

FISCAL SNAPSHOT

STATE LOTTERY

Date: January 2023

Analyst: Viola Bay Wild

Summary

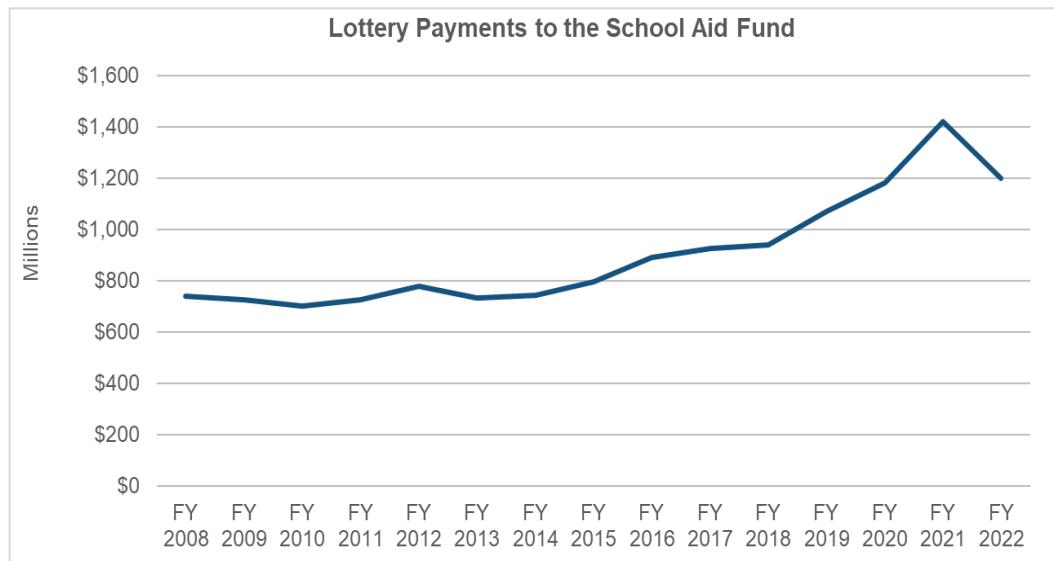
The [Michigan State Lottery](#) and the [Michigan Bureau of State Lottery](#) (BSL) were created in 1972. The [lottery commissioner](#) is the head of the Lottery and reports directly to the governor. The Lottery's mission is to maximize net revenues to state education programs, to provide fun and entertaining games of chance, and to operate all games and the BSL with total integrity. All of the Lottery's net revenue (profit) is [deposited into the School Aid Fund](#) (SAF) each year (except for the charitable gaming revenue, which is deposited into the state's general fund). The Lottery is funded entirely with state lottery fund revenue received from lottery game sales.

Background

Established in 1972 by the McCauley-Traxler-Law-Bowman-McNeely Lottery Act ([1972 PA 239](#)), the Lottery was created to generate additional funding for Michigan's public school system. Since the first Michigan lottery game, the Green Ticket, went on sale in November 1972 for fifty cents a ticket, the program has continued to develop and offer various types of games to the public. In 1975, instant game tickets were introduced, and two years later, in 1977, the first draw game, the Daily 3, was established. In 1996, the Lottery offered the first multi-state drawing game, The Big Game, in which 10 states participated. Lottery games began to be sold over the internet in 2014. Currently, there are [339 games](#) available to players.

Recent Activity

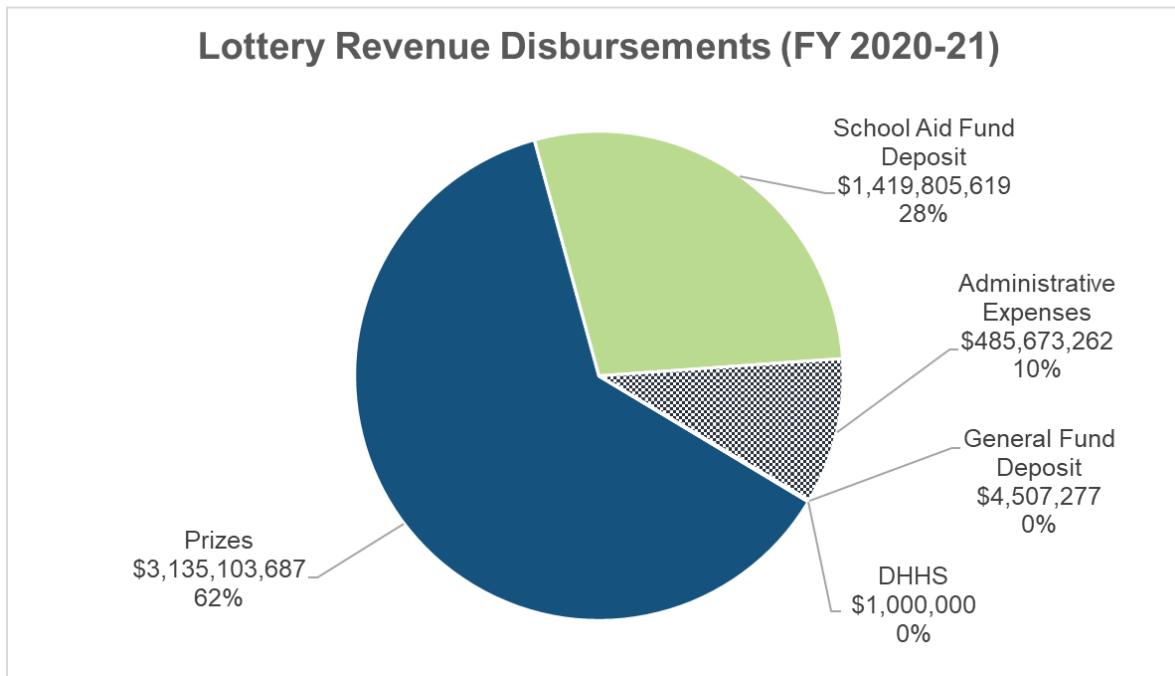
Lottery sales reached a record \$5.0 billion in FY 2020-21, and the Lottery contributed over \$1.4 billion to the SAF that year—which was a new contribution record. In fact, FY 2020-21 was the seventh consecutive year in which the Lottery made record-setting sales and deposits to the SAF. However, in FY 2021-22, lottery sales decreased, and the SAF received \$1.2 billion from the Lottery—a reduction of approximately \$200.0 million from the prior year. Since its beginning in 1976, the Lottery has raised over [\\$26.0 billion for Michigan schools](#), and more than \$46.0 billion has been paid to players in prizes.



Source: Michigan Bureau of State Lottery

Additional Information

Funding from the revenue of lottery sales is expended for the following purposes: payment of prize winnings, annual deposit to the SAF, BSL administrative expenses, deposit of charitable gaming activities net revenue to the state general fund, and in recent years, \$1.0 million to the Department of Health and Human Services (DHHS) to support responsible gaming programs. Statute requires that at least 45% of the total annual revenue from lottery tickets be allocated for the payment of prizes. In FY 2020-21, of the \$5.0 billion revenue for lottery sales, the record amount of \$3.1 billion was distributed to prize winners.



Source: Michigan Bureau of State Lottery

All unclaimed prizes are deposited into the SAF if not claimed within one year of the drawing date. According to the Lottery's [FY 2020-21 annual report](#), \$78.1 million of prizes were unclaimed in FY 2020-21.

There were 10,423 licensed retailers that sold Michigan lottery products in FY 2020-21. The Lottery provides the equipment, advertising materials, ticket dispensers, displays, and customer service support that retailers need. Retailers receive commissions for ticket sales and redemption—6% commission on each ticket sold and 2% commission on each winning ticket redeemed at their business location. About 9% of every dollar spent on lottery games is distributed to retailers and vendors. In FY 2020-21, retailers received more than \$370.9 million for commissions and incentives.

The Lottery oversees charitable gaming activities by qualified licensed nonprofit organizations to conduct bingos, raffles, charity-game ticket sales, and other gaming events to raise funding for their charitable cause. Revenues received from license fees and charity-game ticket distribution fund costs of the program. Any revenue received in excess of program costs is deposited into the state's general fund. In FY 2020-21, the Lottery received \$10.9 million revenue for the program and expended \$6.4 million in operating expenses. The remaining \$4.5 million net income was deposited in the state's general fund.

The Bottom Line

Sales of lottery tickets have followed an increasing trend over the last decade. For FY 2014-15 through FY 2020-21, lottery sales and the corresponding annual deposit into the SAF have steadily increased and set new record levels each succeeding year. In FY 2021-22, however, sales declined approximately 15.1% and were close to FY 2020-21 sales levels, and the corresponding SAF deposit was about \$200.0 million lower than the previous year. Each year approximately 28% of lottery sales revenue is deposited into the SAF.