

Ohio Lottery Commission

- The Ohio Lottery is self sustaining and funded through the State Lottery Fund.
- The Ohio Lottery is the 6th largest in the United States.
- Since its inception in 1974, the Ohio Lottery has provided more than \$10.0 billion in support of the

OVERVIEW

The Ohio Lottery operates to create profits to be transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefiting primary, secondary, vocational, and special education. The amount transferred comes largely from operating profits with other transfers made from the Unclaimed Prize Fund.

The Executive forecasts that transfers from operating profits to LPEF will be \$619.7 million for FY 2002, similar to estimated transfers for FY 2001. Transfers are estimated at \$640.7 million for FY 2003, or 3.4 percent higher than transfers in FY 2002. These transfers are based on estimated sales of \$1.97 billion in FY 2002 and \$2.10 billion in FY 2003. If forecasted sales are not met, transfers from operating profits will be lower than estimated. Additionally, in each year of the biennium, \$25 million is to be transferred from the Unclaimed Prize Fund to the Lottery Profits Education Fund.

The Ohio Lottery is self-sustaining and funded through the State Lottery Fund. Of the \$2,150.3 billion of total ticket sales generated in FY 2000, 59 percent was awarded to players as prizes, 31 percent was transferred to the Ohio Department of Education, 6 percent was paid to agents as commissions and bonuses, and 4 percent was spent on operations. The Lottery operates a variety of on-line and instant ticket games. The on-line games are Pick 3, Pick 4, Buckeye 5, Super Lotto, and the Kicker¹. These games generated approximately 47.6 percent of total sales revenue in FY 2000. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games were approximately 52.4 percent of total sales revenue in FY 2000.

¹ These on-line games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters computers. On-line games in this report do not refer to “Internet” lottery sales.

The Lottery is governed by a nine member Commission, appointed by the Governor and confirmed by the Senate. No more than five members of the Commission may be from the same political party. Daily administration of the Lottery is the responsibility of an executive director who is appointed by the Governor to oversee staff and operations.

Recommended funding for FY 2002 is \$452,122,982. This amount is \$8,228,669 lower than FY 2001 appropriations, a 1.8 percent decrease. Recommended funding for FY 2003 is \$452,315,043. This amount is \$192,061 greater than FY 2002, a 0.04 percent increase.

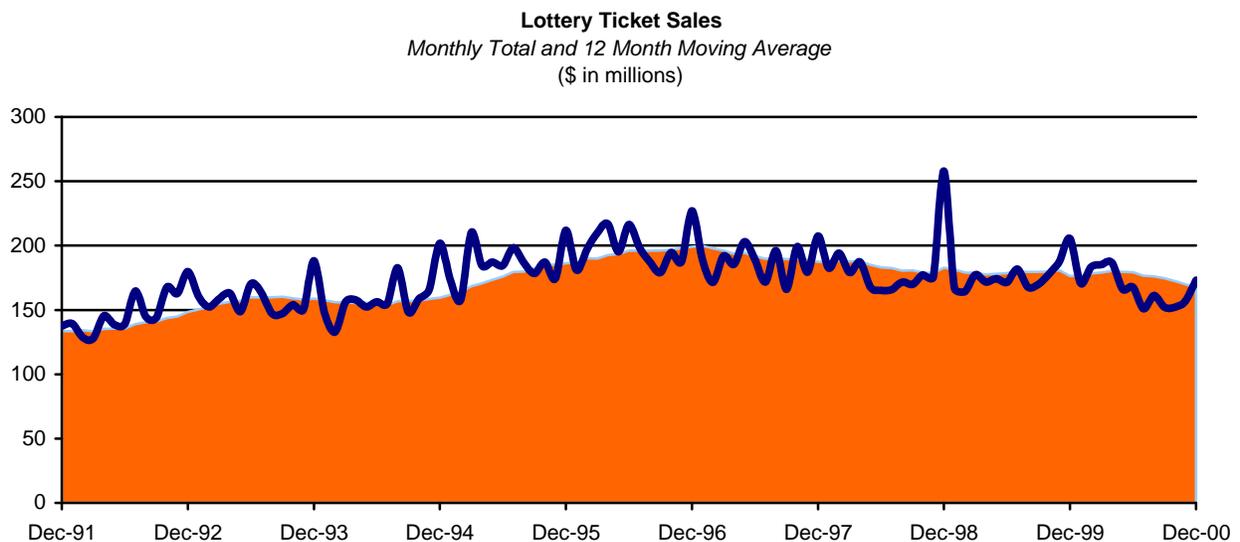
The Executive proposal recommends two changes to permanent law. First, it recommends allowing the Ohio Lottery to join a multi-jurisdictional game. Second, it recommends that language requiring the transfer of at least 30 percent of ticket sales to the Lottery Profits Education Fund be eliminated. These two changes are included in the executive estimated sales for the biennium.

ADDITIONAL FACTS AND FIGURES

Ohio Lottery Commission Staffing Levels (full time staff)						
Program Series/Division	1998	1999	2000	2001	Estimated	
					2002	2003
Executive	51	48	48	53	54	54
Administration	26	27	27	24	25	25
Marketing	30	25	25	18	19	19
Sales	192	183	183	181	182	182
Finance	32	32	32	30	31	31
Information Technology	39	37	37	38	43	43
Totals	370	352	352	344	354	354

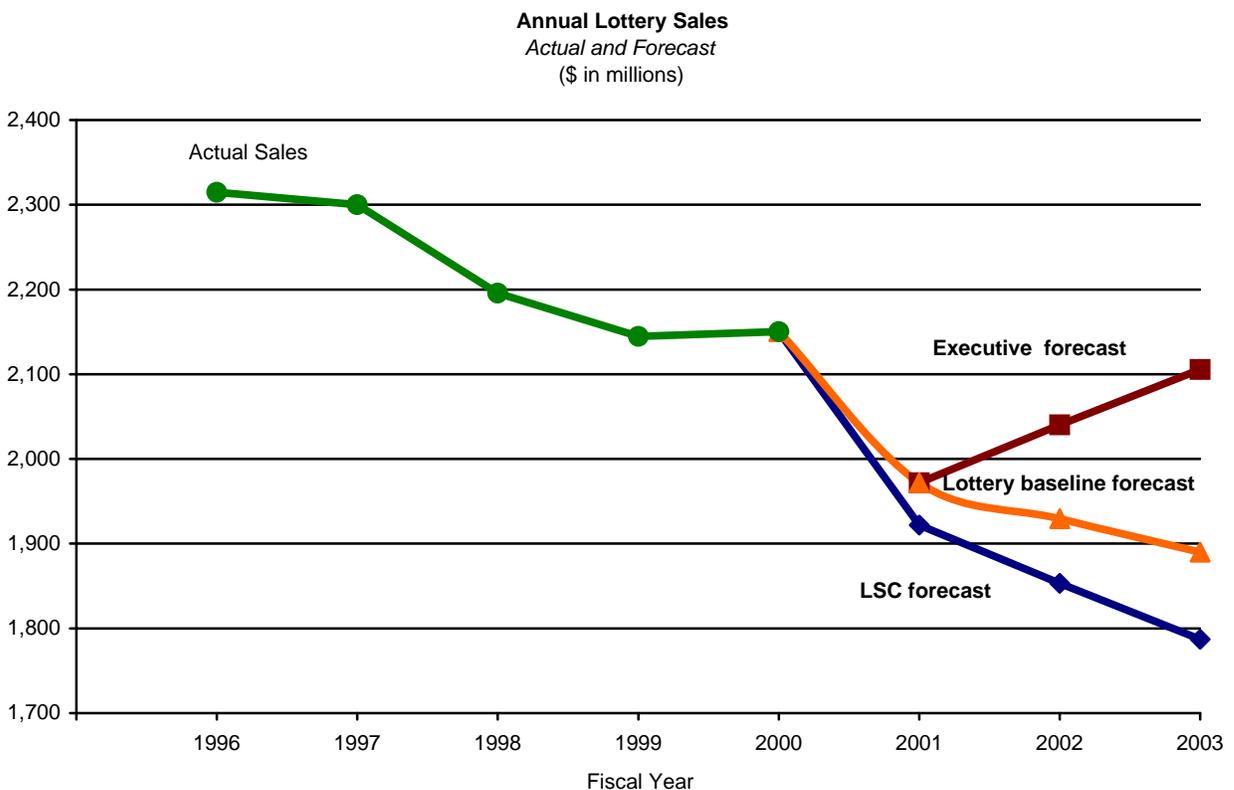
The information in the above table comes from past budget request documents of the Ohio lottery. The estimated staffing levels for the FY 2002-2003 biennium include 10 additional staff for which funding was requested. The timing of the additions is not known at this time.

Lottery Sales: Lottery ticket sales grew tremendously throughout the early to mid 1990's. Sales grew from \$1.6 billion in fiscal year 1990 to over \$2.3 billion in fiscal year 1996. Then, sales started falling. Growing incomes and changing attitudes towards gaming drove the growth in sales. The chart below shows the rise and fall of lottery ticket sales from December 1999 to December 2000.



The line in the above chart indicates monthly sales. Monthly sales have a seasonal pattern of increases during December and also rise with Super Lotto jackpots. A 12-month moving average of sales removes any seasonal variations and provides an indication of sales trends.

Lottery sales are difficult to predict. Incomes continue to grow and this will act to increase overall expenditures on gaming. However, although incomes continue to grow and attitudes towards gaming remain generally favorable, the increased competition in the gaming market has decreased lottery ticket sales. Regular and riverboat casinos, racetrack video lottery terminals, multi-jurisdictional lotteries such as Powerball or the Big Game, and more recently Internet-based and charitable gaming, such as “bingo”, have all contributed to the decline in tickets sales. Jackpot “fatigue” has increased as low levels of Lottery jackpots fail to generate excitement. Ticket sales decline, which started since 1996, may likely continue. The more recent economic slowdown and high energy prices will also reduce sales in FY 2001. LSC estimates that lottery sales will be \$1,922.0 million in FY 2001, \$1,853.4 million in FY 2002, and



\$1,787.2 million in FY 2003. The Lottery Commission forecasts baseline sales to be \$1,971.9 million for FY 2001, \$1,929.6 million in FY 2002 and \$1,890.1 million in FY 2003. The Executive proposal forecast that sales would grow to \$2,040.1 million in FY2002 and \$2,105.7 in FY2003. LSC’s forecast is based on recent trends in sales and assumes no change in the current mix of games offered by the Ohio Lottery. The Lottery’s forecast incorporates proposed changes in games, prizes, and advertising that are expected to boost sales. The Executive proposal forecasts entry in multi-state lotto games, restructuring of Super Lotto Plus, and the elimination of the 30 percent profit transfer requirement. LSC has not been able to incorporate these changes into its forecast and has not reached a conclusion as to their likely impact.. Recent sales, along with LSC, Ohio Lottery baseline, and the Executive proposal forecasts are presented in the chart above. The Executive’s estimates represent an increase of 5.7 percent over the Ohio Lottery baseline scenario and 10.1 percent over LSC’s estimates in FY2002. The Executive proposal forecast of

FY2003 sales exceeds the Ohio Lottery baseline by 11.4 percent and exceeds the LSC forecast by 17.8 percent.

Lottery Profits Transfers: Lottery profits transfers are required by law to be at least 30 percent of sales. As sales grew throughout the 1990's, so did transfers to the LPEF. Transfers grew from \$616 million in fiscal year 1990 to over \$713 million in fiscal year 1996. As ticket sales have declined, profits transfers also have decreased. Transfers were \$661.3 million in FY 2000 or 7.3 percent lower than transfers in fiscal year 1996.

The table below presents a recent history of lottery sales and profits, an estimate of sales and profits for fiscal year 2001, and forecasts of sales and profits for fiscal years 2002 and 2003. Estimated and forecasted profits have been calculated as 31 percent of estimated and forecasted sales, similar to those the Ohio Lottery has used in its calculations in its baseline scenario. Lottery estimates in this table are baseline forecasts and do not include forecasted results from entry in a multi-state lottery and removal of the 30 percent transfer provision.

Lottery Sales and Profits Transfers: Recent History and Baseline Forecast (\$ in millions)							
	FY 2000	FY 2001		FY 2002		FY 2003	
	Actual	LSC	Lottery	LSC	Lottery	LSC	Lottery
Sales	\$ 2,150.4	\$ 1,922.0	\$1,979.9	\$ 1,853.4	\$1,929.6	\$ 1,787.2	\$1,890.1
Profits Transfers	\$ 661.3	\$ 604.1	\$619.8	\$ 579.2	\$603.1	\$ 554.9	\$586.9
Transfers from Unclaimed Prizes	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0
Total Transfers	\$686.3	\$629.1	\$644.8	\$604.2	\$628.1	\$579.9	\$611.9

Game Revisions: LSC's forecasts of sales and profits are based on trend and assume no change in the current mix of games offered by the Ohio Lottery. If the game mix or game structures are substantially changed, sales and profits may or may not be positively impacted. During FY00-01, the Ohio Lottery included midday drawings and red ball promotion for the Pick 3 and Pick 4 games and increased advertising costs and Unclaimed Prize Fund expenditures. The Ohio Lottery estimates the changes improved FY2000 results. Sales in FY2000 were \$5.8 million higher than in FY 1999. In FY 2001, the Ohio Lottery introduced Super Lotto Plus, which modified the structure of Super Lotto and added an instant winner element to purchases of those tickets. In Super Lotto, a player had to match correctly 6 out of 47 numbers to win the big prize and the odds against a \$1 bet winning the jackpot were 11 million to 1. The Super Lotto Plus is a 6 out of 49 game with the odds against a \$1 bet winning the jackpot of 13 million to 1. In addition, jackpot increases in Super Lotto Plus are much lower than the automatic \$4 million in Super Lotto, and the new game design directly pegs jackpot levels with sales. Higher jackpots induce more players to purchase lottery tickets. With longer odds and smaller increases in jackpots in the new version of Super Lotto, it is likely that revenue from this on-line game will be much lower in FY2001 than in FY2000. Introduction of a multi-jurisdictional lottery may further decrease Super Lotto Plus sales. However, additional sales from the multi-state game would surpass any decrease in the Super Lotto Plus sales and total ticket sales will increase.

Use of Unclaimed Prizes: Some individuals who win lottery prizes fail to claim their prizes. The Unclaimed Prizes Fund receives cash transfers from the Lottery Operating Fund each month, in an amount equal to the prizes unclaimed after the cashing eligibility has expired. Transfers into the Unclaimed Prize Fund were approximately 1.3 percent of sales in FY2000. The fund also receives any interest earnings on the fund. Moneys from the Unclaimed Prize Fund are transferred to ALI 950-603, Unclaimed Lottery Prizes, and used for transfers to education. The Lottery uses the funds appropriated primarily for prize payout increases for instant games.

Competition in the Gaming Industry: Public attitudes towards gaming continue to be favorable, but the gaming market is becoming more competitive. A strong economy has encouraged some lottery players to visit distant gaming establishments such as those in Las Vegas or Atlantic City. Casinos have opened within short driving distances of Ohio. Charitable gaming such as “bingo” is growing fast and provides higher payout prizes than the Lottery games. Charitable gaming is challenging primarily instant ticket sales. Most charitable gaming operations are cash-based with low overhead costs and are able to lure players with high payouts. Internet gaming has transformed competition from regional to global. On-line gaming sites found on the Internet have grown from 647 to 1,400 between 1999 and 2000. On-line gaming sites could potentially reach over 3,000 in 2002. The Ohio Lottery is a mature lottery and is trying to maintain its existing levels of sales and profits. Changes in the gaming market will make this goal increasingly difficult. Increases in advertising expenditures may have helped stabilize sales in FY2000. Other strategies may be needed for the Ohio Lottery to become more competitive and to decrease jackpot “fatigue”. The Executive recommends that the Ohio Lottery join a multi-jurisdictional game. The Big Game is played in 7 states including Michigan. Powerball is played in 21 states including Indiana, Kentucky and West Virginia. Higher jackpots in those games directly affect the Ohio Lottery because they drain sales from Ohio residents who may otherwise spend their gaming dollars on Ohio Lottery products. Entry in either of those multi-state games will limit ticket sales currently lost to border states. However, this also has the potential to cannibalize sales of current on-line games. Reclaiming lost sales will halt the decline in ticket sales. LSC has not been able to determine the effect of those multi-state lotteries on Ohio Lottery ticket sales. However, it is probable that Powerball, which is played in three states, may capture a higher proportion of Ohio cross boarder sales.

The 30 Percent Requirement: Lottery profits transfers are required by law to be at least 30 percent of sales. The 30 percent requirement limits the prize payout percentages that may be offered to game players. Higher prize payout percentages attract more players and may increase sales and profits. The Executive proposal recommends the removal of this requirement. However, *the executive proposal does not indicate how (if adopted) the Ohio Lottery will determine the level of profits transfers to the Lottery Profit Education Fund (LPEF)*. The Lottery Commission could offer games with higher prize payout percentages to better compete, particularly with other instant games. These games may lead to increased sales, even though profits would be less than 30 percent of sales. However, even with higher payout percentages, profit increases would most likely be modest. Important policy questions will remain: maximizing the total amount of transfers made to education, keeping transfers above a certain percentage of sales, or altering operations of the Ohio Lottery to compete in the new gaming world.

ANALYSIS OF EXECUTIVE PROPOSAL

OHIO LOTTERY COMMISSION

Purpose The Ohio Lottery operates to create profits to be transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefiting primary, secondary, vocational, and special education.

The following table shows the line items that are used to fund this agency, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
044	950-100	Personal Services	\$23,990,502	\$25,164,204
044	950-200	Maintenance	\$24,167,162	\$24,698,840
044	950-300	Equipment	\$4,131,719	\$3,664,576
044	950-402	Game & Advertising Contracts	\$64,913,869	\$64,624,331
044	950-601	Prizes Bonuses and Commissions	\$136,371,980	\$132,532,125
871	950-602	Annuity Prizes	\$185,454,636	\$188,275,991
871	950-603	Unclaimed Prize Awards	\$13,093,114	\$13,354,976
Total funding: Ohio Lottery Commission			\$452,122,982	\$452,315,043

The above line items are analyzed below.

Personal Services

Description: This line item, authorized by ORC 3770, provides funds for payroll and fringe benefits for the Ohio Lottery.

Funding Source: State Lottery Fund - lottery ticket sales

Line Items: 044 950-100

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$894,889 (3.9 percent) greater than estimated spending for FY 2001 and the recommended funding for FY 2002 is \$ 1,173,702 (4.9 percent) greater than that for FY 2002. The majority of these amounts, about \$23.4 million in FY 2002 and \$24.6 million in FY 2003 are for estimated payroll expenses derived with consideration to staffing levels as of February 2001 with an increase that would permit the addition of 10 staff over the biennium. The Ohio Lottery has indicated that this level of staffing will be adequate in case it joins a multi-state lottery. The remaining funding of about \$0.5 million each year of the biennium is for computer and financial systems, and continuation of miscellaneous personnel services (unemployment compensation, educational seminars, etc.)

Maintenance

Description: This line item, authorized by ORC 3770, provides funds for maintenance and supplies for the Ohio Lottery. Approximately 80 percent of the charges to this line item are due to data processing, telecommunications, and promotional/printing charges.

Funding Source: State Lottery Fund – lottery ticket sales

Line Items: 044 950-200

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$1,129,463 (4.5 percent) below the estimated spending for FY 2001 and the recommended funding for FY 2003 is \$531,678 (2.2 percent) above that for FY 2002. In recent years the Lottery has spent less than the amount appropriated to this line item. In FY 1997, the Lottery spent \$19,345,531 of the \$30,275,950 appropriated. In FY 1998, the Lottery spent \$19,148,566 of the \$26,253,100 appropriated. In FY 1999, the Lottery spent \$17,959,912 of the \$26,980,020 appropriated. In FY 2000, the Lottery spent \$18,173,581 of the 24,644,625 appropriated. The new Gaming system, which increases the number of terminals, may increase maintenance costs. Joining a multi-state lottery game will increase data processing, telecommunications, and promotional and printing charges.

Equipment

Description: This line item, authorized by ORC 3770 provides funds for equipment for the Ohio Lottery.

Funding Source: State Lottery Fund – lottery ticket sales

Line Items: 044 950-300

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$857,399 (26.2 percent) above estimated spending for FY 2001 and the recommended funding for FY 2003 is \$467,143 (14.8 percent) below that for FY 2002. These levels of funding will provide for the replacement and upgrading of older equipment, computer upgrades (both hardware and software), an upgrade of the Lottery communication network, and the purchase/lease of equipment that functions as a bridge between the Lottery gaming network and Gaming System computers.

Game & Advertising Contracts

Description: This line item, authorized by ORC 3770.06, provides funding for expenditures related to the operation of the on-line and instant gaming systems, and the promotion and testing of the lottery products offered for sales through those systems. All game vendor contracts, advertising contracts, and other purchased personal services are paid through this line item. The major categories of expenditures covered by this line item are: advertising; on-line and instant gaming operation and services; procurement of traditional and special instant ticket products; lease expense for instant ticket vending machines; and security testing for lottery products and drawing equipment.

Funding Source: State Lottery Fund – lottery ticket sales

Line Items: 044 950-402

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$535,134 (0.8 percent) above estimated spending for FY 2001 and the recommended funding for FY 2003 is \$ 289,538 (0.5 percent) below that for FY 2002.

Advertising expenses cover the production of print, radio, and television advertisements and the cost of media placement of these advertisements once they are produced. The amount requested by the Lottery for advertising is \$21.7 million for the upcoming biennium. The amounts requested are 1.1 percent greater than the amounts requested in the current biennium.

On-line and instant gaming operation and services are provided to the Lottery by GTECH Corporation. The Lottery had two separate contracts, one for on-line games and the other for instant tickets for the previous biennium. Estimated compensation was based on the rate of 1.6346 percent of on-line revenue and 0.188 percent of gross instant ticket sale, for an estimated total of \$33.5 million. During FY 2002-2003, the Lottery will have one contract with GTECH. For on-line games, GTECH will be compensated at the rate of 1.7853 percent of total on-line sales revenue and 0.3217 percent of total gross instant ticket sales. Total compensation is estimated to be \$21,471,231.3 in FY 2002 and \$22,052,557.3 in FY 2003, or \$43.5 million for the biennium¹.

Expenses associated with the procurement of instant ticket products are estimated to be \$11,650,000 for FY 2002 and \$11,700,000 in FY 2003. The Lottery currently has a contract with Pollard BankNote Ltd to provide for the printing of its instant tickets. This contract runs through the end of FY 2001 and has one two-year renewal option. The Lottery also has a sole source contract with Pollard to produce the Lottery's patented "Bingo" ticket. This contract expires in June 2001 and has no renewal options available. Instant tickets are priced according to the size of the ticket produced with the base rate for standard ticket production currently \$8.25 per one thousand tickets printed.

Lease expenses for instant ticket vending machines (ITVMs) are estimated to be \$4,899,120 each year of the next biennium. The Lottery currently leases 1,800 ITVMs through a contract with Interlott, Inc. of Cincinnati. The contract expires at the end of FY 2001 and has an option for one two-year renewal. Future contract provisions allow for the option to lease more ITVMs up to 2500 units.

Expenses for game security testing are forecasted to be \$290,000 in FY 2002 and \$300,000 in FY 2003. These expenses cover the testing of samples of all instant gaming products and the testing of the equipment used in the drawings for on-line games. This testing is deemed vital to maintaining public confidence in the integrity of the Lottery's products and drawings. The Lottery utilizes the Industrial Technological Center of Winnipeg, Manitoba, Canada to administer Instant game security.

Appropriation levels recommended by the Executive may be inadequate to support game operations if the Ohio Lottery joins a multi-jurisdictional lottery, and total sales and advertising costs increase.

Prizes Bonuses and Commissions

Description: This line item, authorized by ORC 3770.06, supports payments of all non-deferred prize major obligations. Minor prizes are paid by lottery vendors and are not appropriated. The three major sources of expenditures for this line item are cash option Super Lotto Plus prizes, first installments of deferred Super Lotto Plus prizes, and prize payments for high-tier winners of Buckeye 5. Other expenses include prize payouts from instant games and other on-line games, non-cash prizes awarded as promotions (for example, vehicles awarded on the Cash Explosion show), and sales incentives to agents.

Funding Source: State Lottery Fund – lottery ticket sales

Line Items: 044 950-601

¹ If GTECH provides services for the new multi-state game and sales reach forecasted level, FY2002-2003 compensation will be about 30 percent higher than estimated compensation for FY 2000-2001.

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$35,653,020 (2.7 percent) below estimated spending for FY 2001 and the recommended funding for FY 2003 is \$3,839,855 (2.8 percent) below that for FY 2002. The decreases were corresponding to declining sales, changes in game odds and expected number of grand prizewinners brought by the new Super Lotto plus game. Therefore, these appropriations do not reflect the probable increase in prizes obligations that would result from increased total ticket sales if the Ohio Lottery joins a multi-state lottery.

Annuity Prizes

Description: This line item authorized by ORC 3770.06, supports payments for all Lottery deferred prizes. The line item keeps only that amount of interest deemed necessary for the funding of annuity prizes and is therefore influenced by current interest rates. The Lottery Commission is required to set aside and transfer to the Treasurer for investment the present value of any annuity jackpots won in the Super Lotto game. Prizes are then paid out over time as they are due to winners.

Funding Source: State Lottery Fund – moneys transferred from the State Lottery Fund and interest earned on invested balances

Line Items: 871 950-602

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$4,788,629 (2.5 percent) below estimated spending for FY 2001 and the recommended funding for FY 2003 is \$2,821,355 (1.5 percent) above that for FY 2002. The decrease for FY 2002 is due to lower ticket sales, more jackpot winners choosing the cash option, and new administrative rules. The new rules allowed discounted lump-sum payments to be made to certain historical annuity prizewinners until December 2000, and for new winners an additional 60 days to choose to receive their prize in a one-time discounted lump sum payment. These appropriations do not reflect any probable increase needed if the Ohio Lottery joins a multi-state lottery.

Unclaimed Prize Awards

Description: Transfers from the Unclaimed Prize Awards line item, authorized by ORC 3770.07, are used for prize payout increases for instant games and the augmentation of Super Lotto jackpot awards.

Funding Source: Unclaimed Prize Fund – moneys from unclaimed lottery prizes

Line Items: 872 950-603

Implication of the Executive Recommendation: The recommended funding for FY 2002 is \$815,272 (5.9 percent) below estimated spending for FY 2001 and the recommended funding for FY 2003 is \$261,862 (2.0 percent) above recommended funding for FY2002. The funding will be used to support additional prize awards to lottery players to maintain lottery sales. In addition to these amounts, The Lottery estimates that about \$25 million per year are to be transferred from the Unclaimed Prize Fund to lottery profits.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the department's activities and spending decisions during the next biennium. Two permanent law changes are contained in the executive budget for the next biennium.

Joint State Lottery Games (ORC Sections 3770.02 (G), 3770.03 (A))

Permanent law presented in the Executive proposal would allow the Ohio Lottery Director to negotiate agreements with other lottery jurisdictions for the purpose of conducting multi-jurisdictional lottery games in Ohio, provided that the Governor signs such any resulting agreement. Special game rules reflecting multi-jurisdictional agreements would be structured to transfer its entire net proceed to the Lottery Profits Education Fund as required under Section 3770.06 (B) of the Revised Code. The Ohio Lottery expects to be able to offer a multi-jurisdictional game to Ohio players in the last quarter of FY 2002 and in FY 2003. Adding another game to the game mix will bring additional sales. However, this may decrease sales of some of the existing on-line games such as Super Lotto Plus. Lottery total sales will increase due to the retention of some of the sales currently lost to neighboring states.

Elimination of the 30 percent language (ORC Sections 3770.06 (B))

Another permanent law change presented in the Executive proposal removes language requiring the Lottery Commission to transfer at least 30 percent of the total revenue accruing from the sale of lottery tickets¹. This change would allow the Ohio Lottery to increase instant ticket payouts and better compete against pull-tabs and "bingo" type games. Ultimately, this change may allow an improvement in instant ticket sales.

¹ See Discussion in "Additional facts and figures above"

REQUESTS NOT FUNDED

All budget requests made by the Ohio Lottery Commission were funded.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2000</i>	<i>Estimated 2001</i>	<i>Executive 2002</i>	<i>% Change 2001 to 2002</i>	<i>Executive 2003</i>	<i>% Change 2002 to 2003</i>
LOT Lottery Commission, Ohio								
044	950-100	Personal Services	\$ 21,417,075	\$23,095,613	\$ 23,990,502	3.9%	\$ 25,164,204	4.9%
044	950-200	Maintenance	\$ 18,173,581	\$25,296,625	\$ 24,167,162	-4.5%	\$ 24,698,840	2.2%
044	950-300	Equipment	\$ 1,699,871	\$3,274,320	\$ 4,131,719	26.2%	\$ 3,664,576	-11.3%
044	950-402	Game & Advertising Contracts	\$ 52,252,617	\$64,378,735	\$ 64,913,869	0.8%	\$ 64,624,331	-0.4%
044	950-601	Prizes Bonuses and Commissions	\$ 130,537,087	\$140,154,707	\$ 136,371,980	-2.7%	\$ 132,532,125	-2.8%
871	950-602	Annuity Prizes	\$ 372,297,240	\$190,243,265	\$ 185,454,636	-2.5%	\$ 188,275,991	1.5%
872	950-603	Unclaimed Prize Awards	\$ 11,291,614	\$13,908,386	\$ 13,093,114	-5.9%	\$ 13,354,976	2.0%
State Lottery Fund Group Total			\$ 607,669,085	\$ 460,351,651	\$ 452,122,982	-1.8%	\$ 452,315,043	0.0%
Total All Budget Fund Groups			\$ 607,669,085	\$ 460,351,651	\$ 452,122,982	-1.8%	\$ 452,315,043	0.0%

State Lottery Fund Group

044 950-100 Personal Services

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$19,668,856	\$20,275,728	\$21,417,075	\$23,095,613	\$23,990,502	\$25,164,204
	3.1%	5.6%	7.8%	3.9%	4.9%

Source: SLF: lottery ticket sales

Legal Basis: ORC 3770

Purpose: This line item provides funds for payroll and fringe benefits for the Ohio Lottery Commission.

044 950-200 Maintenance

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$19,148,566	\$17,959,912	\$18,173,581	\$25,296,625	\$24,167,162	\$24,698,840
	-6.2%	1.2%	39.2%	-4.5%	2.2%

Source: SLF: lottery ticket sales

Legal Basis: ORC 3770

Purpose: This line item provides funds for maintenance for the Ohio Lottery Commission.

044 950-300 Equipment

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,975,383	\$2,188,802	\$1,699,871	\$3,274,320	\$4,131,719	\$3,664,576
	-26.4%	-22.3%	92.6%	26.2%	-11.3%

Source: SLF: lottery ticket sales

Legal Basis: ORC 3770

Purpose: This line item provides funds for equipment for the Ohio Lottery Commission.

044 950-402 Game & Advertising Contracts

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$49,907,319	\$51,823,796	\$52,252,617	\$64,378,735	\$64,913,869	\$64,624,331
	3.8%	0.8%	23.2%	0.8%	-0.4%

Source: SLF: lottery ticket sales

Legal Basis: ORC 3770.06

Purpose: This line item provides funding for expenditures related to the operation of the on-line and instant gaming systems, and the promotion and testing of the lottery products offered for sale through those systems. All game vendor contracts, advertising contracts, and other purchased personal services are paid through this line item.

044 950-601 Prizes Bonuses and Commissions

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$164,066,572	\$184,929,181	\$130,537,087	\$140,154,707	\$136,371,980	\$132,532,125
	12.7%	-29.4%	7.4%	-2.7%	-2.8%

Source: SLF: lottery ticket sales

Legal Basis: ORC 3770.06

Purpose: This line item supports payment of all current (non-deferred) prize obligations. There are three major sources of expenditures from this line item: cash option Super Lotto prizes, first installments of deferred Super Lotto prizes, and prize payments for high-tier winners of Buckeye 5. Other expenses include prize payouts from instant games and other on-line games, non-cash prizes awarded as promotions (e.g.: vehicles awarded on Cash Explosion show), and sales incentives to agents.

871 950-602 Annuity Prizes

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$165,952,729	\$167,877,518	\$372,297,240	\$190,243,265	\$185,454,636	\$188,275,991
	1.2%	121.8%	-48.9%	-2.5%	1.5%

Source: SLF: moneys transferred from the State Lottery Fund and interest earned by the Treasurer of State on invested balances

Legal Basis: ORC 3770.06

Purpose: This line item supports payments for all Lottery deferred prizes. The line item keeps only that amount of interest deemed necessary for funding of annuity prizes, and therefore is influenced by current interest rates. . The Lottery Commission is required to set aside (and transfer to the Treasurer for investment) the present value of any annuity jackpots won in the Super Lotto game. Prizes are then paid out over time as they are due to winners.

872 950-603 Unclaimed Prize Awards

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,000,000	\$5,000,000	\$11,291,614	\$13,908,386	\$13,093,114	\$13,354,976
	0.0%	125.8%	23.2%	-5.9%	2.0%

Source: SLF: moneys from unclaimed lottery prizes

Legal Basis: ORC 3770.07

Purpose: Transfers from the Unclaimed Prizes Fund are used for the following purposes: temporary prize payout increases for instant games; augmentation of Super Lotto jackpot awards; to fill gaps in the Deferred Prizes Trust Fund (DPTF) when additional money is needed; to serve as a kind of reserve fund in the event of a GRF or LPEF funding shortfall for Basic Aid.