



# State of Wisconsin • DEPARTMENT OF REVENUE

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*Tony Evers*  
Governor

*Peter Barca*  
Secretary of Revenue

December 27, 2023

Richard Champagne  
Acting Senate Chief Clerk  
PO Box 7882  
Madison, WI 53707-7882

Ted Blazel  
Assembly Chief Clerk  
17 West Main Street, Room 401  
Madison, WI 53703

Dear Chief Clerks:

Per Section 565.45, Wisconsin Statutes, the Wisconsin Department of Revenue is submitting a biennial report to the chief clerk of each house of the legislature regarding the “effects on the operation of the lottery of the 10% expense limitation under s. 25.75(3)(b).”

Section 25.75(3)(b) requires that the expenses for the operation and administration of the lottery not exceed 10% of gross lottery revenues unless approved by the Joint Committee on Finance under s. 13.10.

The Wisconsin Lottery is compliant with sec. 565.45, Wis. Stats. As illustrated in the attached chart, Exhibit A, the Administrative Expenses are 4.92% of Gross Lottery Revenues for Fiscal Year 2023, well below the 10% expense limitation requirement.

Exhibit A details the Administrative Expenses, the Gross Lottery Revenues, and the Administrative Expenses as a Percentage of Lottery Revenues for Fiscal Years 2018 – 2023. While the Administrative Expenses as a Percentage of Gross Lottery Revenues are substantially unchanged from FY2022 to FY2023, there are two notable variations in the FY2023 expenses:

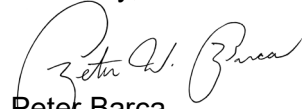
- *Salaries and Benefits Expenses* – Increase of \$1,705,426, or 25.9% - This increase is largely due to the Other Post Employment Benefits (OPEB), specifically health and life retirement benefits, and pension calculations and adjustments completed in FY2023. These adjustments are based on actuarial valuations, which have valuation dates one year behind the financial statement dates, and are affected by market conditions, number and tenure of eligible employees, and projected benefit costs. In addition, to a much lesser degree, the implementation of the HR Employee Equity Analysis in FY2022 is also contributing to this increase.

- *Supplies & Services Expenses* – Decrease of \$675,367, or -24.4% - This decrease is primarily attributed to an accounting/timing issue as there were supplies and services paid for in FY2023 that are technically FY2024 expenses; therefore, these items were adjusted out of expenses in FY2023 and classified as prepaid expenses/assets.

There was an interruption in the completion and distribution of this report in FY2019 and FY2021; however, this exact information is also included in the annual, audited lottery financial report as a supplementary schedule for statutorily defined lottery administrative expenses which is published in June of each year and sent to the Joint Legislative Audit Committee.

If you have questions or comments regarding this report, contact me at (608) 266-6466.

Sincerely,

A handwritten signature in cursive script, appearing to read "Peter W. Barca".

Peter Barca  
Secretary of Revenue

Administrative Expenses as a Percentage of Gross Lottery Revenues  
 Biennial Report  
 December 21, 2023

EXHIBIT A

<b>ADMINISTRATIVE EXPENSES</b>	<b>FY18 *</b>	<b>FY19 *</b>	<b>FY20 *</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23 (Unaudited)</b>
Instant and Lotto Vendor Services	\$ 17,196,328	\$ 18,290,471	\$ 18,804,094	\$ 23,127,310	\$ 24,070,948	\$ 25,856,393
Product Information Costs	8,484,215	8,467,617	8,443,164	8,415,498	8,490,009	8,526,067
Instant Ticket Printing Costs	2,527,750	1,906,778	2,658,577	2,313,882	2,919,004	2,669,762
Salaries and Fringe Benefits	5,466,208	5,663,494	6,045,441	5,596,641	6,591,601	8,297,027
Supplies and Services	2,568,434	4,809,574	2,508,372	3,063,895	2,766,685	2,091,318
Depreciation Expense	29,224	28,862	27,960	27,218	26,114	21,905
Transfers Out - Department of Health and Family Services for Compulsive Gambling Programs	396,000	396,000	396,000	396,000	396,000	396,000
Transfers Out - Department of Revenue for Lottery Credit Administration	226,065	224,430	196,655	239,078	286,286	254,680
Transfers Out - General Fund	<u>126,588</u>	<u>399,270</u>	<u>53,360</u>	<u>21,834</u>	<u>185,204</u>	<u>178,521</u>
Total Administrative Expenses as Determined in Accordance with s. 25.75 (3) (b), Wis. Stats.	<u>\$ 37,020,812</u>	<u>\$ 40,186,496</u>	<u>\$ 39,133,623</u>	<u>\$ 43,201,356</u>	<u>\$ 45,731,851</u>	<u>\$ 48,291,675</u>
Gross Lottery Revenues per s. 25.75 (1) (b), Wis. Stats.	<u>\$ 667,452,910</u>	<u>\$ 713,189,448</u>	<u>\$ 725,473,542</u>	<u>\$ 894,592,291</u>	<u>\$ 887,887,764</u>	<u>\$ 981,713,083</u>
<b>Administrative Expenses as a Percentage of Gross Lottery Revenues</b>	<b>5.55%</b>	<b>5.63%</b>	<b>5.39%</b>	<b>4.83%</b>	<b>5.15%</b>	<b>4.92%</b>

*NOTE: Section 25.75 (3) (b), Wis. Stats., limits the Wisconsin Lottery's administrative expenses to 10 percent of gross lottery revenues. Gross lottery revenues, as defined in s. 25.75 (1) (b), Wis. Stats., include lottery ticket sales and retailer fees. Administrative expenses, as defined in s. 25.75 (3) (b), Wis. Stats., do not include retailer commissions and incentives and transfers to the Department of Justice for law enforcement.*

\* Includes FY2018 - FY2020 information due to interruption in reporting in FY2019 and FY2021.