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**Maine State Lottery**– DAFS and Commission Govern and Oversee All Key Aspects of Lottery Finances and Operations; Lottery Advertises Statewide to Adults; No Indication of Marketing Emphasis on Any Specific Demographic Group(s)

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**Report No. SR-LOTTERY -13**

**Recommendations OPEGA offers as a result of this review:**

- Legislature Should Amend Reporting Requirements and Lottery Should Report as Required. (pg. 27)
- Lottery Commission Meetings and Decisions Should be Better Publicized. (pg. 28)

April  
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a report to the  
**Government Oversight Committee**  
from the  
**Office of Program Evaluation & Government Accountability**  
of the **Maine State Legislature**

## Recommendations



### **Legislature Should Amend Lottery Reporting Requirements and Lottery Should Ensure Those Requirements are Met**

Maine statute Title 8 § 372 contains two reporting requirements for the Lottery. BABLO did not meet either requirement in the period FY12 – FY16. Current management and staff at BABLO and DAFS did not provide OPEGA any explanation for not reporting.

Statute requires the BABLO Director submit full and complete certified statements of lottery revenues, prize disbursements, and other expenses to State Treasurer, the Commission, and the DAFS Commissioner on a monthly basis. Staff in the State Treasurer's Office reported to OPEGA that the Lottery had not been providing this certification, but also explained that the Office neither requests the certified statement, nor needs it to conduct their work.

Statute also requires the BABLO Director to submit an annual report, subject to the approval of the Commission, to the Governor and the Legislature that must include a full and complete statement of lottery revenues, prize disbursements, and expenses. However, Lottery staff did not provide OPEGA any evidence of these reports, or other annual reports, being submitted to the Legislature and the nonpartisan staff for the VLA Committee, the AFA Committee, and the Legislative Council told OPEGA they were unaware of BABLO submitting any annual reports.

The DAFS Service Center that supports BABLO generates, and provides to the agency, annual financial statements that include the information statute requires be reported to the State Treasurer and the Legislature. The legislative Office of Fiscal and Program Review has, in the past, obtained these financial statements from BABLO when needing Lottery information to include in the annual State of Maine Compendium of State Fiscal Information.

In early 2016, following its review of BABLO's Government Evaluation Act report, the VLA Committee introduced legislation requiring that BABLO annually report to the Committee specifically on expenditures made to promote lottery sales through marketing and advertising, as well as the gross revenues and operating profits from the sale of spirits in the State. The purpose of the specified reporting was to ensure VLA has adequate information to facilitate its role of overseeing and monitoring the operation of the Maine State Lottery and the State's spirits business. The bill was passed by the Legislature, but vetoed by the Governor and the veto was sustained. OPEGA noted that the annual Lottery financial statements prepared by the DAFS Service Center do include some details on the Lottery's advertising expenses for the year.

OPEGA observed that the Legislature has interest in the profitability of the Lottery as a source of General Fund revenues and in the broader policy implications of Lottery activities and decisions. Annual reporting is an avenue for regularly providing information important to the Legislature's oversight and understanding of Lottery's activities and finances, as well as for generally promoting accountability and transparency for this legislatively-created entity. We suggest that annual reporting of some information beyond Lottery finances may also be beneficial. For

example, a summary of key actions and decisions by the Commission in the past year and a description of the Lottery's marketing and advertising activities.

**Recommended Legislative Action:**

The Legislature should amend statute to:

- Eliminate the requirement for annual certification of finances to the State Treasurer, unless some purpose for this certification is identified.
- Specify the date annual reports are due, which legislative committees they should be submitted to and what the reports should include.

The Legislature might also consider adding a requirement for the Lottery to publicly present the annual reports to the VLA.

We observe that similar annual reporting requirements exist in statute for BABLO's alcoholic beverage operations. The Legislature may want to similarly amend those requirements so that BABLO has consistent reporting requirements for its entire function. Additionally, depending on what BABLO is required to include in the annual reports, the Legislature might also consider eliminating the requirement for BABLO to submit a Government Evaluation Act report every eight years.

**Recommended Management Action:**

BABLO should begin submitting the statutorily required annual reports, possibly using the annual financial statements already prepared as a base. Those reports should be directly submitted to the Legislature's VLA and AFA Committees via an avenue that would also result in those reports being posted on the Legislative Calendars. Additionally, BABLO should make the annual reports publicly available on its website or that of the Liquor and Lottery Commission.