

**House Appropriations
General Government Subcommittee
Testimony of Lottery Commissioner Brian O. Neill**

Tuesday, March 19, 2019

Good morning Chairman Huizenga and members of the Committee. Thank you for the opportunity to meet with you today and provide an overview of the Michigan Lottery's Fiscal Year 2018 performance.

Lottery's primary mission is to generate revenue for Michigan schools, and all Lottery profits are deposited into the School Aid Fund (SAF). Last fiscal year, Lottery contributed approximately \$941.3 million to the SAF. That is a new record -- and the fourth record year in a row.

Revenue from Lottery comprised more than 6% of the SAF last fiscal year. Each dollar raised through Lottery sales is a dollar that need not be raised through taxes or other means. Since it began in 1972, the Lottery has raised more than \$22 billion for public education in Michigan.

Several other records were set last fiscal year, including approximately:

- \$3.5 billion in sales
- \$2.2 billion in prizes to players
- \$334 million in commissions to retailers and vendors, many of which are small, family-owned businesses

In terms of each dollar spent on a lottery ticket last fiscal year, approximately:

- 62 cents was paid to players in prizes
- 26 cents was contributed to Michigan schools
- 9 cents was paid to retailers and vendors
- 3 cents covered Lottery's operating and administrative costs

Lottery has grown significantly over the last five years. In Fiscal Year 2013, Lottery contributed about \$734 million to the SAF. Last year's contribution of \$941 million is an increase of more than 28%. This incredible success would not be possible without our retailers, vendors, players, and an exceptionally dedicated team.

Looking forward, in order to secure and increase the revenue Lottery generates for schools, it must be able to operate like a business, move quickly, and meet customer expectations. For example, Lottery began selling online in August of 2014. Since then, more than 1 million unique players have registered accounts, and more than \$167 million has been raised for Michigan schools. Last year alone, \$70 million, about 7.4% of Lottery's SAF contribution, was from online sales. Online sales have contributed greatly to Lottery's overall growth over the last five years, not just in terms of sales, but also the ability to reach our customers, increase awareness, and offer promotions that introduce or re-introduce players to games sold at retail. This approach has grown the entire business rather than simply moving the same sale from one channel to another.

This concludes my prepared remarks. Lottery has no budget or investment requests for Fiscal Year 2020. Thank you again for the opportunity to meet with you today.