ARIZONA’S STATE LOTTERY

AGENCY MISSION AND HISTORY

The State Lottery (Lottery) was established as a result of an initiative petition and the approval of the voters in the November 1980 general election. The Lottery is responsible for administering state-sanctioned games of chance to generate monies for the state, subject to sufficient revenue. The Lottery offers games in both an on-line and instant ticket format. On-line means the numbers are selected on a machine, as opposed to scratching a ticket.

The Arizona State Lottery Commission (Commission) was also established in 1980 to oversee the Lottery, in order to produce the maximum amount of net revenue consonant with the dignity of the state.

LOTTERY RE-AUTHORIZATION

In November 2002, the Legislature asked voters to decide if the Lottery should be extended for an additional ten years. Citizens voted 73 percent in favor of keeping the Lottery operating through July 1, 2013. The Lottery was subsequently re-established by Laws 2010, Sixth Special Session, Chapter Two, beginning July 1, 2012 and terminating July 1, 2035.

ORGANIZATION

An Executive Director is appointed by the Governor to administer the Lottery. The Commission consists of five members appointed by the Governor to five-year terms, subject to Senate confirmation. The members of the Commission represent law enforcement, a certified public accountant, marketing or advertising, and convenience store or grocery retailing. Commission members are eligible to receive compensation of not more than $30 per day. The Commission must meet at least quarterly to make recommendations and set policy, receive reports from the Executive Director and transact other business properly brought before the Commission.
The Lottery receives monies annually from the State Lottery Fund, which consists of all revenues received from the sale of lottery tickets or shares, and licensing fees for agents to sell lottery tickets or shares, including the sale of multi-state games (e.g., Powerball). The Lottery is restricted by statute to spending not more than 18 ½ % of the total annual revenues accruing from the sale of lottery tickets or shares and from all other sources and 35% of the total annual revenues from the sale of special instant games on operation and administrative expenses, including independent audits, incentive programs, and the purchase or lease of lottery equipment.

**LOTTERY BENEFICIARIES**

At least 50 percent of lottery revenues are dedicated to payment of prizes to the holders of winning tickets or shares. Statute also contains a funding distribution formula that allocates monies to designated beneficiaries. The current beneficiaries of lottery funding are: the State Lottery Revenue Bond Debt Service Fund, the Arizona Game and Fish Commission Heritage Fund, health and welfare programs, the state General Fund, homeless transitional and emergency shelters, the Arizona Competes Fund, and the University Capital Improvement Lease-to-Own and Bond Fund. Thirty percent of unclaimed prize money benefits the Court Appointed Special Advocate Program.

Statute also allows the Lottery Commission to establish special instant ticket games with play areas protected by paper tabs designated for use by charitable organizations. Monies saved from the revenue of the special games, by reason of operating efficiencies, shall become other revenue of the Lottery Commission and revert to the state General Fund.

**STATE LOTTERY REVENUE BOND DEBT SERVICE FUND**

Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, $450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the state General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the state General Fund. The FY 2012 bond payment was $20,709,600, which was interest only. The principal and interest payments in FY 2013 and FY 2014 are expected to be $37,499,600 and $37,499,800, respectively. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

**ARIZONA GAME AND FISH COMMISSION HERITAGE FUND**

The Arizona Game and Fish Commission’s Heritage Fund is used to promote wildlife habitat and education programs and to rehabilitate historic buildings. Statute caps the annual distribution to the Heritage Fund at $10,000,000.

**HEALTH AND WELFARE PROGRAMS**

The Health and Welfare portion of the distribution is subject to annual inflation adjustments with the monies distributed to the Departments of Economic Security (DES), Health Services and the Arizona Board of Regents for various qualifying programs.

**STATE GENERAL FUND (GF)**

The state GF receives monies from the Lottery in three parts. The statutory distribution requires that the GF receive up to $84,150,000 (Part 1). The state GF Part 2 would receive an additional $15,499,000 after the statutory funding obligations are met through the homeless shelters distribution. Finally, after all other lottery distributions are met, the state GF – Part 3 is to receive all remaining monies.
**HOMELESS SHELTERS**

The statutory distribution of Lottery revenues allows for a $1,000,000 annual distribution to DES for homeless shelters. DES uses the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services.

**ARIZONA COMPETES FUND**

The annual distribution to the Arizona Competes Fund is capped at $3,500,000. The monies in this fund are administered by the Arizona Commerce Authority and used to provide grants to qualifying businesses for the purpose of attracting, retaining and business expansion in this state.

**UNIVERSITY CAPITAL IMPROVEMENT (UCI) FUND**

This fund serves as the source for up to 80% of the annual debt service associated with $800,000,000 of University Capital construction lease-purchase agreements. This fund received $10,298,500 in FY 2012, which was 80% of the annual debt service payments on the $316,590,000 of lease-purchase agreements that have been issued to date. The UCI Fund is expected to require $13,330,600 in FY 2013 and $18,531,200 in FY 2014 to make the expected level of debt service payments. The FY 2014 estimate includes debt service payments on $524,533,000 of lease-purchase agreements that have already been or will be issued by the end of FY 2014. Once the full $800,000,000 has been issued, debt service payments could total $41,632,800, depending on assumptions of repayment lengths and interest rates.

**ACTUAL DISTRIBUTION OF LOTTERY REVENUES**

For actual dollars amounts of distributions of lottery revenues see:

http://www.azleg.gov/jlbc/14AR/lot.pdf

**ADDITIONAL RESOURCES**

- Arizona Lottery  
  4740 E. University Dr.  
  Phoenix, AZ 85034  
  480-921-4400  
  [www.arizonalottery.com](http://www.arizonalottery.com)
- Publicity Pamphlet for November 5, 2002 General Election, prepared by the Arizona Secretary of State [www.azsos.gov](http://www.azsos.gov)
- Arizona State Lottery and Arizona State Lottery Commission Statutes; Arizona Revised Statutes, Title 5, Chapter 5.1