

LOTTERY TRUST FUND TASK FORCE

KENTUCKY LOTTERY CORPORATION

Mary R. Harville
President and CEO
July 20, 2023



Fueling Imagination.
Funding Education.



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Kentucky Lottery Corporation

- Corporate office: 1011 W. Main Street, Louisville
- Approximately 165 employees (55 working throughout the state)



Mission and Vision

Mission: Fuel imagination and fund education for ALL Kentuckians.

Vision: Enrich the lives of all Kentuckians through our Principles, Products, People and Partners.



- 100% of KEES money awarded has come straight from the sales of KY Lottery tickets.
- 98 cents of every \$1 in non-loan student financial aid awarded by the Commonwealth comes from the sale of KY Lottery tickets.
- 1 out of 5 Kentucky citizens have received grants and scholarships from our educational assistance funding.





Lottery-Funded Scholarships and Grant Programs for FY 2023

- Kentucky Educational Excellence Scholarship (KEES)
- College Access Program (CAP)
- KY Tuition Grants (KTG)
- Work-Ready Kentucky Scholarship
- Dual Credit Scholarship
- National Guard Tuition Award
- Teachers' Scholarship Program



DATE: OCTOBER 30, 2021
\$269,245,546
PAY TO THE ORDER OF **EASTERN KENTUCKY UNIVERSITY**
OVER TWO HUNDRED SIXTY-NINE MILLION ^{00/100} DOLLARS
Mayor B. Howell
KENTUCKY LOTTERY PROCEEDS



- Since 1989, the Kentucky Lottery has provided over \$6.8 billion to the Commonwealth.
- Of that, since 1999, KLC has provided more than \$4.8 billion for college scholarships, grants and education programs.



Mary R. Harville
President & CEO

March 10, 2023

Re: The Impact of Kentucky Lottery Funds in your district in FY 2022 and the FY 2022 Annual Report

Dear Representative McCool:

As we navigate through a time of economic uncertainty and increased competition, the Kentucky Lottery has once again delivered tremendous results to your constituents and our state overall. I'm proud to provide you with information about the use of our revenues in the Commonwealth, and importantly to you, the impact of Kentucky Lottery revenues specifically in YOUR jurisdiction during the last fiscal year.

Here's how these funds impacted District 97 in FY 2022:

- Your students received 1,909 grants and scholarships worth \$3,272,561.
- This is part of the grants and scholarships awarded to students in:
 - Johnson County: 1,018 grants and scholarships worth \$1,735,151
 - Martin County: 473 grants and scholarships worth \$760,002
 - Pike County: 2,582 grants and scholarships worth \$4,876,278

Colleges, universities, and vocational schools in your area also felt the impact of our funds:

- University of Pikeville: 1,670 grants and scholarships worth \$3,487,644

During Fiscal Year 2022:

- Lottery sales were \$1,676,502,000, a 5.7% increase from the previous year, with \$90.2 million in additional sales over FY21.
- Lottery cash transfers to the Commonwealth were \$360.8 million. This is \$6.1 million or 1.7% more than last year.

Additional information is attached that shows how Kentucky Lottery funds are distributed throughout the Commonwealth in the form of both need-based and merit-based (KEES) college scholarships and grants. Several Lottery-funded programs have seen increased award amounts due to the record-breaking sales and cash transfers in FY22. Awards for the need-based College Access Program (CAP) in four-year programs will increase to \$5,300 up from \$2,900 last year.

Also attached is our FY 2022 annual report. The financial information included in the annual report



Mary R. Harville
President & CEO

March 10, 2023

Re: The Impact of Kentucky Lottery Funds in your district in FY 2022 and the FY 2022 Annual Report

Dear Senator Deneen:

As we navigate through a time of economic uncertainty and increased competition, the Kentucky Lottery has once again delivered tremendous results to your constituents and our state overall. I'm proud to provide you with information about the use of our revenues in the Commonwealth, and importantly to you, the impact of Kentucky Lottery revenues specifically in YOUR jurisdiction during the last fiscal year.

Here's how these funds impacted District 10 in FY 2022:

- Your students received 6,366 grants and scholarships worth \$9,649,813.
- This is part of the grants and scholarships awarded to students in:
 - Hardin County: 5,052 grants and scholarships worth \$7,434,846
 - Jefferson County: 26,286 grants and scholarships worth \$44,294,882

Colleges, universities, and vocational schools in your area also felt the impact of our funds:

- University of Louisville: 12,300 grants and scholarships worth \$24,050,820
- Elizabethtown Community and Technical College: 6,085 grants and scholarships worth \$5,967,894
- Jefferson Community and Technical College: 10,677 grants and scholarships worth \$8,401,080
- Bellarmine University: 2,814 grants and scholarships worth \$6,628,743

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Background

- Created by constitutional amendment and legislative act passed in 1988, KRS 154A.
- Legislature recognized operating a lottery was unique and that a corporate structure would enable management in an entrepreneurial and business-like manner, KRS 154A.
- Began sales in April 1989.
- The corporation shall maximize revenues to the Commonwealth of Kentucky while at the same time provide entertainment to its citizens, KRS 154A.



What is “Lottery”?

KRS 154A.010

- “Lottery” means any game of chance approved by the corporation and operated pursuant to KRS 154A, except for games prohibited by the General Assembly:

154A.063 Prohibited lottery games.

- (1) The corporation shall not utilize amateur athletics for any purpose including, but not limited to, advertising, promoting, conducting a lottery, or as a basis for a lottery.
- (2) The corporation shall not approve and operate any casino or similar gambling establishment and shall not approve or operate any game played with playing cards, dice, dominos, slot machines, roulette wheels, or where winners are determined by the outcome of a sports contest.



Lottery Scratch-off and iLottery Instant Play Games



Lottery Draw Games

- Multi-state and Kentucky draw games



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KLC: Corporate Entity Attributes

- Completely self-funding and self-sustaining.
- Employees are NOT in the state merit system.
- Employees do NOT participate in the state retirement system (KLC has a defined contribution plan that is fully funded).
- Employees do NOT participate in the state health insurance plan nor do employees receive retiree health insurance.
- No sovereign immunity.



KLC: State Agency Attributes

- An “independent de jure municipal corporation and political subdivision”, and a "public agency."
- **Accountable to the Governor, General Assembly and the people through audits, reports and financial disclosure.**
- **Board members appointed by the Governor (except the Treasurer) and approved by the Senate.**
- Subject to Open Records, Open Meetings Acts.
- Auditor of Public Accounts is responsible post-audit of books and records.



KLC: State Agency Attributes

- Adopt own procurement procedures (202 KAR 3:020).
- Personal service contracts filed with the Government Contract Review Committee.
- Adopt own ethics code for employees (202 KAR 3:020).
- May promulgate administrative regulations and conduct KRS 13B hearings related to retailer and vendor appeals.



Board of Directors

- Composed of eight members. One member shall be the State Treasurer and the other seven are appointed by the Governor, subject to the advice and consent of the Senate.
- Duties:
 - Approve the annual budget.
 - Approve the game rules (types, odds, prizes).
 - Approve major lottery specific contracts that are unique to the lottery, regardless of amount, and other contracts the Board determines need approval.
 - Meet at least six times per year.





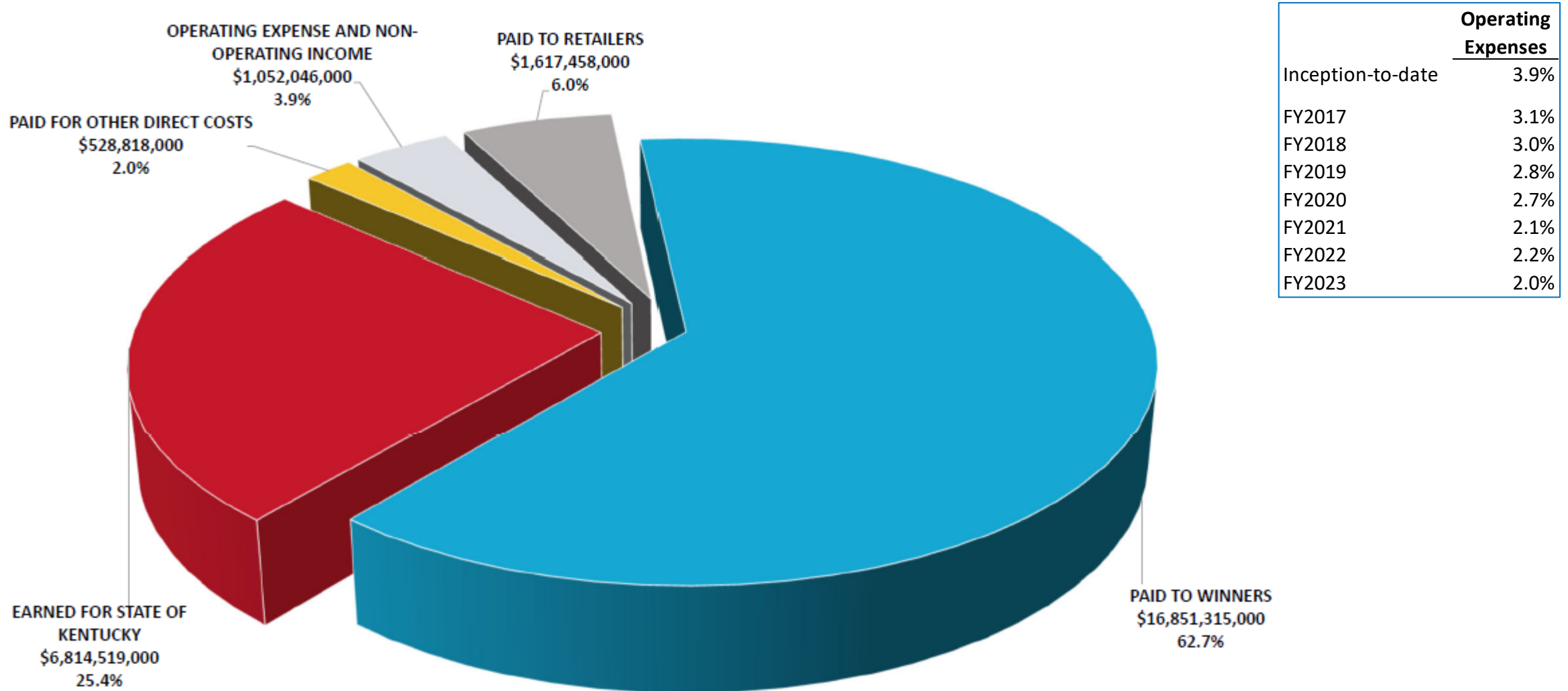
Social Responsibility

The KY Lottery is a global leader in lottery problem gambling awareness:

- KY Lottery staff wrote the North American responsible gambling industry framework.
- Among first states to receive industry standards and best practices certification.
- Certified by World Lottery Association's responsible gambling framework.
- Member of the Kentucky Council on Problem Gambling.
- Fund text and chat features.

Where the Money Goes

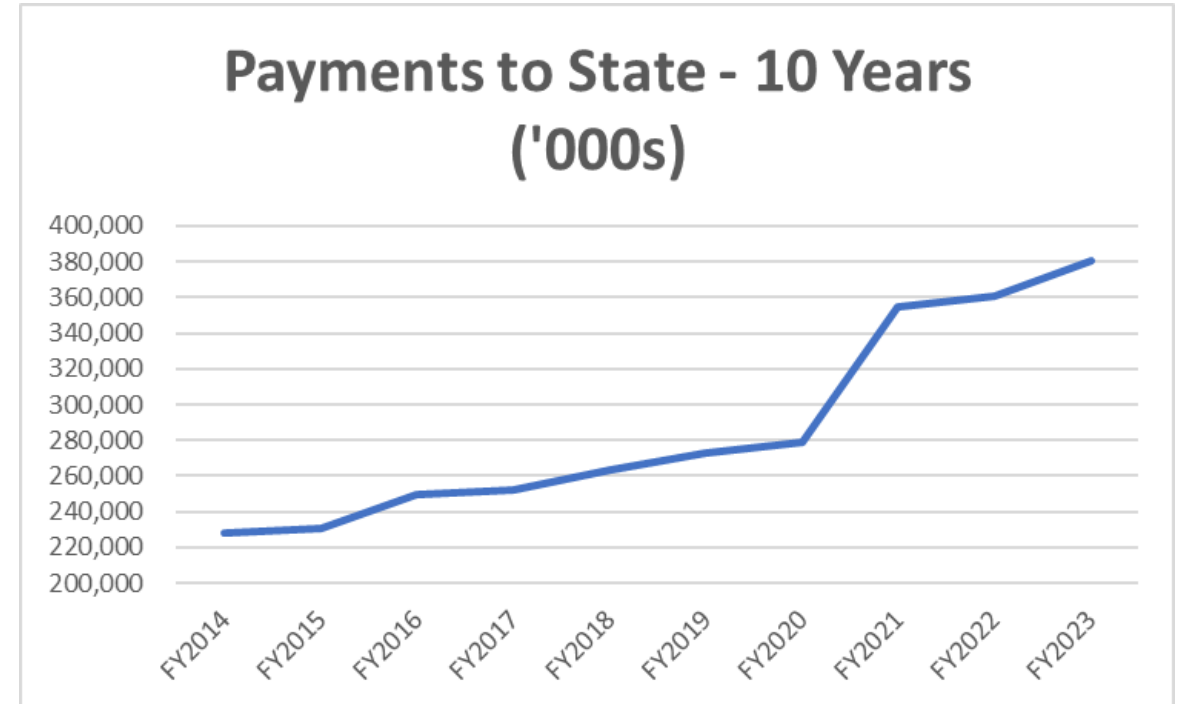
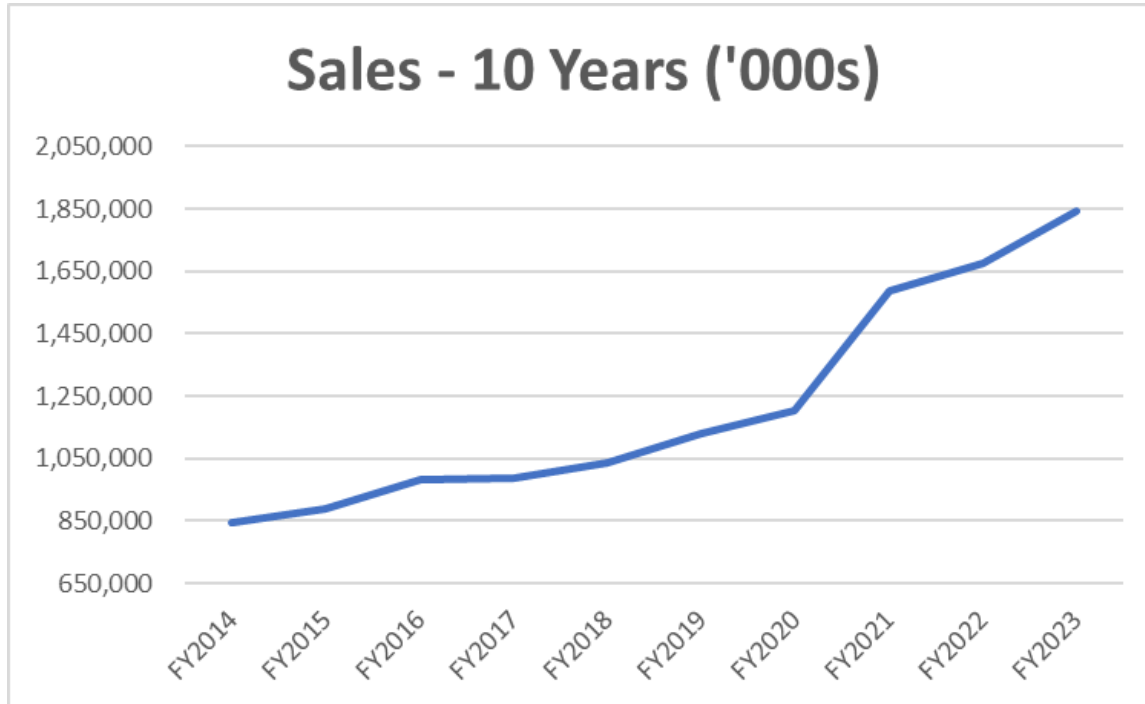
(Inception-to-date through 6/30/2023)



	Operating Expenses
Inception-to-date	3.9%
FY2017	3.1%
FY2018	3.0%
FY2019	2.8%
FY2020	2.7%
FY2021	2.1%
FY2022	2.2%
FY2023	2.0%

Sales and Payments to the Commonwealth of KY

	Average Annual Growth Rate	
	Sales	Payments to State
10 years	8.8%	5.7%
5 years	12.6%	8.0%
3 year	15.8%	11.5%
1 year	9.8%	5.4%



Payments to Retailers

- 5% commission on gross scratch-off and draw game sales at retail.
- 1% selling commission on wins above \$600 (subject to maximums for jackpot prizes).
- 1% cashing commission on wins paid up to and including \$600, and 2% cashing commission on wins paid above \$600, up to cashing limit.
- Quarterly scratch-off incentives for achieving sales quota and following best practices.

FY2023 Payments to Retailers

Payments as a % of gross retail sales	6.0%
Payments as a % of net retail revenue (sales less prizes)	17.5%



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Payments to Retailers

- \$84,370,000 paid to retailers in FY2023.



Use of Lottery Funds

- Lottery funds are allocated to merit and need based scholarship and grant programs.
- The specific allocations are set by legislation, **KRS 154A.130**, and biennial state budget (**HB 1 for FY23-FY24**).

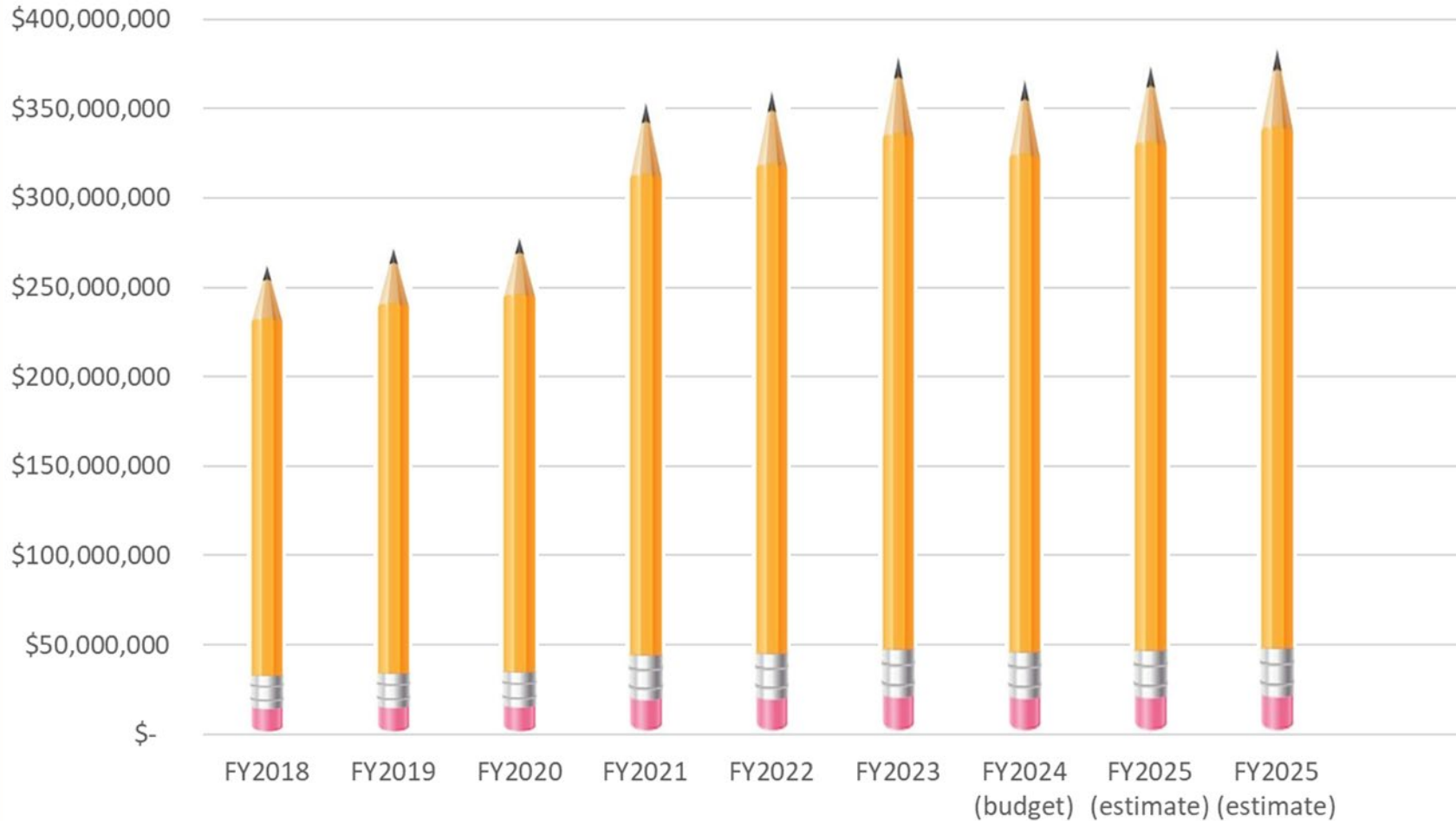


Payments to the Commonwealth of KY

	From Net Income	From Unclaimed Prizes	Total Payments to the Commonwealth of KY
FY2018	\$253,000,000	\$10,271,000	\$263,271,000
FY2019	\$263,946,000	\$8,840,000	\$272,786,000
FY2020	\$271,363,000	\$7,123,000	\$278,486,000
FY2021	\$347,105,000	\$7,658,000	\$354,763,000
FY2022	\$347,343,000	\$13,476,000	\$360,819,000
FY2023	\$370,291,000	\$10,050,000	\$380,341,000



KENTUCKY LOTTERY CORPORATION PAYMENTS TO THE COMMONWEALTH OF KENTUCKY



FY2024 Kentucky Lottery Budget:

- **\$357,549,000** in payments from net income.
- **\$10,000,000** in payments from unclaimed prizes (KEES reserve)



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Kentucky vs. Other U.S. Lotteries

(48 total; ranked against 37 comparable states)

- Kentucky Lottery ranks 7th in payments to the state as a % of GDP.
- Kentucky Lottery ranks 12th in payments to the state per capita.
- Kentucky Lottery ranks 14th in payments to the state.



Source: *La Fleur's Magazine* – September/October 2022

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Kentucky Lottery Initiatives

- Recruit additional retail partners.
- Develop games that appeal to players (research and focus groups).
- Multi-State NASCAR partnership (year 1 promotion in progress).
- Pursue alternative methods for buying at retail (i.e., in-lane, buy online, pick up in store).
- Increase awareness of “where the money goes” so players know their purchase funds good causes.



Possible New Lottery Games & Distribution Channels

- Multi-State major professional sport lottery-themed game.
- Buy online, pick up in store (test conducted).
- Amateur athletics themed games (e.g., College sports-themed ticket).
- Partner with “big box” retailers.
- Cross promote with other gaming entities.



QUESTIONS?

