

Hoosier Lottery's private operator to get larger-than-expected incentive payment

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The Hoosier Lottery had an even better year than expected, according to preliminary and unaudited fiscal year 2018 figures presented to the State Lottery Commission Tuesday morning.

[Earlier this summer](#), private lottery operator IGT Indiana and the lottery projected that \$1.26 billion in tickets would be sold in the fiscal year ending June 30, but revenue actually reached \$1.27 billion.

As a result, Hoosier Lottery Executive Director Sarah Taylor told the commission that IGT Indiana, formerly Gtech Indiana, will receive an even bigger performance incentive—\$9.1 million, rather than the \$6.3 million estimated earlier this year.

It's the first time the company has met the incentive threshold since contracting with the state in 2012.

The 15-year contract between the Hoosier Lottery and IGT Indiana outlines minimum net income amounts IGT Indiana must hit in order to avoid paying a penalty and incentive net income amounts that would trigger an incentive payment.

The company missed the minimum income targets in 2014 and 2015, prompting the state to revise the contract in 2015 and lower the income requirements.

IGT Indiana then [avoided penalties in 2016](#) and [2017 by hitting the minimum](#) net income requirements, but it did not hit the incentive income targets, so it did not receive a bonus.

Ticket sales in fiscal year 2018 generated a “provider net income” of \$318.2 million—\$18.2 million higher than the \$300 million minimum threshold for both IGT Indiana to avoid paying a penalty and receive its first incentive bonus.

Under the agreement, IGT Indiana receives half of the excess income—\$9.1 million—and the Hoosier Lottery receives the other half.

Next year, the minimum income target stays at \$300 million, but the incentive mark increases to \$305 million. Early projections for fiscal year 2019 show IGT Indiana will hit the incentive mark again with an estimated provider net income of more than \$306 million.

The lottery covers its operating expenses, but otherwise all surplus revenue flows to the state, which uses proceeds to reduce residents' automobile excise taxes, support police and fire pension funds, contribute to teachers' retirement funds and finance other projects.

The Hoosier Lottery revealed during Tuesday's meeting that it will give \$306 million to the state, which is more than 6 percent higher than fiscal year 2017 and a record high amount.

The amount going to the state is 50 percent higher than the amount transferred in fiscal year 2012—the last year before the lottery contracted with IGT Indiana.