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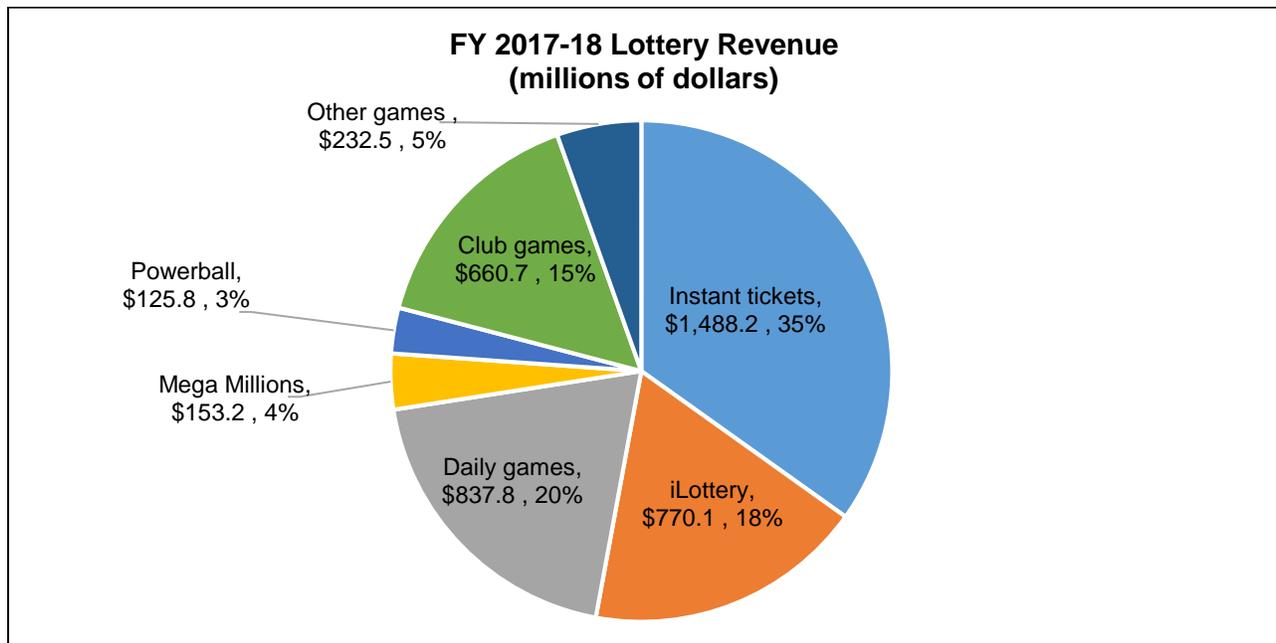
State Lottery Revenue

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Lottery Revenue

In 1972, Michigan voters approved an amendment to the State's Constitution that authorized the creation of lotteries in Michigan. After the approval, the Michigan Bureau of State Lotteries was established under the McCauley-Traxler-Law-Bowman-McNeely Lottery Act, Public Act 239 of 1972. The Bureau was created as an autonomous agency within the Department of Treasury, and is headed by a Commissioner appointed by the Governor with advice and consent of the Senate. The goal of the Bureau is to produce the maximum amount of net revenues for the State, but the Bureau must award at least 45.0% of revenue to prizes. All net revenue generated by the Michigan Lottery is deposited into the School Aid Fund (SAF), which is required by Sec. 41 of the Lottery Act.

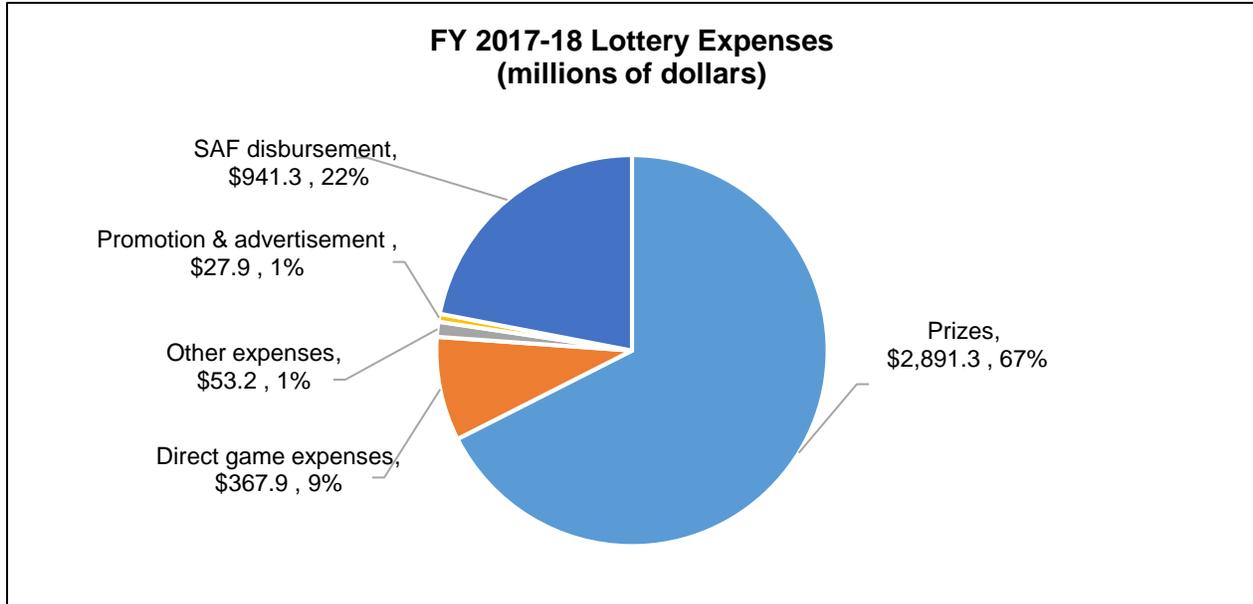
Since its creation, the Bureau has expanded the number of Lottery games in the State, which includes the introduction of iLottery instant games in 2014-15. For fiscal year (FY) 2017-18, the Michigan Lottery generated nearly \$4.3 billion in gross revenue. The largest gaming activity was Instant tickets followed by Daily games, iLottery, Club games, Mega Millions, Powerball, and other games, which include Fast Cash and Lucky for Life. The chart below displays the proportions of gaming revenue from each gaming type. Revenue from iLottery is typically reported as 'net winnings' in the Bureau's financial reports; however, the chart below displays gross iLottery revenue to be consistent with the other types of lottery revenue shown.



Lottery Expenses

There are several expenditures the Bureau makes before depositing revenue into the SAF; these expenditures totaled \$3.3 billion in FY 2017-18. The primary expenditure is paying the prizes for the various games, which includes the traditional games and iLottery instant games. After the awards are paid, the next largest expense is direct gaming expenses, which includes commissions paid to retailers,

vendors, and other direct gaming activities. Other expenses include the Bureau's administrative costs, such as salary, wages, and rent, the amortization of prize discounts, and the disbursement of \$1.0 million to the Compulsive Gaming Prevention Fund. The final expense is the promotion and advertisement of the games, which includes all advertisements for the Michigan Lottery, which is capped in current year boilerplate at 1.0% of the previous fiscal year's revenue. Currently, promotion and advertisement is under the 1.0% cap. The chart below displays the proportions of expenditures, including the \$941.3 million disbursement into the SAF, which totaled \$4.3 billion in FY 2017-18.



School Aid Fund

The SAF received the largest disbursement from the Michigan Lottery in FY 2017-18, with a disbursement of \$941.3 million. From FY 2014-15 to FY 2017-18 disbursement to the SAF increased 20.0%, or \$145.8 million, which is the largest four-year, dollar increase in SAF disbursement since the 1980s. This increase could be the result of several factors such as increases in per capita personal income, increased promotion and advertisement, increased number of instant ticket games, and the introduction of iLottery. The chart below shows the annual, 10-year history of SAF disbursements from the Michigan Lottery.

