

# **State Lottery Commission**

**Senate Finance and Financial Institutions Committee**

*Jean J. Botomogno, Senior Economist  
Legislative Service Commission*

*May 22, 2007*

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# LSC Redbook

## for the

### State Lottery Commission

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#### ATTACHMENTS:

Catalog of Budget Line Items  
LSC Budget Spreadsheet By Line Item: Executive to House Passed  
Comparison Document: Permanent and Temporary Law

*May 22, 2007*

# State Lottery Commission

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- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund
- The Ohio Lottery oversees charitable gaming
- Since its inception in 1974, the Ohio Lottery has provided more than \$14.5 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 to LPEF of \$1.33 billion in the next biennium (\$657.9 million in FY 2008 and \$667.9 million in FY 2009). 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 \$2.2 billion in total ticket sales generated in FY 2006, 59.4% was awarded to players as prizes, 29.3% was transferred to the Ohio Department of Education, 6.4% was paid to agents as commissions and bonuses, and 4.9% was spent on operations. The Lottery operates a variety of online and instant ticket games. The online games are Pick 3, Pick 4, Rolling Cash 5, Classic Lotto, Kicker, and Mega Millions.<sup>1</sup> These games generated approximately 42.6% of total sales revenue in FY 2006. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games receipts were approximately 57.4% of total sales revenue in FY 2006.

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 2008 is \$420,945,841. This amount is \$18,920,427 lower than FY 2007 appropriations, a 4.3% decrease. Recommended funding for FY 2009 is \$422,879,388. This amount is \$1,933,547 higher than FY 2008, a 0.5% increase.

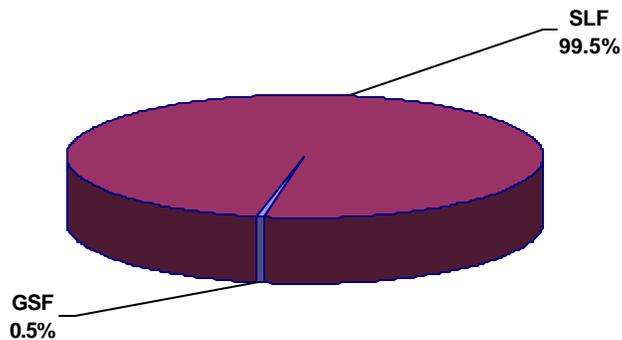
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<sup>1</sup> These online games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters computers. Online games in this report do not refer to "Internet" lottery sales.

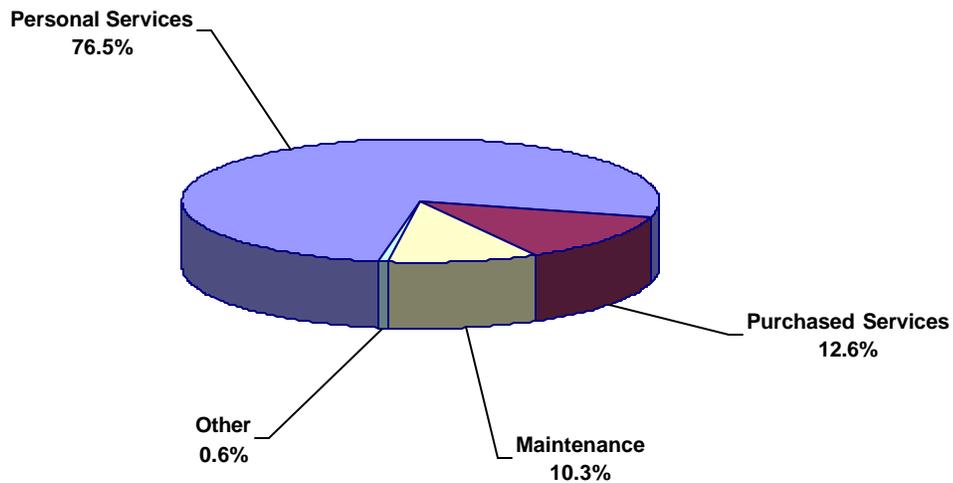
## Summary of FYs 2008-2009 Budget Issues

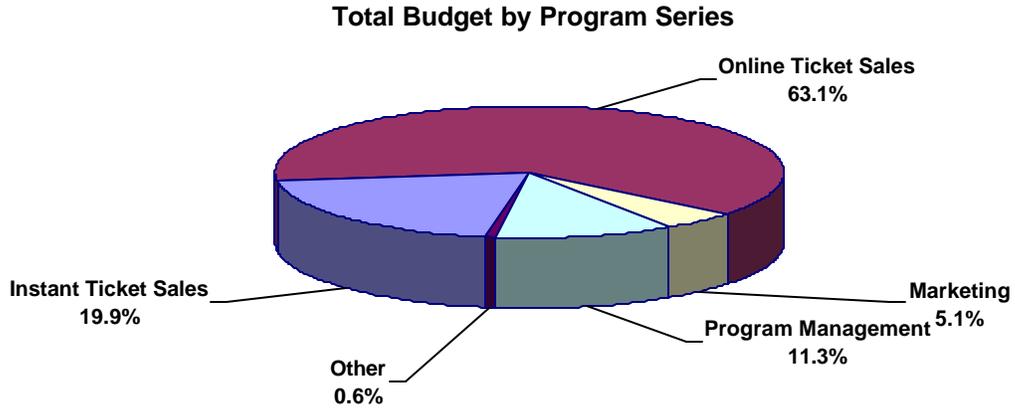
In FY 2005, the Ohio Lottery and the Attorney General signed a Memorandum of Understanding transferring the administration and monitoring of charitable gaming licensing responsibility to the Ohio Lottery. The expansion of the charitable gaming oversight increases staff workload and may necessitate additional staffing. The Attorney General provides funds for this program.

Total Budget by Fund Group



Total Budget by Object Code





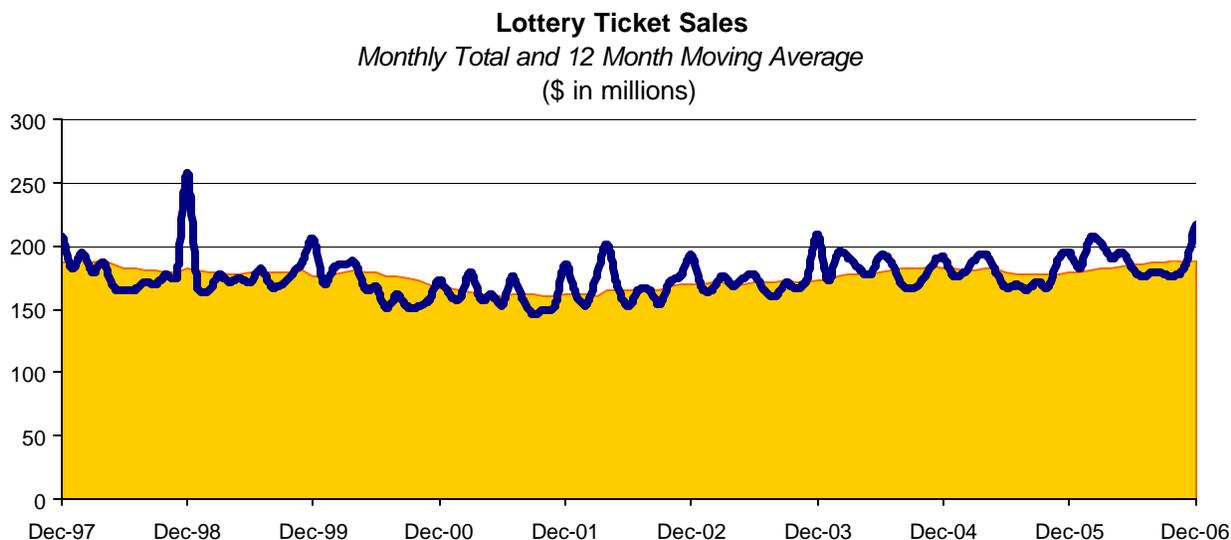
### Staffing Levels

Staffing levels have been generally the same as in the last few years, except for the addition of personnel for the charitable gaming oversight. Total staff, including full and part-time, is about 354.

## FACTS AND FIGURES

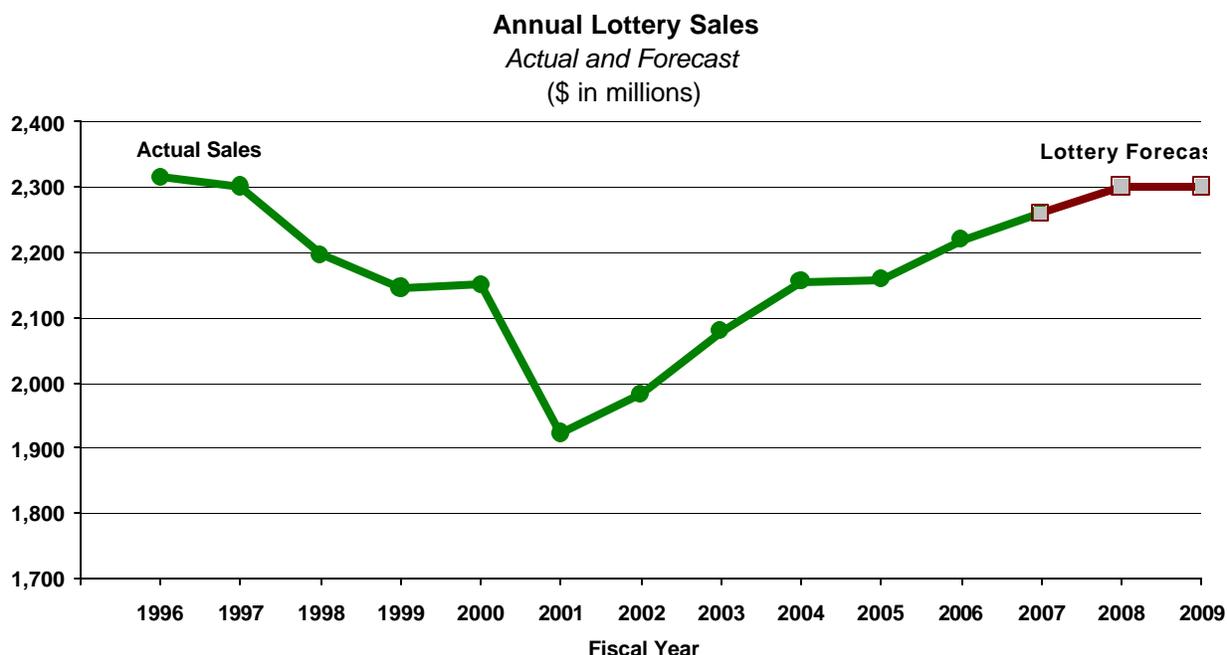
### Lottery Sales

Lottery ticket sales grew tremendously throughout the early to mid 1990s. Sales grew from \$1.60 billion in FY 1990 to over \$2.32 billion in FY 1996. Then, sales fell to \$1.92 billion in FY 2001, before improving to \$2.22 billion in FY 2006. The chart below shows the rise and fall of lottery ticket sales from December 1997 to December 2006.



The line in the above chart indicates monthly sales. Monthly sales have a seasonal pattern of increases during December, as well as rising with various Lotto games, 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 total gaming 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 the growth of Lottery ticket sales.

The ticket sales forecast incorporates proposed changes in games, including introducing new "specialty games," changes in prize payout structures of existing games, and potential changes in other strategies that may boost sales. Ticket sales rose to \$2.22 billion in FY 2006. Sales are estimated at about \$2.26 billion in FY 2007, and are expected to be slightly over \$2.30 billion in each of the next two years.



### 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. Instead of having the Ohio Lottery transfer a specific percentage of ticket sales to the LPEF, the executive recommends a target amount for such transfers during the legislative budget process. The executive is recommending transfers<sup>2</sup> of \$657.9 million in FY 2008 and \$667.9 million in FY 2009. These transfers are based on estimated sales of about \$2.30 billion in each year of the biennium. The table below presents a recent history of lottery sales and transfers, and an estimate of sales and recommended transfers for FYs 2008 and 2009. Due to higher ticket sales than projected for FY 2007, actual transfers to LPEF in FY 2007 may be higher than those recommended in Am. Sub. H.B. 66 (the operating budget for FYs 2006-2007).

Ohio Lottery Sales and Transfers to LPEF, FYs 2002 – 2009 (dollars in millions)						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Sales	\$2,154.9	\$2,158.1	\$2,219.5	\$2,260.0	\$2,300.0	\$2,300.0
Transfers	\$648.1	\$645.2	\$652.1	\$637.9	\$657.9	\$667.9
Share of Ticket Sales	30.1%	29.9%	29.4%	28.2%	28.6%	29.0%

### Recent 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. The Ohio Lottery replaced Super Lotto with Lot'O Play in

<sup>2</sup> Transfers to LPEF may include net operating profits from ticket sales and transfers from the Deferred Prize Trust Fund (a fund which is maintained with the State Treasurer's Office to pay future prize payment obligations for players who choose annuity payments).

October 2005. The ticket price increased from \$1 per play (Super Lotto) to \$2 per play (Lot'O Play). The odds to win the jackpot went from 1 in 14 million for Super Lotto to 1 in 6.3 million with Lot'O Play. Also, the jackpot started at \$1 million instead of \$4 million. The strategy was not successful. As a result, the Ohio Lottery replaced Lot'O Play with Classic Lotto in January 2007. Classic Lotto tickets cost \$1 per play and the starting jackpot remained at \$1 million. In July 2006, the Ohio Lottery sold "Raffle to Riches", a limited-print online game with a ticket price of \$20 that offered four \$1 million prizes, five \$100,000 prizes and 500 prizes of \$1,000. By September 1, 2006, all 500,000 tickets were sold for total sales of \$10.0 million. The "Raffle to Riches" game is an example of the ability of the Ohio Lottery to introduce a new game and boost sales, albeit temporarily. The Ohio Lottery needs to constantly change the mix of games and prize structure to maintain interest and increase online sales. Also, the Ohio Lottery has been introducing more "mega" Instant games with higher price points, multiple \$1 million prizes, and higher overall prize payouts to generate higher sales of Instant tickets.

## **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 in Western Pennsylvania will be attractive to Ohio patrons. However, most of the Ohio patrons may be those who are already visiting casinos in neighboring states. Charitable gaming such as "bingo" and other card games are growing fast and are 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. 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 online sales because the multi-state game mitigates the drain of sales from Powerball. Mega Millions reduces the loss of sales to border states which have Powerball. However, total sales growth will continue to depend on the growth in Instant ticket sales, additional online games, or increases in the number of weekly drawings. The Ohio Lottery plans to start Sunday drawings for the daily Pick 3, Pick 4, and Rolling Cash 5 in FY 2008. Sunday drawings are expected to increase sales by \$26 to \$37 million per year. The Ohio Lottery will also introduce Pick 10, a new on-line game, starting in August 2007. Pick 10 sales are expected to be between \$13 and \$18 million per year. Those changes are expected to boost total sales \$39 to \$55 million per year.

## **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. More than 2,000 organizations have been issued licenses for charitable gaming purposes. The Ohio Lottery has implemented a comprehensive database to track licenses and license applications. The agency also visits license holders, determines compliance with recordkeeping requirements, audits licensees' financial records, and verifies that contributions are properly distributed to charitable organizations. The oversight function also includes a conference with licensees that fail to remain in good standing. An indirect result of the charitable gaming oversight may be a curb on the expansion of "illegal" charitable gaming and gambling which also potentially benefits Instant ticket sales.

## MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2008 AND FY 2009

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. See the Analysis of Executive Proposal section for more information on specific program funding.

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	ALI	Title	FY 2008	FY 2009
<b>General Services Fund Group</b>				
231	950-604	Charitable Gaming Oversight	\$2,253,000	\$2,378,000
<b>General Services Fund Subtotal</b>			<b>\$2,253,000</b>	<b>\$2,378,000</b>
<b>State Lottery Fund Group</b>				
<b>Program Series 1: Instant/Online Lottery Ticket Sales</b>			<b>\$418,357,841</b>	<b>\$420,166,388</b>
<i>Program 1: Instant Ticket Sales</i>				
			\$83,588,214	\$84,674,558
044	950-403	Gaming Contracts	\$27,113,567	\$28,199,911
044	950-601	Direct Prize Payments	\$53,346,020	\$53,346,020
871	950-602	Annuity Prizes	\$3,128,627	\$3,128,627
<i>Program 2: Online Ticket Sales</i>				
			\$266,271,737	\$266,016,737
044	950-403	Gaming Contracts	\$23,305,793	\$23,050,793
044	950-601	Direct Prize Payments	\$94,370,266	\$94,370,266
871	950-602	Annuity Prizes	\$148,595,678	\$148,595,678
<i>Program 3: Marketing</i>				
			\$21,386,836	\$21,432,252
044	950-100	Personal Services	\$866,896	\$912,312
044	950-200	Maintenance	\$2,519,940	\$2,519,940
044	950-402	Advertising Contracts	\$18,000,000	\$18,000,000
<i>Program 4: Program Management</i>				
			\$47,111,054	\$48,042,841
044	950-100	Personal Services	\$25,078,220	\$26,172,953
044	950-200	Maintenance	\$16,228,334	\$16,173,388
044	950-300	Equipment	\$2,554,500	\$2,446,500
044	950-402	Advertising Contracts	\$3,250,000	\$3,250,000
<b>Program Series 2: Problem Gambling Subsidy</b>				
<i>Program 1: Problem Gambling Subsidy</i>				
			\$335,000	\$335,000
044	950-500	Problem Gambling Subsidy	\$335,000	\$335,000
<b>State Lottery Fund Subtotal</b>			<b>\$418,692,841</b>	<b>\$420,501,388</b>
<b>Agency Total Funding</b>			<b>\$420,945,841</b>	<b>\$422,879,388</b>

## ANALYSIS OF EXECUTIVE PROPOSAL

### Program Series

### 1: Instant and Online Ticket Sales

**Purpose:** The purpose of this program series is to generate operating profits through the sale of Instant and online 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 2008	FY 2009
<b>State Lottery Fund</b>				
044	950-100	Personal Services	\$25,945,116	\$27,085,265
044	950-200	Maintenance	\$18,748,274	\$18,693,328
044	950-300	Equipment	\$2,554,500	\$2,446,500
044	950-402	Advertising Contracts	\$21,250,000	\$21,250,000
044	950-403	Gaming Contracts	\$50,419,360	\$51,250,704
044	950-601	Direct Prize Payments	\$147,716,286	\$147,716,286
044	950-602	Annuity Prizes	\$151,724,305	\$151,724,305
<b>State Lottery Fund Subtotal</b>			<b>\$418,357,841</b>	<b>\$420,166,388</b>
<b>Total Funding: Instant and Online Ticket Sales</b>			<b>\$418,357,841</b>	<b>\$420,166,388</b>

FY 2008 recommended appropriations for the Instant and Online Ticket program series are about \$19.4 million (4.4%) below estimated spending for FY 2007. Decreases in appropriations in FY 2008 are due to the decline in anticipated spending for payments of annuity prizes. Amounts recommended for FY 2009 are \$1.8 million (0.4%) higher than appropriations recommended for FY 2008, from higher personal services and gaming contract costs.

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. The Ohio Lottery provides Instant tickets, makes prize payments to winners, conducts ticket and machine testing, and warehouses and distributes 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, and 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.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>State Lottery Fund</b>				
SLF	950-403	Gaming Contracts	\$27,113,567	\$28,199,911
SLF	950-601	Direct Prize Payments	\$53,346,020	\$53,346,020
SLF	950-602	Annuity Prizes	\$3,128,627	\$3,128,627
<b>Total Funding: Instant Ticket Sales</b>			<b>\$83,558,214</b>	<b>\$84,674,558</b>

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

**Line Items:** 950-403; 950-601; 950-602

**Implication of Executive Recommendation:** The recommended funding for FY 2008 is \$1.9 million (2.4%) higher than estimated spending for FY 2007. Increased Instant ticket sales with higher payouts may require higher annuity prize payments in FY 2009. Recommended appropriations for gaming contracts also increase \$1.1 million (1.3%) in FY 2009 from expected higher sales of Instant games.

### **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 online terminal supplies to produce lottery tickets, and also 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.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>State Lottery Fund</b>				
SLF	950-403	Gaming Contracts	\$23,305,793	\$23,050,793
SLF	950-601	Direct Prize Payments	\$94,370,266	\$94,370,266
SLF	950-602	Annuity Prizes	\$148,595,678	\$148,595,678
<b>Total Funding: Online Ticket Sales</b>			<b>\$266,271,737</b>	<b>\$266,016,737</b>

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

**Line Items:** 950-403; 950-601; 950-602

**Implication of Executive Recommendation:** The recommended funding for the online ticket sales program for FY 2008 is \$13.8 million (5.5%) higher than FY 2007 estimated spending. The Ohio Lottery anticipates higher online ticket sales from new games and increased drawings from existing games. FY 2009 recommended spending is \$0.3 million (0.1%) lower than FY 2008 from a projected reduction in spending on gaming contracts.

**Temporary and Permanent Law Provisions**

None

**Marketing**

*Program Description:* The goal of the marketing program is to increase sales through increased 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 Make Me Famous/Make Me Rich television game show and associated prizes. The program finances contracts with vendors that provide creative advertising, TV, radio, and print media placement. The program also supports the purchase of merchandise and promotional items, and provides resources for 11 staffing positions.

Fund	ALI	Title	FY 2008	FY 2009
<b>State Lottery Fund</b>				
SLF	950-100	Personal Services	\$866,896	\$912,312
SLF	950-200	Maintenance	\$2,519,940	\$2,519,940
SLF	950-402	Advertising Contracts	\$18,000,000	\$18,000,000
<b>Total Funding: Marketing</b>			<b>\$21,386,836</b>	<b>\$21,432,252</b>

*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 2008 is \$0.7 million (3.3%) lower than FY 2007 estimated spending, from reduced spending on advertising contracts (\$1.3 million, 6.9% less than in FY 2007). FY 2009 overall recommended spending is slightly above FY 2008 recommended spending, from a 5.2% increase in personal services costs.

**Temporary and Permanent Law Provisions**

None

## Program Management

**Program Description:** This program implements the administrative, financial, information technology, sales support, and executive oversight functions of the Lottery Commission. The program funds approximately 326 full-time positions that implement and oversee the Lottery's other programs. This program also provides for the general operational costs that include telecommunications, data processing and systems maintenance, and facility rental and maintenance.

Fund	ALI	Title	FY 2008	FY 2009
<b>State Lottery Fund</b>				
SLF	950-100	Personal Services	\$25,078,200	\$26,172,953
SLF	950-200	Maintenance	\$16,228,334	\$16,173,388
SLF	950-300	Equipment	\$2,554,500	\$2,446,500
SLF	950-402	Advertising Contracts	\$3,250,000	\$3,250,000
<b>Total Funding: Program Management</b>			<b>\$47,111,054</b>	<b>\$48,042,841</b>

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

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

**Implication of Executive Recommendation:** Nearly all of the personal services spending is included in this program. Recommended funding for the program management program for FY 2008 is \$0.7 million (1.7%) higher than estimated spending for FY 2007. Increased costs for personal services (\$0.3 million, 1.4%) and maintenance (\$0.3 million, 2.2%) are expected. FY 2009 recommended appropriations are \$0.9 million (2.0%) higher than FY 2008 appropriations, from increased personal services costs (\$1.1 million, 4.4%).

## Temporary and Permanent Law Provisions

None

**Program Series**

**2: Problem Gambling Subsidy**

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**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. The following table shows the line item that is used to fund the problem gambling subsidy program, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
<b>State Lottery Fund</b>				
044	950-500	Problem Gambling Subsidy	\$335,000	\$335,000
<b>Total Funding: Problem Gambling Subsidy</b>			<b>\$335,000</b>	<b>\$335,000</b>

**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:** 950-500

**Implication of Executive Recommendation:** Recommended funding for the program each year of the biennium is the same as for FY 2007.

**Temporary and Permanent Law Provisions**

None

**Program Series**

**3: Charitable Gambling**

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

Fund	ALI	Title	FY 2008	FY 2009
<b>General Services Fund</b>				
231	950-604	Charitable Gaming Oversight	\$2,253,000	\$2,378,000
<b>General Services Fund Subtotal</b>			<b>\$2,253,000</b>	<b>\$2,378,000</b>
<b>Total Funding: Charitable Gambling</b>			<b>\$2,253,000</b>	<b>\$2,378,000</b>

**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 duties requires the conversion of the previous manual application process to an online system to license applicants, conduct site visits, complete audits, and standardize reports. The program funds 24 positions.

**Funding Source:** General Services Fund (231)

**Line Items:** 950-604

**Implication of Executive Recommendation:** The recommended funding for the program in FY 2008 is \$1.0 million (87.8%) higher than FY 2007 estimated spending. Recommended appropriation for FY 2009 is \$0.1 million (5.5%) higher than FY 2008 amounts. The executive expects the recommended appropriations to be sufficient for the expansion and the continuing improvement of the program.

**Temporary and Permanent Law Provisions**

None

## **REQUESTS NOT FUNDED**

All requests were funded.

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## General Services Fund Group

### 231 950-604 Charitable Gaming Oversight

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$977,947	\$1,800,000	<b>\$2,253,000</b>	<b>\$2,378,000</b>
		N/A	84.1%	<b>25.2%</b>	<b>5.5%</b>

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

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly.

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

## State Lottery Fund Group

### 044 950-100 Personal Services

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$23,119,486	\$23,371,631	\$23,626,293	\$25,457,016	<b>\$25,945,116</b>	<b>\$27,085,265</b>
	1.1%	1.1%	7.7%	<b>1.9%</b>	<b>4.4%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

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

### 044 950-200 Maintenance

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$17,067,866	\$16,303,587	\$17,282,680	\$17,954,156	<b>\$18,748,274</b>	<b>\$18,693,328</b>
	-4.5%	6.0%	3.9%	<b>4.4%</b>	<b>-0.3%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

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

### 044 950-300 Equipment

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$1,805,985	\$1,251,140	\$2,433,784	\$2,494,718	<b>\$2,554,500</b>	<b>\$2,446,500</b>
	-30.7%	94.5%	2.5%	<b>2.4%</b>	<b>-4.2%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

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

**044 950-402 Advertising Contracts**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$60,007,406	\$58,089,746	\$65,176,541	\$70,024,000	<b>\$21,250,000</b>	<b>\$21,250,000</b>
	-3.2%	12.2%	7.4%	<b>-69.7%</b>	<b>0.0%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B.119 of the 127th General Assembly; ORC 3770.03

**Purpose:** This line item provides funding for expenditures related to the costs of advertising, promotion, and testing of all the lottery products offered for sale. In previous years, expenditures for advertising were combined with expenditures for the online and Instant gaming systems. The Executive budget shows them separately for FYs 2008 and 2009.

**044 950-403 Gaming Contracts**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$0	\$0	<b>\$50,419,360</b>	<b>\$51,250,704</b>
					<b>1.6%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

**Purpose:** This line item provides funding for expenditures related to the operation of on-line and Instant gaming systems, associated purchased services, and maintenance of the systems. In previous years, expenditures for the gaming systems were combined with advertising expenditures. The Executive budget shows them separately for FYs 2008 and 2009.

**044 950-500 Problem Gambling Subsidy**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$306,600	\$329,500	\$324,500	\$335,000	<b>\$335,000</b>	<b>\$335,000</b>
	7.5%	-1.5%	3.2%	<b>0.0%</b>	<b>0.0%</b>

**Source:** SLF: Lottery ticket sales

**Legal Basis:** Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03 (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 Direct Prize Payments**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$153,453,617	\$138,244,505	\$149,543,296	\$147,716,286	<b>\$147,716,286</b>	<b>\$147,716,286</b>
	-9.9%	8.2%	-1.2%	<b>0.0%</b>	<b>0.0%</b>

*Source:* SLF: Lottery ticket sales

*Legal Basis:* Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

*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 for Classic Lotto and Mega Millions prizes, first installments of deferred Classic Lotto and Mega Millions prizes, and prize payments for high-tier winners of Rolling Cash 5. Other expenses include prize payouts from instant games and other online games, non-cash prizes awarded as promotions (items awarded on the "Make Me Famous/Make Me Rich" show). This line also supports bonuses and commissions of retailers.

**871 950-602 Annuity Prizes**

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$242,863,357	\$166,766,890	\$581,081,520	\$174,085,092	<b>\$151,724,305</b>	<b>\$151,724,305</b>
	-31.3%	248.4%	-70.0%	<b>-12.8%</b>	<b>0.0%</b>

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

*Legal Basis:* Section 327.10 of H.B. 119 of the 127th General Assembly; ORC 3770.03

*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 Classic Lotto and Mega Millions games. Prizes are then paid out over time as they are due to winners.

## LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund ALI ALI Title</i>	<i>Estimated 2007</i>	<i>As Introduced 2008</i>	<i>House Passed 2008</i>	<i>% Change Est. 2007 to House 2008</i>	<i>As Introduced 2009</i>	<i>House Passed 2009</i>	<i>% Change House 2008 to House 2009</i>
<b>LOT Lottery Commission, Ohio</b>							
231 950-604 Charitable Gaming Oversight	\$1,800,000	\$ 2,253,000	\$ 2,253,000	25.2%	\$ 2,378,000	\$ 2,378,000	5.5%
<b>General Services Fund Group Total</b>	<b>\$ 1,800,000</b>	<b>\$ 2,253,000</b>	<b>\$ 2,253,000</b>	<b>25.2%</b>	<b>\$ 2,378,000</b>	<b>\$ 2,378,000</b>	<b>5.5%</b>
044 950-100 Personal Services	\$25,457,016	\$ 25,945,116	\$ 25,945,116	1.9%	\$ 27,085,265	\$ 27,085,265	4.4%
044 950-200 Maintenance	\$17,954,156	\$ 18,748,274	\$ 18,748,274	4.4%	\$ 18,693,328	\$ 18,693,328	-0.3%
044 950-300 Equipment	\$2,494,718	\$ 2,554,500	\$ 2,554,500	2.4%	\$ 2,446,500	\$ 2,446,500	-4.2%
044 950-402 Advertising Contracts	\$70,024,000	\$ 21,250,000	\$ 21,250,000	-69.7%	\$ 21,250,000	\$ 21,250,000	0.0%
044 950-403 Gaming Contracts	\$0	\$ 50,419,360	\$ 50,419,360	N/A	\$ 51,250,704	\$ 51,250,704	1.6%
044 950-500 Problem Gambling Subsidy	\$335,000	\$ 335,000	\$ 335,000	0.0%	\$ 335,000	\$ 335,000	0.0%
044 950-601 Direct Prize Payments	\$147,716,286	\$ 147,716,286	\$ 147,716,286	0.0%	\$ 147,716,286	\$ 147,716,286	0.0%
871 950-602 Annuity Prizes	\$174,085,092	\$ 151,724,305	\$ 151,724,305	-12.8%	\$ 151,724,305	\$ 151,724,305	0.0%
<b>State Lottery Fund Group Total</b>	<b>\$ 438,066,268</b>	<b>\$ 418,692,841</b>	<b>\$ 418,692,841</b>	<b>-4.4%</b>	<b>\$ 420,501,388</b>	<b>\$ 420,501,388</b>	<b>0.4%</b>
<b>Total All Budget Fund Groups</b>	<b>\$ 439,866,268</b>	<b>\$ 420,945,841</b>	<b>\$ 420,945,841</b>	<b>-4.3%</b>	<b>\$ 422,879,388</b>	<b>\$ 422,879,388</b>	<b>0.5%</b>

As Introduced (Executive)

As Passed by the House

1 (CD-540-OBM) Lottery Funds

R.C. 3770.06

Eliminates the requirement that the Director of Budget and Management transfer the first \$10 million of any money transferred to the Lottery Profits Education Fund (LPEF) from the State Lottery Fund in each fiscal year to the School Building Program Bond Service Fund.

Requires the State Treasurer, within 60 days after the end of a fiscal year, to certify to OBM whether the actuarial amount of the Deferred Prizes Trust Fund (DPTF) is sufficient to pay for all outstanding annuity prize liabilities.

**Fiscal effect: Revenue gain to the Lottery Profit Education Fund (LPEF).**

R.C. 3770.06

Same as the Executive.

**Fiscal effect: Same as the Executive.**

As Introduced (Executive)

As Passed by the House

**2 (CD-322-LOT) State Lottery Commission: Display of Advertising on Tickets and Other Items**

**R.C. 3770.03**

Authorizes the State Lottery Commission to adopt rules governing the display of advertising and celebrity images on lottery tickets and other items used in conducting or promoting lottery games. Considers advertising revenue to be proceeds of the lottery game to which it relates.

**Fiscal effect: Potential revenue gain, depending on the timing of the adoption of the rules.**

**R.C. 3770.03**

Same as the Executive.

**Fiscal effect: Same as the Executive.**

**3 (CD-948-LOT) No Sunday Lottery Drawing for Certain Games**

No provision.

**R.C. 3770.03**

Prohibits State Lottery Commission rules from authorizing Sunday drawings on any lottery game unless the rule is approved by an executive order of the Governor.

**Fiscal effect: None**

**4 (CD-323-LOT) Lottery Transfers to Lottery Profits Education Fund**

**Section: 206.96**

Recommends transfers from net income from ticket sales to the Lottery Profits Education Fund in FY 2008 and in FY 2009.

**Fiscal effect: Gain to the Lottery Profits Education Fund of an amount greater than or equal to \$657.9 million in FY 2008 and \$667.9 million in FY 2009.**

**Section: 206.96**

Same as the Executive.

**Fiscal effect: Same as the Executive.**

As Introduced (Executive)	As Passed by the House
<p><b>5 (CD-817-LOT) Operating Expenses</b></p>	
<p><b>Section: 206.96</b></p>	<p><b>Section: 206.96</b></p>
<p>Authorizes the Controlling Board, at the request of the State Lottery Commission, to authorize additional appropriations for operating expenses of the State Lottery Commission from the State Lottery Fund up to a maximum of 15 percent of anticipated total revenue from the sale of lottery tickets.</p>	<p>Same as the Executive.</p>
<p><b>Fiscal effect: None.</b></p>	<p><b>Fiscal effect: Same as the Executive.</b></p>
<p><b>6 (CD-818-LOT) Direct Prize Payments</b></p>	
<p><b>Section: 206.96</b></p>	<p><b>Section: 206.96</b></p>
<p>Authorizes the appropriation of any amounts, in addition to the amounts appropriated in appropriation item 950-601, Direct Prize Payments, that the Director of the State Lottery Commission determines to be necessary to fund prizes, bonuses, and commissions.</p>	<p>Same as the Executive.</p>
<p><b>Fiscal effect: None.</b></p>	<p><b>Fiscal effect: Same as the Executive.</b></p>

**As Introduced (Executive)**

**As Passed by the House**

**7 (CD-819-LOT) Annuity Prizes**

**Section: 206.96**

Authorizes the State Lottery Commission, with the approval of the Office of Budget and Management, to transfer an amount sufficient to fund deferred prizes from the State Lottery Fund Group (Fund 044) to the Deferred Prizes Trust Fund (Fund 871). Appropriates any amounts, in addition to the amounts appropriated appropriation item 950-622, Deferred Prizes, that the Director of the State Lottery Commission determines to be necessary to fund deferred prizes and interest earnings.

**Fiscal effect: None.**

**Section: 206.96**

Same as the Executive.

**Fiscal effect: Same as the Executive.**