other jurisdictions at 69.72 percent.<sup>5</sup>

The trend towards stronger sales of higher price point games will allow the Lottery to continue to generate strong instant scratch sales. To support this strategy, prize payouts will rise in the next two years but will remain below industry averages.

<sup>5</sup> Based on lotteries' reporting for La Fleur's Magazine: Vol. 30 No. 6, July / August 2023, TLF Publications.



**Table 4. Average Payout Rate by Price Point**

| <b>Price Point</b> | <b>U.S. Lotteries' FY23 Average Payout Rate*</b> | <b>Wisconsin's Designed Payout Rate</b> |
|--------------------|--|---|
| \$1                | 61.1%  | 59.0%                                   |
| \$2                | 64.2%  | 62.0%                                   |
| \$3                | 65.1%  | 63.0%                                   |
| \$5                | 68.4%  | 64.5%                                   |
| \$10               | 71.7%  | 70.0%                                   |
| \$15               | N/A  | 72.0%                                   |
| \$20               | 74.4%  | 74.0%                                   |
| \$30               | 76.2%  | 75.0%                                   |
| \$50               | 78.8%  | 77.0%                                   |

\* Based on data presented in La Fleur's Magazine: Vol. 30 No. 6, July / August 2023, TLF Publications.

### **Pull-tab Tickets**

The Lottery continues to offer traditional pull-tab tickets without validation barcodes. Prize payout for pull-tab tickets was 62.85 percent in FY23. Prize payout of 62.88 percent is expected for FY24 and FY25.

Wisconsin Lottery pull-tab ticket sales increased to \$1,416,300 in FY23, continuing the recovery from the pandemic-related decline in pull-tab sales, and achieving the highest sales total since FY13. Total pull-tab sales are projected to decrease slightly to \$1,330,131 in FY24 reflecting the trend in scratch game sales. Total sales for all pull-tab tickets were \$1,416,300 in FY23 and \$1,128,015 in FY22. For-profit retailer sales were \$110,685 in FY22 and \$111,735 in FY23. Non-profit sales were \$1,017,330 in FY22 and \$1,304,565 in FY23.<sup>6</sup>

The Lottery had annual pull-tab sales of more than \$20 million when it was the exclusive vendor of pull-tabs in Wisconsin. However, the Lottery's market share has been eroded by unregulated private vendors operating either illegally or under sec.100.16(2), Wis. Stats. This law was designed to allow limited-term games of chance by retailers (e.g., McDonald's Monopoly game) but provides few protections for those who purchase these private pull-tabs. Moreover, the playing field is uneven. Private vendors can offer retailers a higher commission, whereas the Lottery's commission is set by law. The Lottery does not expect pull-tab ticket sales to increase significantly unless illegal private games cease and the statutory exemption allowing legal pull-tab games is modified.<sup>7</sup>

<sup>6</sup> Sales figures are from the Wisconsin Lottery's FY23 Unaudited Financial Statements as of January 17, 2024. These financial statements are preliminary and subject to change.

<sup>7</sup> For a fuller discussion of this issue see the November 2008 audit of the Lottery conducted by the Legislative Audit Bureau, Report 08-13, pp. 22-24. (<https://legis.wisconsin.gov/lab/media/1564/08-13full.pdf>)

## Lotto Tickets

The prize payout for lotto games has traditionally been lower than instant scratch games. The primary appeal of most lotto games is the chance to win large jackpot prizes.

Table 5 lists the lotto games and associated designed prize payouts that were offered in Wisconsin during FY23. Actual prizes paid, as a percentage of sales, may be less than the designed prize payout for several reasons, such as winners not claiming their prizes. Prizes paid, as a percentage of sales, may also be more than the designed prize payout due to the random nature of game drawings and the limited time offers that the Lottery uses to enhance its Wisconsin-only lotto games, such as *Badger 5* and the *Fast Play* games.

**Table 5. Lotto Games and Corresponding Start Dates and Prize Payout Rates**

| Lotto Games           | Start Date | Designed Payout* |
|-----------------------|------------|------------------|
| SuperCash!            | 2/4/1991   | 52.80%           |
| Powerball             | 4/19/1992  | 50.00%           |
| Megabucks             | 6/18/1992  | 53.50%           |
| Daily Pick 3          | 9/21/1992  | 48.20%           |
| Daily Pick 4          | 9/15/1997  | 48.40%           |
| Badger 5              | 2/17/2003  | 50.00%           |
| Special Draw (Raffle) | 3/4/2007   | 50.00%           |
| Mega Millions         | 1/31/2010  | 50.00%           |
| EZ Match              | 4/3/2011   | 63.15%           |
| All or Nothing        | 4/7/2019   | 55.34%           |
| Fast Play             | 4/23/2023  | N/A**            |

\* Reflects anticipated rate based on game design and is approximate.

\*\* Designed payout varies by price point from 59.0% to 70.0%.

Lotto games experienced a higher prize payout in FY23. This growth can be mostly attributed to the addition of the *Fast Play* lotto games. Fast Play is a new group of instant-win lotto games that has higher prize payout percentages by design, ranging from 59 percent at the \$1 price point to 70 percent at the \$10 price point. The prize payout rate on the games was made to mirror that of scratch tickets, and the games also feature a Progressive Jackpot that grows with each ticket sold. This combination of features has made the Fast Play games very popular with players, with the \$10 price point being the most popular.

The Lottery believes it can manage the lotto product line at this time without a substantial change to prize payout in the coming fiscal years. The overall lotto game payout is anticipated to be 52.12 percent in FY24 and 52.12 percent in FY25, mostly attributable to the *Fast Play* games, which have a higher designed payout than other lotto games. However, *Fast Play* is also forecasted to have higher sales than any other Wisconsin-only game in the year ahead.

## Total Prize Payout and Prize Expense

Wisconsin law requires that at least 50 percent of Lottery gross sales be returned to players as prize payments.<sup>8</sup> In FY22, the Lottery's prize payout was 62.75 percent. By comparison, the overall prize payout for U.S. lottery jurisdictions was 66.26 percent.<sup>9</sup> In FY23, 61.93 percent of Wisconsin Lottery gross sales were returned to players as prize payments. Over the next two fiscal years, the prize payout for Wisconsin Lottery games will continue to be below industry averages.

Fiscal Year 2024: The Lottery expects to pay \$588.6 million in prizes. Total prize payout for all Lottery games is estimated to be 63.24 percent.

Fiscal Year 2025: The Lottery expects to pay \$588.6 million in prizes. Total prize payout is estimated to be 63.24 percent.

Prize payout increases have contributed to record sales. In FY13, the prize payout was 58.15 percent; sales were \$566.1 million.<sup>10</sup> Last year (FY23), the prize payout was 61.93 percent; sales were \$981.7 million.

Going forward, the Lottery should continue to achieve its sales goals with only slight adjustments to its current prize payout percentages. The Lottery proposes an instant scratch game prize payout of 68.75 percent in FY24 and FY25. This slight increase from FY23 will allow the Lottery to maintain the successful higher price point strategy to satisfy growing market demand. Pull-tab prize payout is expected to be 62.88 percent in FY24 and FY25. Total lotto game prize payout is projected to go from 49.69 percent in FY23 to 52.12 percent in FY24 and FY25, mostly attributed to *Fast Play*.

The average prize payout percentages by game type for the past three fiscal years, and the estimated prize payout percentages for the next two fiscal years, are shown in Table 6. A weighted average is used to more accurately reflect the performance of games with higher sales.

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<sup>8</sup> Sec. 25.75(3)(a), Wis. Stats.

<sup>9</sup> Based on data from reporting lotteries as presented in La Fleur's 2023 World Lottery Almanac, p. 243. FY22 is the latest year for which national figures for traditional ticket sales and prize payout are available.

<sup>10</sup> Legislative Audit Bureau Report 14-10, August 2014: Financial Audit of the Wisconsin Lottery. (<https://legis.wisconsin.gov/LAB/media/1114/14-10full.pdf>)

**Table 6. Weighted Average Prize Payout Percentages by Fiscal Year and by Game Type\***

| <b>Game Type</b>       | <b>FY21**<br/>Prize<br/>Payout</b> | <b>FY22**<br/>Prize<br/>Payout</b> | <b>FY23***<br/>Prize Payout<br/>Preliminary</b> | <b>FY24****<br/>Prize Payout<br/>Estimated</b> | <b>FY25****<br/>Prize Payout<br/>Estimated</b> |
|------------------------|------------------------------------|------------------------------------|---|--|--|
| <b>Instant Scratch</b> | 68.28%                             | 68.05%                             | 68.07%  | 68.75%   | 68.75%   |
| <b>Pull-tab</b>        | 62.67%                             | 62.77%                             | 62.85%  | 62.88%   | 62.88%   |
| <b>Lotto</b>           | 48.60%                             | 49.17%                             | 49.69%  | 52.12%   | 52.12%   |
| <b>Total</b>           | <b>62.57%</b>                      | <b>62.75%</b>                      | <b>61.93%</b>                                   | <b>63.24%</b>                                  | <b>63.24%</b>                                  |

\* Data in Tables 1 and 6 have been rounded and may not exactly match data in Table 7.

\*\* Source: Wisconsin Lottery FY21 and FY22 Audited Financial Statements, rounded to the nearest dollar.

\*\*\* Source: Wisconsin Lottery FY23 Unaudited Financial Statements as of January 17, 2024. The financial statements are preliminary and subject to change.

\*\*\*\* Based on Lottery sales estimates, Lottery Fund Condition Statement, September 5, 2023.

Table 7 shows prizes paid during the past three fiscal years and prizes expected to be paid in the next two fiscal years. Prizes expected to be paid in FY24 and FY25 are calculated by multiplying the sales projection for each game type by its prize payout percentage.

**Table 7. Prizes Paid or Expected to be Paid by Fiscal Year and by Game Type\***

| <b>Game Type</b>       | <b>FY21**<br/>Prize<br/>Expense<br/>(Final)</b> | <b>FY22** Prize<br/>Expense (Final)</b> | <b>FY23***<br/>Prize<br/>Expense<br/>(Preliminary)</b> | <b>FY24****<br/>Projected<br/>Prize<br/>Expense</b> | <b>FY25****<br/>Projected<br/>Prize<br/>Expense</b> |
|------------------------|---|---|--|---|---|
| <b>Instant Scratch</b> | \$433,319,764                                   | \$434,003,894                           | \$444,484,956  | \$427,230,143                                       | \$427,230,143                                       |
| <b>Pull-tab</b>        | \$329,033                                       | \$708,090                               | \$890,116  | \$836,386   | \$836,386   |
| <b>Lotto</b>           | \$126,042,780                                   | \$122,403,339                           | \$162,618,480  | \$160,487,189                                       | \$160,487,189                                       |
| <b>Total</b>           | <b>\$559,691,577</b>                            | <b>\$557,115,323</b>                    | <b>\$607,993,552</b>                                   | <b>\$588,553,718</b>                                | <b>\$588,553,718</b>                                |

Note: Totals may not equal the exact sum of the figures in each column, due to rounding.

\* Rounded to nearest dollar. Amounts shown are based on the accrual method of accounting, consistent with generally accepted accounting principles (GAAP).

\*\* Source: Wisconsin Lottery FY21 and FY22 Audited Financial Statements, rounded to the nearest dollar.

\*\*\* Source: Wisconsin Lottery FY23 Unaudited Financial Statements, rounded to the nearest dollar, as of January 17, 2024. These financial statements are preliminary and subject to change.

\*\*\*\* Based on Lottery sales estimates and Lottery Fund Condition Statement, September 5, 2023.

## **PRIZE PAYOUT IMPACT ON OPERATING COSTS**

In establishing the proper prize payout, the Lottery seeks to strike a balance between maximizing profits and providing players with the rewards they expect. The Lottery has experienced positive results while being conservative in its use of prize payout to drive sales.

The Lottery carefully manages payout to maximize net operating income. This also ensures healthier property tax relief, which is the prize for homeowners. In FY13, the overall prize payout was 58.15 percent; in FY23, it was 61.93 percent. During the same period, annual sales increased \$415.6 million, from \$566.1 million to \$981.7 million. Net operating income increased from \$164.0 million to \$257.6 million (preliminary).<sup>11</sup>

Prize payout has had little effect on administrative costs. Total administrative expenditures, as determined in accordance with sec. 25.75(3)(b), Wis. Stats. for FY23, were \$48.3 million (preliminary), up from \$45.7 million the previous fiscal year. This amount represents 4.92 percent of gross Lottery revenues in FY23, well within the 10 percent limitation set by statute.<sup>12</sup>

The Wisconsin Lottery continues to operate at highly efficient levels relative to other jurisdictions. Per capita administrative expenses in Wisconsin are the seventh lowest among traditional lotteries in the United States, as illustrated in Exhibit 1. Administrative expenses, as defined in sec. 25.75(3)(b), Wis. Stats., do not include retailer compensation or transfers to the Department of Justice for law enforcement.

In the upcoming fiscal year, the Wisconsin Lottery will continue fulfilling its mission to provide property tax relief to Wisconsin homeowners while operating with security, integrity, and social responsibility.

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<sup>11</sup> FY13 data is from Legislative Audit Bureau Report 14-10, August 2014: Financial Audit of the Wisconsin Lottery. (<https://legis.wisconsin.gov/lab/reports/14-10full.pdf>)

<sup>12</sup> Expense and Revenue figures are from the Wisconsin Lottery's FY23 Unaudited Financial Statements as of January 2, 2024. These financial statements are preliminary and subject to change.

### Exhibit 1. Fiscal 2022 U.S. Lottery Per Capita Administrative Expenses

| Rank         | Lottery <sup>1</sup> | Population <sup>2</sup><br>(Million) | Expense <sup>3</sup><br>(\$ Million) | Expense<br>Per Capita |
|--------------|----------------------|--------------------------------------|--------------------------------------|-----------------------|
| 1            | Oklahoma             | 4.02                                 | 22.64                                | 5.63                  |
| 2            | New Mexico           | 2.11                                 | 12.63                                | 5.97                  |
| 3            | Louisiana            | 4.59                                 | 29.09                                | 6.34                  |
| 4            | North Dakota         | 0.78                                 | 5.26                                 | 6.75                  |
| 5            | Minnesota            | 5.72                                 | 41.14                                | 7.20                  |
| 6            | Colorado             | 5.84                                 | 43.11                                | 7.38                  |
| <b>7</b>     | <b>Wisconsin</b>     | <b>5.89</b>                          | <b>44.17</b>                         | <b>7.49</b>           |
| 8            | Mississippi          | 2.94                                 | 24.10                                | 8.20                  |
| 9            | Texas                | 30.03                                | 247.19                               | 8.23                  |
| 10           | Missouri             | 6.18                                 | 56.39                                | 9.13                  |
| 11           | Florida              | 22.25                                | 203.35                               | 9.14                  |
| 12           | Washington           | 7.79                                 | 72.76                                | 9.34                  |
| 13           | Tennessee            | 7.05                                 | 68.63                                | 9.73                  |
| 14           | Iowa                 | 3.20                                 | 31.22                                | 9.75                  |
| 15           | South Carolina       | 5.28                                 | 52.16                                | 9.87                  |
| 16           | Arizona              | 7.36                                 | 74.54                                | 10.13                 |
| 17           | California           | 39.03                                | 396.62                               | 10.16                 |
| 18           | Nebraska             | 1.97                                 | 20.32                                | 10.32                 |
| 19           | Wyoming              | 0.58                                 | 6.96                                 | 11.98                 |
| 20           | Montana              | 1.12                                 | 13.89                                | 12.38                 |
| 21           | Indiana              | 6.83                                 | 87.73                                | 12.84                 |
| 22           | Idaho                | 1.94                                 | 24.99                                | 12.89                 |
| 23           | North Carolina       | 10.70                                | 149.71                               | 13.99                 |
| 24           | New Jersey           | 9.26                                 | 131.62                               | 14.21                 |
| 25           | Arkansas             | 3.05                                 | 44.72                                | 14.68                 |
| 26           | Illinois             | 12.58                                | 186.09                               | 14.79                 |
| 27           | Massachusetts        | 6.98                                 | 113.33                               | 16.23                 |
| 28           | Vermont              | 0.65                                 | 10.52                                | 16.26                 |
| 29           | Pennsylvania         | 12.97                                | 222.25                               | 17.13                 |
| 30           | Kentucky             | 4.51                                 | 78.25                                | 17.34                 |
| 31           | Virginia             | 8.68                                 | 153.06                               | 17.63                 |
| 32           | Connecticut          | 3.63                                 | 67.73                                | 18.68                 |
| 33           | Georgia              | 10.91                                | 213.85                               | 19.60                 |
| 34           | Michigan             | 10.03                                | 197.62                               | 19.69                 |
| 35           | Maine                | 1.39                                 | 30.60                                | 22.09                 |
| 36           | New Hampshire        | 1.40                                 | 35.24                                | 25.26                 |
| 37           | District of Columbia | 0.67                                 | 40.36                                | 60.15                 |
| <b>Total</b> |                      | <b>269.90</b>                        | <b>3253.81</b>                       | <b>12.06</b>          |

Source: La Fleur's 2023 World Lottery Almanac, pp. 251-258.

Fiscal year ends June 30 except New York (March 31), Texas (August 31), D.C., and Michigan (Sept.30).

<sup>1</sup> Delaware, Kansas, Maryland, New York, Ohio, Oregon, Rhode Island, South Dakota, and W. Virginia are not listed due to traditional lottery expenses not being separated out.

<sup>2</sup> U.S. Bureau of the Census, December 2022, as stated in La Fleur's 2023 World Lottery Almanac.

<sup>3</sup> Lottery administrative and operational expenses as stated in La Fleur's 2023 World Lottery Almanac.

California and Wisconsin expense figures as stated in the La Fleur's Almanac were unaudited at time of reporting.

Note: Population, Expense, and Expense Per Capita are rounded to the hundredths place.