

Ohio Lottery Commission

Senate Finance and Financial Institutions Committee

Jean J. Botomogno, Economist

Legislative Service Commission

May 5, 2005

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for the

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May 5, 2005

Ohio Lottery Commission

- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund
- The Ohio Lottery starts charitable gaming oversight
- Since its inception in 1974, the Ohio Lottery has provided more than \$13 billion in support of the public education system

OVERVIEW

The Ohio Lottery operates primarily 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 from operating net profits. In FY 2005, the Ohio Lottery started the oversight of charitable gaming, taking over certain duties previously performed by the Attorney General. The Executive expects transfers from operating profits to LPEF of \$1.3 billion in the next biennium, or \$650 million each year. These transfers are based on estimated sales of \$2.2 billion in each year of the biennium. The executive proposal does not transfer additional moneys from nonoperating sources because Am. Sub. H.B. 95, the operating budget act for FYs 2004-2005, eliminated the Unclaimed Lottery Prizes Fund. The Ohio Lottery is self-sustaining and funded through the State Lottery Fund. Funds for the oversight of charitable gaming are transferred from appropriations of the Attorney General. Of the \$2.15 billion of total ticket sales generated in FY 2004, 59.2% was awarded to players as prizes, 30.1% was transferred to the Ohio Department of Education, 6.2 % was paid to agents as commissions and bonuses, and 4.5% 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, Rolling Cash 5, Super Lotto, Kicker, and Mega Millions.¹ These games generated approximately 45.9% of total sales revenue in FY 2004. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games receipts were approximately 54.1% of total sales revenue in FY 2004.

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.

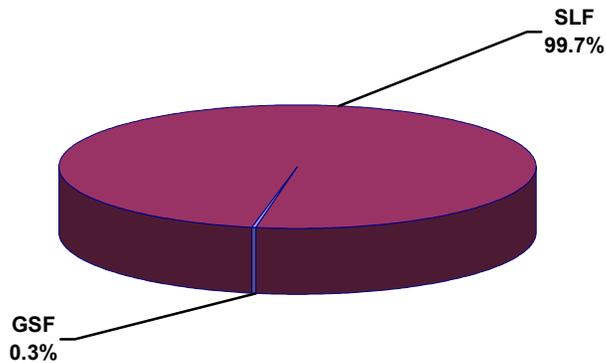
Recommended funding for all budget fund groups for FY 2006 is \$416,821,346. This amount is \$6,815,043 lower than FY 2005 appropriations, a 1.6% decrease. Recommended funding for FY 2007 is \$404,099,733. This amount is \$12,721,613 lower than FY 2006, a 3.1% decrease.

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.

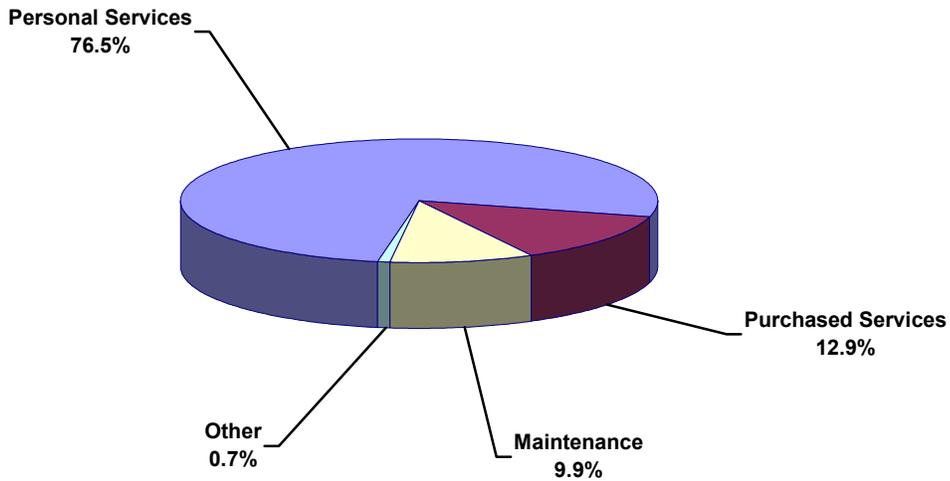
Summary of FYs 2006-2007 Budget Issues

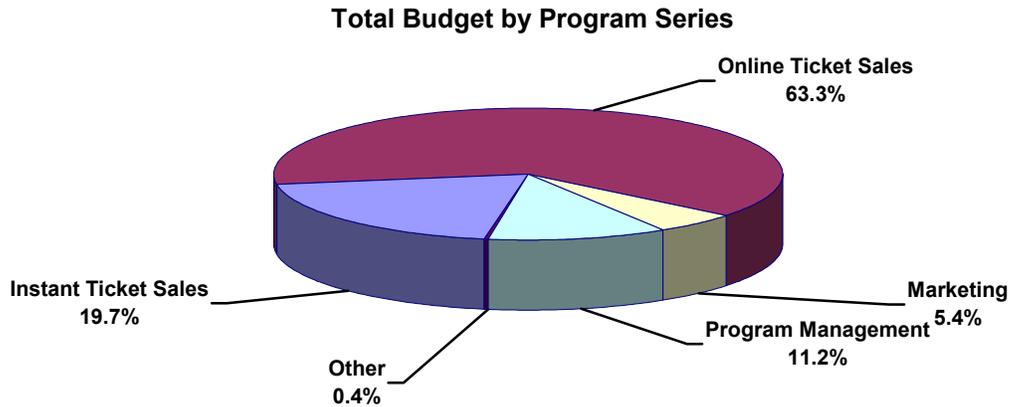
In July 2004, the Ohio Lottery and the Attorney General signed a Memorandum of Understanding transferring the administration and monitoring of charitable gaming licensing responsibility to the Ohio Lottery. The charitable gaming oversight will increase staff workload and may necessitate additional staffing.

Total Budget by Fund Group



Total Budget by Object Code





Staffing Levels

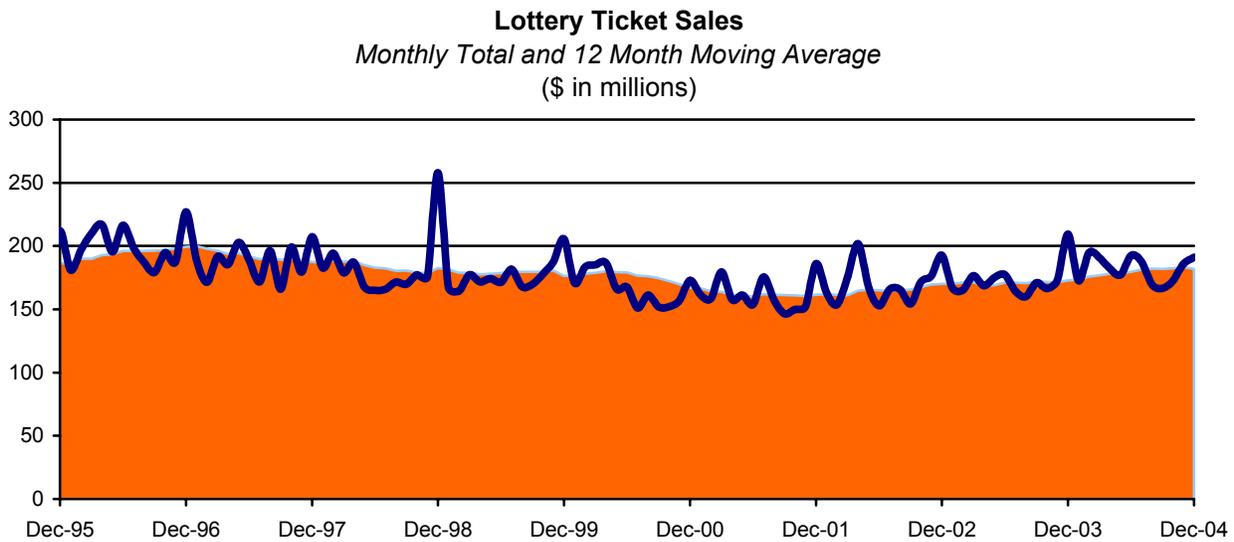
Staffing levels have remained flat in the last few years as new divisions were created and personnel were transferred from one division to another.

Ohio Lottery Commission Staffing Levels (full-time equivalent)						
Program Series/Division	2002	2003	2004	2005	<i>Estimated</i>	
					2006	2007
Executive	54	54	50	43.5	43.5	43.5
Administration	25	25	31	31	31	31
Marketing	19	19	14	10	10	10
Sales	182	182	174	165.5	165.5	165.5
Finance	31	31	26	26	26	26
Information Technology	43	43	42	48.5	48.5	48.5
Product R&D	0	0	17	6	6	6
Business Development	0	0	0	16	16	16
Charitable Gaming	0	0	0	8	8	8
Totals	354	354	354	354.5	354.5	354.5

FACTS AND FIGURES

Lottery Sales

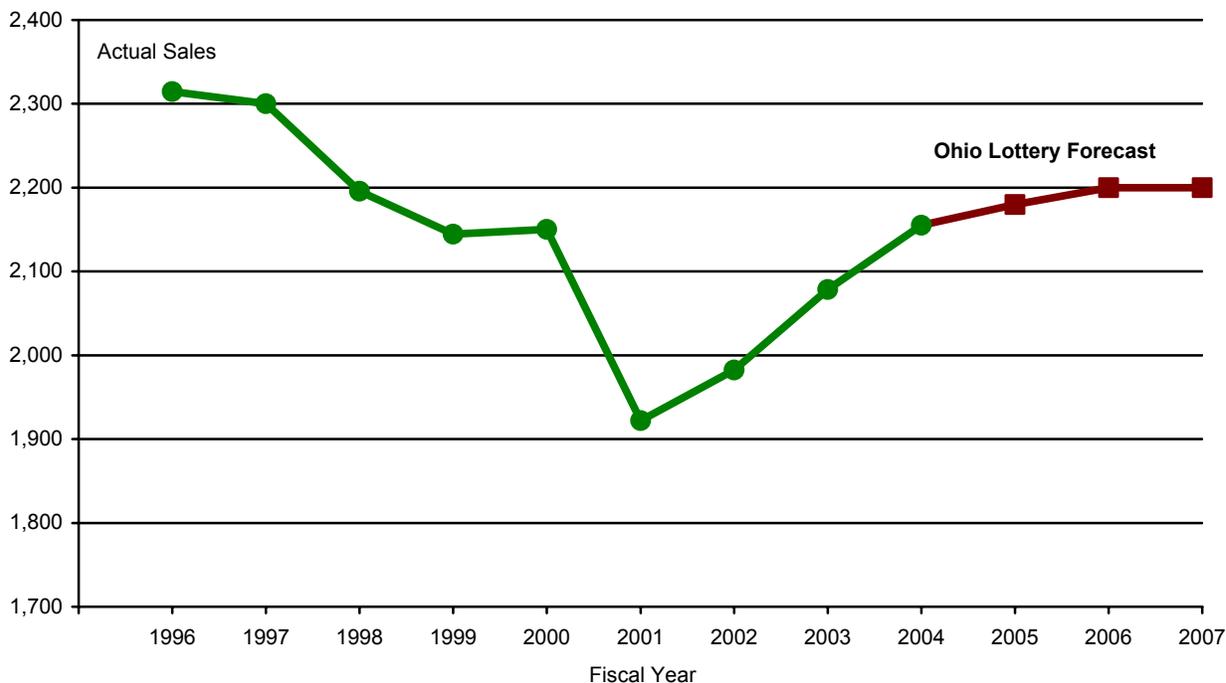
Lottery ticket sales grew tremendously throughout the early to mid 1990s. Sales grew from \$1.6 billion in FY 1990 to over \$2.3 billion in FY 1996. Then, sales fell to \$1.92 billion in FY 2001, before improving to \$2.15 billion in FY 2004. The chart below shows the rise and fall of lottery ticket sales from December 1995 to December 2004.



The line in the above chart indicates monthly sales. Monthly sales have a seasonal pattern of increases during December, as well as rising with Super Lotto, and more recently, Mega Millions jackpots. A 12-month moving average of sales removes any seasonal variations and provides an indication of sales trends. Ticket sales for “mature” lotteries such as the Ohio Lottery are usually flat or decline, unless new games are introduced, changes to the game matrix are made, or increases in the number of drawings boost sales. Although incomes continue to grow and attitudes toward gaming remain generally favorable and expenditures increase, the increased competition in the gaming market limits the upside potential of Lottery ticket sales. Regular and riverboat casinos, racetrack video lottery terminals, and more recently Internet-based and charitable gaming, such as “bingo,” have all contributed to limit Lottery ticket sales.

The Lottery’s forecast incorporates proposed changes in games, including introducing new “specialty games,” probable changes in prize payout structures of existing games, and potential changes in advertising that are expected to boost sales. Ticket sales rose to \$2.15 billion in FY 2004, and are expected to be about \$2.2 billion in each of the next two years.

Annual Lottery Sales
Actual and Forecast
 (\$ in millions)



Lottery Profits Transfers

Prior to Am. Sub. H.B. 94 (the operating budget for FYs 2002-2003), lottery profits transfers were required by law to be at least 30% of sales. H.B. 94 changed the manner in which the Ohio Lottery transferred profits to the LPEF. A target amount for such transfers is determined for each biennium during the legislative process. The Executive is recommending transfers from operating profits to LPEF of \$1.3 billion over the biennium, or about \$650 million per year on average. These transfers are based on estimated sales of \$2.2 billion in each year of the biennium. The table below presents a recent history of lottery sales and profits transfers, and an estimate of sales and expected profits transfers for FYs 2006 and 2007. Am. Sub. H.B. 95 (the operating budget for FYs 2004-2005) eliminated the Unclaimed Prize Fund. Thus, there will no longer be transfers to LPEF from nonoperating sources.

Ohio Lottery Sales and Transfers to LPEF, FYs 2002 – 2007 (dollars in millions)						
	FY 2002	FY 2003	FY 2004	FY 2005*	FY 2006*	FY 2007*
Sales	\$1,982.5	\$2,078.4	\$2,154.9	\$2,180.0	\$2,200.0	\$2,200.0
Profits Transfers	\$610.1	\$606.4	\$648.1	\$637.9	\$650.0	\$650.0
Transfers from Unclaimed Prizes	\$25.0	\$35.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Transfers	\$635.1	\$641.4	\$648.1	\$637.9	\$650.0	\$650.0

*Estimate FY 2004 transfers were \$10.2 million (1.6%) higher than projected transfers in H.B. 95. At the end of December 2004, year-to-date FY 2005 transfers were ahead of FY 2004 transfers in the same period. Thus, actual transfers in FY 2005 might also be higher than projected transfers.

Game Revisions or Additions

The Ohio Lottery joined Mega Millions on May 15, 2002. Soon after, Super Lotto ticket sales declined because its top prize became less “exciting” to players, and some players substituted Mega Millions tickets for Super Lotto tickets. However, this loss in Super Lotto sales was more than compensated for by sales of Mega Millions. With the addition of Texas into Mega Millions in CY 2003, and California this year, higher jackpots and operating profits are expected in the next years. The Ohio Lottery needs to constantly change the mix of games and prize structure to maintain interest and the level of sales. More recently, Rolling Cash 5 replaced Buckeye 5. The new game has higher average ticket price points and is expected to generate higher sales than the one it replaced. New Instant games were also introduced during the holiday season in FY 2005, and the average payout for the Instant games has slowly increased to 64%, up from 60% a few years ago.

Competition in the Gaming Industry

Public attitudes toward gaming continue to be favorable, but the gaming market is becoming more competitive. Some lottery players visit distant gaming establishments, such as those in Las Vegas or Atlantic City. Several casinos are open within short driving distances of Ohio in Indiana, West Virginia, and Michigan. Pennsylvania recently authorized the installation of 61,000 video lottery terminals at up to 14 locations. Some of these locations will be attractive to Ohio patrons. Riverboat gaming on the Ohio River is attracting patrons from Ohio. Charitable gaming such as “bingo” is growing fast and 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 (80% to 90%). Internet gaming has also transformed competition from regional to global. On-line gaming sites found on the Internet have grown from about 647 in 1999 to more than 5,000 today. Joining Mega Millions allowed the Ohio Lottery to improve on-line sales. Higher jackpots in this game directly affect the Ohio Lottery because they mitigate the drain of sales from Powerball. Mega Millions reduced the loss of sales to border states which have Powerball.

Charitable Gaming Oversight

In FY 2005, the Ohio Lottery expanded its core activities to include the oversight of charitable gaming. In July 2004, the Ohio Lottery and the Attorney General signed a Memorandum of Understanding transferring the administration and monitoring of charitable gaming licensing responsibilities to the Ohio Lottery. About 2,300 organizations have been issued licenses for charitable gaming purposes. The transfer of responsibilities will occur in four phases. The first phase, which includes the implementation of a comprehensive database to track licenses and license applications, is under way. The next phase includes site visits of license holders. The Ohio Lottery will determine compliance with recordkeeping requirements and whether licensees are purchasing bingo supplies from licensed suppliers. The third phase involves auditing of licensees' financial records and verification that contributions are properly distributed to charitable organizations. The fourth and last phase includes a conference with licensees that fail to remain in good standing. The Ohio Lottery may recommend the correction of outstanding issues or a revocation of their license. However, the Attorney General retains the authority to implement the recommendations. An indirect result of this new activity by the Ohio Lottery may be a curb on the expansion of "illegal" charitable gaming and gambling, with potential benefit to lottery receipts from increased Instant ticket sales.

MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2006 AND FY 2007

The following table provides a comprehensive presentation of the Executive's recommendations for each of the agency's line items and the programs each line item supports. Please note that some line items may provide funding for multiple program series and/or programs. See the Analysis of Executive Proposal section for more information on specific program funding.

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program				
Fund	ALI	Title	FY 2006	FY 2007
General Services Fund Group				
231	950-604	Charitable Gaming Oversight	\$ 1,200,000	\$ 1,200,000
General Services Fund Subtotal			\$ 1,200,000	\$ 1,200,000
State Lottery Fund Group				
Program Series 1: Instant/Online Lottery Ticket			\$ 415,237,478	\$ 402,518,855
<i>Program 1: Instant Ticket Sales</i>				
			\$ 80,476,418	\$ 81,600,854
044	950-402	Game and Advertising Contracts	\$ 25,119,686	\$ 25,126,207
044	950-601	Prizes Bonuses and Commissions	\$ 52,884,104	\$ 53,346,020
871	950-602	Annuity Prizes	\$ 2,472,628	\$ 3,128,627
<i>Program 2: Online Ticket Sales</i>				
			\$ 267,088,079	\$ 252,465,989
044	950-402	Game and Advertising Contracts	\$ 22,812,314	\$ 22,305,793
044	950-601	Prizes Bonuses and Commissions	\$ 98,068,362	\$ 94,370,266
871	950-602	Annuity Prizes	\$ 146,207,403	\$ 135,789,930
<i>Program 3: Marketing</i>				
			\$ 22,194,711	\$ 22,108,169
044	950-100	Personal Services	\$ 672,911	\$ 686,369
044	950-200	Maintenance	\$ 2,079,800	\$ 2,079,800
044	950-402	Game and Advertising Contracts	\$ 19,442,000	\$ 19,342,000
<i>Program 4: Program Management</i>				
			\$ 45,478,270	\$ 46,343,843
044	950-100	Personal Services	\$ 24,247,643	\$ 24,724,769
044	950-200	Maintenance	\$ 15,563,094	\$ 15,874,356
044	950-300	Equipment	\$ 2,517,533	\$ 2,494,718
044	950-402	Game and Advertising Contracts	\$ 3,150,000	\$ 3,250,000
Program Series 2: Problem Gambling Subsidy			\$ -	\$ -
<i>Program 1: Problem Gambling Subsidy</i>				
			\$ 383,868	\$ 380,878
044	950-100	Personal Services	\$ 48,868	\$ 45,878
044	950-500	Problem Gambling Subsidy	\$ 335,000	\$ 335,000
State Lottery Fund Subtotal			\$ 415,621,346	\$ 402,899,733
Agency Total Funding			\$ 416,821,346	\$ 404,099,733

ANALYSIS OF EXECUTIVE PROPOSAL

Program Series 1

Instant and Online Ticket Sales

Purpose: The purpose of this program series is to generate profit through the sale of instant and on-line tickets to be transferred to the Lottery Profits Education Fund for use in programs benefiting Ohio's primary, secondary, vocational, and special education. Administrative costs for the implementation of Lottery programs as well as marketing activities to enhance ticket sales are found within this program series.

The following table shows the line items that are used to fund the Instant and Online Ticket Sales Program, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
044	950-100	Personal Services*	\$24,920,554	\$25,411,138
044	950-200	Maintenance*	\$17,642,894	\$17,954,156
044	950-300	Equipment	\$2,517,533	\$2,494,718
044	950-402	Game and Advertising Contracts	\$70,524,000	\$70,024,000
044	950-601	Prizes, Bonuses and Commissions	\$150,952,466	\$147,716,286
044	950-602	Annuity Prizes	\$148,680,031	\$138,918,557
State Lottery Fund Subtotal			\$414,964,478	\$402,518,855
Total Funding: Instant and Online Ticket Sales			\$415,237,478	\$402,518,855

*Amount does not reflect total funding because line item is used to fund Programs in other Program Series.

FY 2006 recommended appropriations for the Instant and Online Ticket Program are about \$8.0 million (1.9%) below estimated spending for FY 2005. Amounts recommended for FY 2007 are \$12.4 million (3.0%) lower than appropriations recommended for FY 2006. Decreases in appropriations each year are primarily due to the decline in estimated appropriations needed for payments of annuity prizes because more winners are choosing the cash option.

This analysis focuses on the following specific programs within the Instant and Online Ticket Sales program series:

- **Instant Ticket Sales**
- **Online Ticket Sales**
- **Marketing**
- **Program Management**

Instant Ticket Sales

Program Description: The primary goal of this program is to maximize instant ticket sales and net profits. To reach this goal, the Ohio Lottery must provide instant tickets, make prize payments to winners, conduct ticket and machine testing, and warehouse and distribute the tickets. The program supports the purchase, warehousing, and distribution of instant tickets, and includes the vendors' commissions that are based on a percent of sales. The program also funds the cash and noncash prize (trips, cars, merchandise)

payouts to winners, and makes the annual payment for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-402	Game and Advertising Contracts	\$25,119,686	\$25,126,207
SLF	950-601	Prize, Bonuses, and Commissions	\$52,884,104	\$53,346,020
SLF	950-602	Annuity Prizes	\$2,472,628	\$3,128,627
Total Funding: Instant Ticket Sales			\$80,476,418	\$81,600,854

Funding Source: State Lottery Fund (044) – lottery ticket sales

Line Items: 950-402; 950-601; 950-602

Implication of Executive Recommendation: The recommended funding for FY 2007 is \$1.1 million (1.4%) higher than recommended spending for FY 2006. Increased Instant ticket sales with higher payouts would require higher annuity prize payments in FY 2007. Recommended appropriations for annuity prizes increase \$0.6 million (26.5%)

Temporary and Permanent Law Provisions: None

Online Ticket Sales

Program Description: As with Instant ticket sales, the primary goal of this program is to maximize online ticket sales and net profits. The Ohio Lottery enters into contracts for the ticket paper and for the gaming system. Additionally, the Ohio Lottery must make prize payments to winners. The program supports the purchase of on-line terminal paper to produce lottery tickets, and includes the contracted vendors’ commission amounts. It also funds the cash payouts to winners, including winners of the Mega Millions game, and makes the annual payment for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-402	Game and Advertising Contracts	\$22,812,314	\$22,305,793
SLF	950-601	Prize, Bonuses and Commissions	\$98,068,362	\$94,370,266
SLF	950-602	Annuity Prizes	\$146,207,403	\$135,789,930
Total Funding: Online Ticket Sales			\$267,088,079	\$252,465,989

Funding Source: State Lottery Fund (044) – lottery ticket sales

Line Items: 950-402; 950-601; 950-602

Implication of Executive Recommendation: The recommended funding for the online ticket sales program for FY 2007 is \$14.6 million (5.5%) lower than FY 2006 recommended spending. The Ohio Lottery anticipates lower on-line ticket sales, resulting in lower spending levels for game and advertising contracts (2.2%) and outlays for prizes (3.8%). Also, more winners than in the past are choosing the cash option for large winnings, thus decreasing the recommended appropriations for annuity prizes by \$10.4 million (7.1%).

Temporary and Permanent Law Provisions: None

Marketing

Program Description: The goal of the marketing program is to increase sales through product promotion to increase consumer awareness. This program supports the creation and placement of advertising (radio, television, signage, billboards, and promotional sponsorships), and provides the resources necessary to produce the Cash Explosion television game show and associated prizes. The program finances the contracts with vendors to purchase and produce creative advertising and TV, radio and print media placement. The program also supports the purchase of merchandise and promotional items, and provides resources for ten staffing positions.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-100	Personal Services	\$672,911	\$686,369
SLF	950-200	Maintenance	\$2,079,800	\$2,079,800
SLF	950-402	Game and Advertising Contracts	\$19,442,000	\$19,342,000
Total Funding: Marketing			\$22,194,711	\$22,108,169

Funding Source: State Lottery Fund (044) – Lottery ticket sales

Line Items: 950-100; 950-200; 950-402.

Implication of Executive Recommendation: The recommended funding for the marketing program in FY 2007 is \$0.08 million (0.4%) lower than FY 2006 recommended spending. Game and advertising contracts amounts are expected to decline \$0.1 million (0.5%), and personal services costs are expected to increase slightly.

Temporary and Permanent Law Provisions: None

Program Management

Program Description: This program supports the administrative, financial, information technology, sales support, and executive oversight functions of the Lottery Commission. The program funds approximately 336 full-time positions that implement and oversee the Lottery’s other programs, and provides for the general operational costs that include telecommunications, data processing and systems maintenance, and facility rental and maintenance.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-100	Personal Services	\$24,247,643	\$24,724,769
SLF	950-200	Maintenance	\$15,563,094	\$15,874,356
SLF	950-300	Equipment	\$2,517,533	\$2,494,718
SLF	950-402	Game and Advertising Contracts	\$3,150,000	\$3,250,000
Total Funding: Program Management			\$45,478,270	\$46,343,843

Funding Source: State Lottery Fund (044) – lottery ticket sales

Line Items: 950-100; 950-200; 950-300; 950-402

Implication of Executive Recommendation: Recommended funding for the program management program for FY 2007 is \$0.8 million (1.9%) higher than amounts for FY 2006. Increased costs for personal services (\$0.5 million, 2%) and maintenance (\$0.3 million, 2%) are expected.

Temporary and Permanent Law Provisions: None

Program Series 2

Problem Gambling Subsidy

Purpose: The goals of this program are to establish outpatient gambling treatment programs in Ohio for lottery clients with an alcohol and/or drug addiction and to increase the identification and referral of problem gamblers to appropriate programs and services. The program seeks to increase awareness of available services for problem gamblers and their families, and to establish prevention activities that address problem gambling.

The following table shows the line items that are used to fund the problem gambling subsidy program, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
044	950-100	Personal Services*	\$48,868	\$45,878
044	950-200	Maintenance*	\$335,000	\$335,000
State Lottery Fund Subtotal			\$383,868	\$380,878
Total Funding: Problem Gambling Subsidy			\$383,868	\$380,878

*Amount does not reflect total funding because line item is used to fund Programs in other Program Series.

Problem Gambling Subsidy

Program Description: This program funds the Ohio Department of Alcohol and Drug Addiction Services for the administration of problem gambling treatment programs.

Funding Source: State Lottery Fund (044) – lottery ticket sales

Line Items: 950-100; 950-500

Implication of Executive Recommendation: Recommended funding for the program in FY 2007 is about the same as for FY 2006, although a 6% decrease in appropriations charged to the personal services line item is expected.

Temporary and Permanent Law Provisions: None

Program Series 3

Charitable Gaming

Purpose: In accordance with an agreement (Memorandum of Understanding) with the Ohio Attorney General (AG), the Lottery will perform specific duties delegated by the AG related to oversight of Ohio’s charitable gaming activities.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
231	950-604	Charitable Gaming Oversight	\$1,200,000	\$1,200,000
General Services Fund Subtotal			\$1,200,000	\$1,200,000
Total Funding: Problem Gambling Subsidy			\$1,200,000	\$1,200,000

Licensing and Monitoring

Program Description: In July 2004, the AG and the Lottery entered into an agreement which requires the Lottery to perform the following duties: issue gambling licenses to charitable organizations; issue licenses to manufacturers and distributors of gambling products; and provide regulation, investigation, and audits of over 2,000 charitable organizations, manufacturers, and distributors. This program supports the requirements of this agreement. Performance of these new duties requires the Lottery to incur costs associated with the conversion of the existing manual application to an on-line system in order to license applicants, conduct site visits, complete audits, and standardize reports. The program funds the staff working for the licensure and monitoring of charitable gaming organizations.

Funding Source: General Services Fund (231)

Line Items: 950-604

Implication of Executive Recommendation: The Executive expects the recommended appropriations to be sufficient for this program

Temporary and Permanent Law Provisions:

The Executive proposes the creation of the Charitable Gaming Oversight Fund (R.C. 3770.061). The State Lottery Commission must deposit money it receives from the Attorney General under an agreement between the two agencies into the Charitable Gaming Oversight Fund. The new permanent law provision also authorizes money in the Fund not necessary for the Ohio Lottery Commission to perform its charitable gaming oversight, licensing, and monitoring functions to be transferred by the Office of Budget and Management to the Lottery Profits Education Fund.

REQUESTS NOT FUNDED

Most of the requests not funded were in the program management series.

Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
950-100	\$25,967,819	\$24,969,422	\$(998,397)	\$26,547,194	\$25,457,016	\$(1,090,178)
950-200	\$18,702,200	\$17,642,894	\$(1,059,306)	\$18,733,100	\$17,954,156	\$(778,944)
950-300	\$2,682,386	\$2,517,533	\$(164,853)	\$2,929,386	\$2,494,718	\$(434,668)
TOTALS	\$47,352,405	\$45,129,849	\$(2,222,556)	\$48,209,680	\$45,905,890	\$(2,303,790)

Amounts recommended were \$4.5 million less than amounts requested over the biennium. Forty-one percent of the shortfall is in the maintenance line item. About 46% of the variance is in the personal services line item, and the remainder of the shortfall is in the equipment line item.

General Services Fund Group

231 950-604 Charitable Gaming Oversight

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$0	\$0	\$0	\$0	\$1,200,000	\$1,200,000
	N/A	N/A	N/A	N/A	0.0%

Source: GSF: Transfer from appropriations of the Attorney General.

Legal Basis: Memorandum of Understanding between the Ohio Lottery and the Attorney General; and R.C. 3770.061.

Purpose: This line item funds the charitable gaming oversight functions of the Ohio Lottery.

State Lottery Fund Group

044 950-100 Personal Services

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$23,718,456	\$23,835,504	\$23,119,486	\$25,783,982	\$24,969,422	\$25,457,016
	0.5%	-3.0%	11.5%	-3.2%	2.0%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770

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

044 950-200 Maintenance

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$17,553,779	\$17,124,488	\$17,067,866	\$19,069,772	\$17,642,894	\$17,954,156
	-2.4%	-0.3%	11.7%	-7.5%	1.8%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770

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

044 950-300 Equipment

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$2,224,887	\$2,799,342	\$1,805,985	\$3,022,375	\$2,517,533	\$2,494,718
	25.8%	-35.5%	67.4%	-16.7%	-0.9%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770

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

Lottery Commission, Ohio - Catalog of Budget Line Items

044 950-402 Game and Advertising Contracts

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$56,659,038	\$59,279,886	\$60,007,406	\$63,240,000	\$70,524,000	\$70,024,000
	4.6%	1.2%	5.4%	11.5%	-0.7%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770.06

Purpose: This line item provides funding for expenditures related to the operation of the online 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.

044 950-500 Problem Gambling Subsidy

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$0	\$91,200	\$306,600	\$335,000	\$335,000	\$335,000
	N/A	236.2%	9.3%	0.0%	0.0%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770.02 (originally established by Controlling Board on February 11, 2002)

Purpose: This line item provides funds to the Ohio Department of Alcohol and Drug Addiction Services for the treatment of co-occurring instances of gambling addiction with alcohol and drug addictions.

044 950-601 Prizes, Bonuses and Commissions

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$169,428,927	\$117,238,055	\$153,453,617	\$150,000,000	\$150,952,466	\$147,716,286
	-30.8%	30.9%	-2.3%	0.6%	-2.1%

Source: SLF: Lottery ticket sales

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; 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 Plus and Mega Millions prizes, first installments of deferred Super Lotto Plus and Mega Millions prizes, and prize payments for high-tier winners of Buckeye 5. Other expenses include prize payouts from instant games and other online games, non-cash prizes awarded as promotions (e.g.: vehicles and other items awarded on the "Cash Explosion" show), and sales incentives to agents.

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871 950-602 Annuity Prizes

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$156,088,753	\$145,682,058	\$242,863,357	\$162,185,260	\$148,680,031	\$138,918,557
	-6.7%	66.7%	-33.2%	-8.3%	-6.6%

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

Legal Basis: Section 68 of Am. Sub. H.B. 95 of the 125th G.A.; ORC 3770.06

Purpose: This line item supports payments for all Lottery deferred prizes. The line item keeps only that amount of money deemed necessary for funding of annuity prizes. 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 Plus and Mega Millions games. Prizes are then paid out over time as they are due to winners.

872 950-603 Unclaimed Prize Awards

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$12,981,264	\$8,452,728	\$0	\$0	\$0	\$0
	-34.9%	-100.0%	N/A	N/A	N/A

Source: SLF: Moneys from unclaimed lottery prizes

Legal Basis: Discontinued line item (originally established in ORC 3770.07)

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

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

<i>Fund ALI ALI Title</i>	<i>Estimated 2005</i>	<i>As Introduced 2006</i>	<i>House Passed 2006</i>	<i>% Change Est. 2005 to House 2006</i>	<i>As Introduced 2007</i>	<i>House Passed 2007</i>	<i>% Change House 2006 to House 2007</i>
LOT Lottery Commission, Ohio							
231 950-604 Charitable Gaming Oversight	\$0	\$ 1,200,000	\$ 1,200,000	N/A	\$ 1,200,000	\$ 1,200,000	0.0%
General Services Fund Group Total	\$ 0	\$ 1,200,000	\$ 1,200,000	N/A	\$ 1,200,000	\$ 1,200,000	0.0%
044 950-100 Personal Services	\$25,783,982	\$ 24,969,422	\$ 24,969,422	-3.2%	\$ 25,457,016	\$ 25,457,016	2.0%
044 950-200 Maintenance	\$19,069,772	\$ 17,642,894	\$ 17,642,894	-7.5%	\$ 17,954,156	\$ 17,954,156	1.8%
044 950-300 Equipment	\$3,022,375	\$ 2,517,533	\$ 2,517,533	-16.7%	\$ 2,494,718	\$ 2,494,718	-0.9%
044 950-402 Game and Advertising Contracts	\$63,240,000	\$ 70,524,000	\$ 70,524,000	11.5%	\$ 70,024,000	\$ 70,024,000	-0.7%
044 950-500 Problem Gambling Subsidy	\$335,000	\$ 335,000	\$ 335,000	0.0%	\$ 335,000	\$ 335,000	0.0%
044 950-601 Prizes, Bonuses and Commissions	\$150,000,000	\$ 150,952,466	\$ 150,952,466	0.6%	\$ 147,716,286	\$ 147,716,286	-2.1%
871 950-602 Annuity Prizes	\$162,185,260	\$ 148,680,031	\$ 148,680,031	-8.3%	\$ 138,918,557	\$ 138,918,557	-6.6%
State Lottery Fund Group Total	\$ 423,636,389	\$ 415,621,346	\$ 415,621,346	-1.9%	\$ 402,899,733	\$ 402,899,733	-3.1%
.....							
Total All Budget Fund Groups	\$ 423,636,389	\$ 416,821,346	\$ 416,821,346	-1.6%	\$ 404,099,733	\$ 404,099,733	-3.1%
.....							

As Introduced (Executive)

As Passed by the House

(CD-629-LOT) Creation of the Charitable Gaming Oversight Fund

R.C. 3770.061

R.C. 3770.061

Creates in the state treasury the Charitable Gaming Oversight Fund in which the State Lottery Commission must deposit money it receives from the Attorney General under agreement between the two agencies for the Commission to carry out certain duties under the Charitable Gaming Law on the Attorney General's behalf.

Same as the Executive.

Authorizes money in the Fund not necessary for the Commission to perform the charitable gaming oversight, licensing, and monitoring functions to be transferred by the Office of Budget and Management to the Lottery Profits Education Fund.