

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Ohio Lottery Commission**

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## READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Ohio Lottery Commission (LOT), which includes the following four sections.

1. Overview: Provides a brief description of LOT and an overview of the provisions of the executive budget that affect LOT, including major new initiatives proposed for LOT.
2. Facts and Figures: Provides some additional data on historical sales, recent profit transfers, and other issues affecting the Ohio Lottery.
3. Analysis of Executive Proposal: Provides a detailed analysis of the executive budget recommendations for LOT, including funding for each appropriation line item.
4. Attachments: Includes the catalog of budget line items (COBLI) for LOT, which briefly describes each line item and the LSC budget spreadsheet for LOT.

## TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Agency Overview.....	1
Appropriation Overview .....	2
Recent Major Initiatives .....	3
<b>FACTS AND FIGURES</b> .....	<b>4</b>
Ticket Sales .....	4
Transfers to Education .....	5
Other Recent Game Revisions or Additions.....	6
Potential Video Lottery Terminal Program.....	6
Competition in the Gaming Industry .....	7
<b>ANALYSIS OF EXECUTIVE PROPOSAL</b> .....	<b>8</b>
<b>Introduction</b> .....	<b>8</b>
Charitable Gaming Oversight (950604) .....	8
Personal Services (950100) .....	9
Maintenance (950200) .....	9
Equipment (950300) .....	9
Advertising Contracts (950402).....	9
Gaming Contracts (950403).....	10
Problem Gambling Subsidy (950500) .....	10
Direct Prize Payments (950601).....	10
Annuity Prizes (950602) .....	11

### **ATTACHMENTS:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

# Ohio Lottery Commission

- 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 \$17 billion in support of the public education system

## OVERVIEW

### Agency 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. The Ohio Lottery has taken over certain duties regarding charitable gaming previously performed by the Attorney General. The executive budget proposes transfers to LPEF of \$1.40 billion in the next biennium (\$717.5 million in FY 2012 and \$680.5 million in FY 2013). 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 \$2.49 billion in total ticket sales generated in FY 2010, 61% was awarded to players as prizes, 29% was transferred to the Ohio Department of Education, 6% was paid to agents as commissions and bonuses, and 4% was spent on operations. The Ohio Lottery operates a variety of On-line and Instant ticket games. The On-line games are Pick 3, Pick 4, Rolling Cash 5, Classic Lotto, Megaplier, Keno, EZPlay, Ten-OH, Powerball, and Mega Millions.<sup>1</sup> These games generated \$1.11 billion (44.7%) of total sales revenue in FY 2010. The Lottery also sells a variety of Instant games, including special games that coincide with major holidays. Instant games receipts were approximately \$1.38 billion (55.3%) of total sales revenue in FY 2010.

The Ohio 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 Ohio Lottery is the responsibility of an executive director who is appointed by the Governor to oversee staff and operations.

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<sup>1</sup> 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.

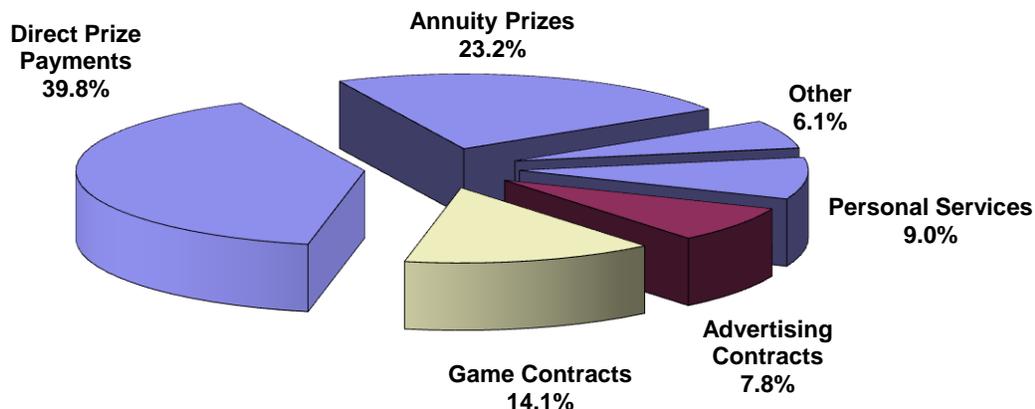
<b>Table 1. Ohio Lottery Commission Staffing Levels (Full-Time Equivalent)*</b>					
<b>Office</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Charitable Gaming	24	24	23	23	16
Communications	9	8	10	9	8
Executive	6	8	6	5	5
Finance	20	21	22	26	23
General Services	26	25	25	24	24
Human Resources	7	6	7	7	7
Information Technology	40	43	43	41	43
Internal Audit	5	5	4	4	4
Legal Counsel	2	5	3	6	4
Marketing	11	12	14	13	13
Product Development	9	8	7	7	7
Sales	151	148	141	142	160
Security	12	12	12	13	13
Strategic Planning	4	4	5	5	5
<b>Total</b>	<b>326</b>	<b>329</b>	<b>322</b>	<b>325</b>	<b>332</b>

\*Excludes part-time, LOT Commissioners, and interns.

## Appropriation Overview

Appropriations support the computerized gaming systems, the purchase and distribution of Instant tickets, the payment of prizes to winners, funding for the prevention of problem gambling, and the oversight of charitable gaming. Recommended funding for the Ohio Lottery Commission for FY 2012 is \$332.5 million. This amount is \$183.1 million (35.5%) lower than FY 2011 estimated appropriations. Recommended funding for FY 2013 is \$334.4 million, \$1.9 million (0.6%) higher than FY 2012 recommended appropriations. The chart below provides the executive recommendations by expense category for the biennium.

**Chart 1: Biennial Executive Budget Recommendations  
by Expense Category, FY 2012-FY 2013**



### Recent Major Initiatives

The Ohio Lottery introduced Keno in August 2008. While lottery games are traditionally sold primarily at gas stations, groceries, and convenience stores, Keno terminals are placed in establishments such as bars, restaurants, and bowling alleys. Sales and net profits were projected to be \$292 million and \$73 million, respectively, in FY 2009. Sales were \$99.0 million and \$120.1 million, respectively, in FY 2009 and in FY 2010, less than half the estimated sales. FY 2011 receipts also will be below original estimates, despite the addition of the "booster" option<sup>2</sup> since February 2010.

The Ohio Lottery awarded a new on-line gaming contract to a vendor named Intralot which brought different gaming systems and communications technologies for the next ten-year period commencing in FY 2010 (the contract includes four optional two-year renewals, after the initial two years). The previous gaming equipment was replaced and the new equipment provided improvements to back-office information technology processing systems, lower base commission rates, reduced communication costs, enhanced prize payment claims systems, and better retailer web interface for retrieving information.

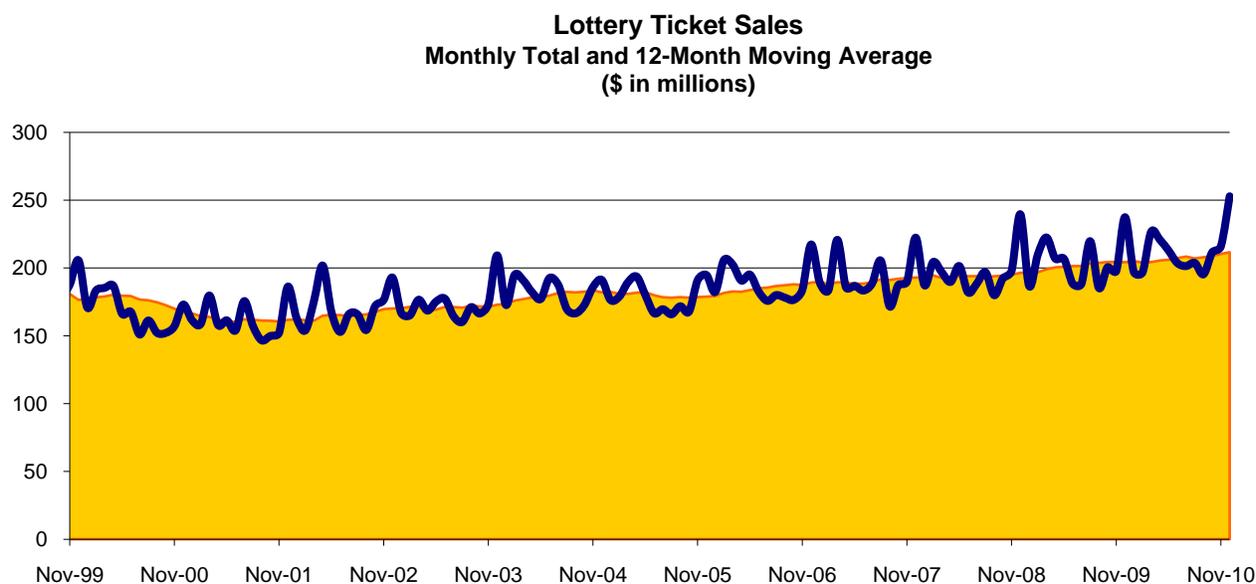
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<sup>2</sup> "Booster" allows a player to bet more to enhance potential winnings by up to ten times the normal Keno win.

## FACTS AND FIGURES

### Ticket Sales

Lottery ticket sales grew tremendously throughout the early to mid 1990s. Sales grew 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 uptick in receipts has continued since then from the introduction of new games and additional drawings for existing games. The chart below shows the rise and fall of ticket sales from November 1999 to November 2010.

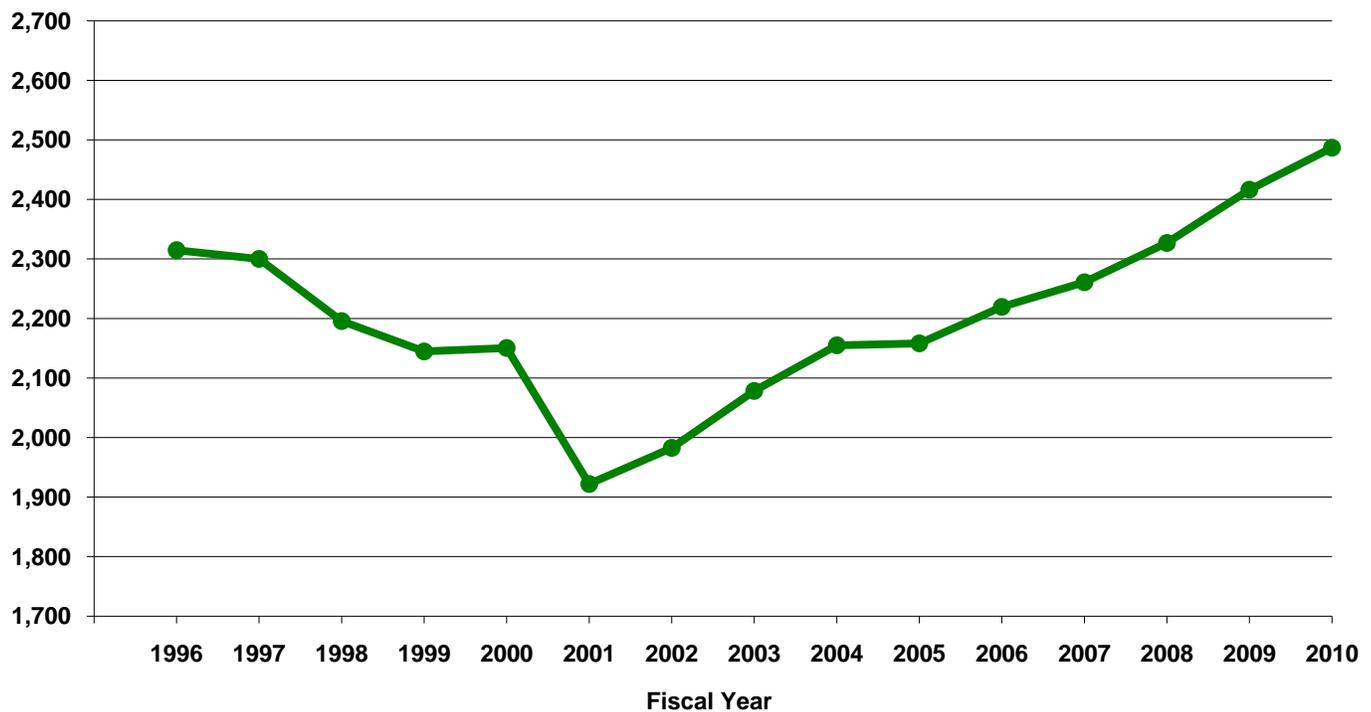


The line in the above chart indicates monthly sales. Monthly sales have a seasonal pattern of increases during November and December, as well as increases associated with large Mega Millions and, more recently, Powerball jackpots. A 12-month moving average of sales removes any seasonal variations and 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, Internet-based gaming, and charitable gaming, such as "bingo," have all contributed to limit the growth of Lottery ticket sales. The recent economic

recession reduced discretionary spending and somewhat held down ticket sales. The graph below shows annual sales from FY 1996 to FY 2010.

Ticket sales were \$2.49 billion in FY 2010 from about 8,900 retailers.<sup>3</sup> LSC estimates sales of about \$2.51 billion in FY 2011. The Ohio Lottery forecast a reduction of up to 6.5% in annual sales from the current level of sales in FY 2013 in part due to competition from the newly approved casinos.

**Annual Lottery Sales**  
(\$ in millions)



### Transfers to Education

The executive is recommending transfers to the LPEF of \$717.5 million in FY 2012 and \$680.5 million in FY 2013. The table below provides actual sales and profits transfers from FY 2006 through FY 2010, and LSC estimates for FY 2011. The table shows a declining trend in the share of tickets sales transferred to LPEF. Anticipated transfers in FY 2012 and FY 2013 would be a decline of, respectively, 1.8% and 6.6% from FY 2010 actual transfers. The Ohio Lottery assumes a reduction of 5% in sales in FY 2013 which, in turn, decreases projected transfers to LPEF.

<sup>3</sup> In the previous decade, the number of retailers peaked at about 9,800.

<b>Table 2. Ticket Sales and Transfers, FY 2008-FY 2011 (in millions)</b>				
	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011*</b>
Sales	\$2,326.9	\$2,416.3	\$2,486.8	\$2,561.4
Sales Growth	2.9%	3.8%	2.9%	3.0%
Transfers	\$672.2	\$702.3	\$728.6	\$743.0
Transfer Growth	0.4%	4.5%	3.7%	2.0%
Share of Ticket Sales	28.9%	29.1%	29.3%	29.0%

\*Estimate.

### **Other Recent Game Revisions or Additions**

The Ohio Lottery needs to constantly change the mix of games and prize structure to maintain interest and increase sales. For example, the Ohio Lottery started Ten-OH and EZPlay in FY 2008, which increased sales by about \$30 million over the FY 2007 level. Also, the Ohio Lottery has been introducing more "mega" Instant games with higher price points, multiple \$1 million prizes, raffles, and modifying overall prize payouts to generate higher sales of Instant tickets. In January 2011, the Megaplier feature<sup>4</sup> was added to Mega Millions to boost sales, as a replacement for Kicker (which started in October 2005). The Ohio Lottery joined Powerball in April 2010, after introducing Mega Millions in May 2002. Though sales will probably increase this year, a full year of Powerball sales is likely to be the main reason On-line ticket sales grow in FY 2011. Through February 2011, Instant ticket sales were up by about \$71 million; On-line ticket sales were up only about \$10 million over the corresponding period in FY 2010, with Powerball sales providing about \$49 million in the first eight months of the fiscal year.

### **Potential Video Lottery Terminal Program**

The Ohio Lottery is working with the Office of the Attorney General to seek legal clarity regarding its ability to place video lottery terminals (VLTs) at Ohio's seven horse racing tracks. If the Ohio Lottery is able to achieve this objective, overall sales and net profits may increase, though it is uncertain how quickly those VLTs may become operational, or the extent of the decline in "traditional" lottery sales from the VLT program. The Ohio Lottery is scheduled to award a contract by March 2012 for an economic assessment and review of the feasibility of a racetrack VLT program. The Office of Procurement Services of the Department of Administrative Services requested

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<sup>4</sup> A player may double their wager on a Mega Millions ticket for an opportunity to multiply any nonjackpot prize by 2, 3, or 4.

proposals by March 7, 2011 for "strategic advisory services" for "purposes of maximizing revenues derived from gaming industry authorized by the state."

### **Competition in the Gaming Industry**

Public attitudes toward gaming continue to be favorable, but the gaming market is becoming more competitive each year. Ohio voters opened up the state to casino gambling with the passage of Issue 3 on November 3, 2009. The casinos are likely to reduce future profits from the sales of lottery tickets and that of any potential yield from VLTs operated by the Ohio Lottery at Ohio's seven horse racing tracks.

The constitutional amendment authorized the establishment of four full-service casinos (one each in Cleveland, Cincinnati, Columbus, and Toledo), but with no specific requirements or date by which the casinos must be built. Based on timelines suggested by casino owners in media reports, no casino may be fully operational in FY 2012. Some casinos will be operational in FY 2013, though the level of activity is likely to be sub-optimal and should increase gradually over the following years. Charitable gaming such as "bingo" and other card games continue to grow 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%). In-state competition also includes skill-based electronic games and sweepstakes games at bars and taverns at multiple locations throughout the state.

The fierce out-of-state competition is likely to intensify. 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 installed several tens of thousands of VLTs in various locations. Some of these locations in Western Pennsylvania are attractive to Ohio patrons. Internet gaming, including numerous offshore betting sites, has also transformed competition from regional to global. Total sales growth for the Ohio Lottery will continue to depend on the growth in Instant ticket sales, additional On-line games, increases in the number of drawings, and other means to increase betting by players. However, sales will be constrained by the overall competition for gaming dollars.

## ANALYSIS OF EXECUTIVE PROPOSAL

### Introduction

This section provides an analysis of the Governor's recommended funding for each appropriation item in LOT's budget. The Ohio Lottery is self-sustaining and funded through the State Lottery Fund Group. Most line items are funded through the State Lottery Fund (Fund 7044). The charitable gaming oversight is funded through the Charitable Gaming Oversight Fund (Fund 2310) and annuity payments are funded through the Deferred Prizes Trust Fund (Fund 8710). The Governor's recommended appropriations for these purposes in FY 2012-FY 2013 are shown in the table below. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that are proposed by the Governor. This is the same order in which the line items appear in the budget bill. *The recommended funding does not include any potential revenue or appropriations for a potential VLT program, but assumes a reduction in ticket sales in FY 2013 in anticipation of the opening of casinos. Also, the Governor's Blue Book for the agency does not include mention of a potential privatization of lottery operations. Therefore, LSC is unable to analyze their budgetary impact on the agency.*

Governor's Recommended Amounts for the Ohio Lottery Commission				
Fund	ALI and Name		FY 2012	FY 2013
<b>State Lottery Fund Group</b>				
2310	950604	Charitable Gaming Oversight	\$1,946,000	\$1,946,000
7044	950100	Personal Services	\$30,018,152	\$30,004,979
7044	950200	Maintenance	\$13,558,000	\$13,266,150
7044	950300	Equipment	\$4,810,440	\$4,465,690
7044	950402	Advertising Contracts	\$26,136,000	\$26,136,000
7044	950403	Gaming Contracts	\$46,476,608	\$47,359,732
7044	950500	Problem Gambling Subsidy	\$350,000	\$350,000
7044	950601	Direct Prize Payments	\$131,995,700	\$133,263,456
8710	950602	Annuity Prizes	\$77,206,258	\$77,641,283
<b>State Lottery Fund Group Subtotal</b>			<b>\$332,497,158</b>	<b>\$334,433,290</b>
<b>Total Funding: State Lottery Fund Group</b>			<b>\$332,497,158</b>	<b>\$334,433,290</b>

### Charitable Gaming Oversight (950604)

In FY 2005, the Ohio Lottery expanded its core activities to include the oversight of charitable gaming. An agreement with the Attorney General requires the Ohio 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. 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. This line item supports the requirements of this agreement and the source of funding is appropriations from the Attorney General. The recommended funding for this oversight function of \$1.95 million is the same in each year of the biennium, \$0.4 million (18.2%) below estimated spending in FY 2011.

### **Personal Services (950100)**

Appropriations in this line item provide funds for staff payroll and fringe benefits. The recommended appropriation for FY 2012 is \$1.2 million (3.9%) below that of FY 2011, and the recommended funding for FY 2013 is essentially the same as that of the first year of the biennium. Spending for this line item is likely to finish FY 2011 below appropriations (full-time equivalent staffing in February 2011 was 4% below FY 2010 levels); also, the decrease in FY 2012 includes a reduction in contributions to PERS. Thus, the current level of operations could be maintained despite the reduction in recommended funding for FY 2012.

### **Maintenance (950200)**

This line item provides funds for maintenance and supplies for the Ohio Lottery. Most of the charges to this line item are for data processing, telecommunications, promotional, and printing charges. The recommended appropriation for FY 2012 is \$1.1 million (7.5%) below estimated spending for FY 2011 due to the continued decline in the cost of data processing and communication. Recommended funding for FY 2013 is \$0.3 million (2.2%) below the recommended appropriation for FY 2012.

### **Equipment (950300)**

Appropriations for this line item primarily fund information technology equipment. Recommended funding for FY 2012 is \$1.2 million (33.5%) above estimated spending for FY 2011 due to planned purchases of additional gaming-related equipment to increase the sales base. The recommended appropriation for FY 2013 is \$0.3 million (7.2%) below the FY 2012 level.

### **Advertising Contracts (950402)**

Advertising expenses cover the production of print, radio, and television advertisements and the cost of post-production media placement of those advertisements. The recommended appropriation for FY 2012 is \$2.6 million (11.0%) above FY 2011 estimated spending, due to an expected increase in the cost of

advertising, including increases for marketing on television. The same amount as in FY 2012 would be spent for advertising in FY 2013.

### **Gaming Contracts (950403)**

Spending on gaming contracts is directly related to the level of ticket sales. Intralot's compensation for the current gaming contract is 0.91495% and 0.303% for On-line sales and Instant sales, respectively. The executive recommends about \$2.3 million (4.7%) less for FY 2012 than estimated FY 2011 spending for gaming contracts, and \$0.9 million (1.9%) more in FY 2013. Two Powerball jackpots won in Ohio boosted estimated gaming contracts spending this fiscal year, and no assumptions have been made regarding the number of potential such large jackpots in Ohio in FY 2012.

### **Problem Gambling Subsidy (950500)**

The Ohio Lottery has outsourced the responsibility of providing treatment and counseling services for gamblers to the Department of Alcohol and Drug Addiction Services by providing funds for the treatment of lottery players that also are addicted to alcohol and drugs. The goal is to establish outpatient gambling treatment programs, increase the identification and referral of problem gamblers to appropriate services, and to increase awareness of available services for problem gamblers and their families. Direct services or screenings have been provided to about 1,900 individuals who request it and who meet the criteria of problem or pathological gambling. Funding for the various programs started in FY 2003 and will continue in the next biennium. Recommended appropriations are \$350,000 per fiscal year, the same amount as in FY 2011.

### **Direct Prize Payments (950601)**

Spending for direct prize payments includes bonuses and commissions to vendors, and payments for all nondeferred major prizes won by players. The major sources of expenditures from this line item are cash options for large jackpots in games such as Classic Lotto, Powerball, and Mega Millions; first installments of deferred Powerball and Mega Millions prizes; and prize payments of high-tier winners of other On-line games. Expenditures supported by direct prize payments appropriations may also include cash payouts from Instant games, and noncash prizes (trips, cars, and merchandise) payouts to winners. FY 2010 actual spending for direct prize payments was \$125.2 million and is expected to grow to \$301.7 million in FY 2011 due to the two Powerball jackpot winners in Ohio mentioned above. The recommended appropriation for FY 2012 is \$169.7 million (56.2%) below estimated spending for FY 2011. The recommended appropriation for FY 2013 is \$1.3 million (1.0%) above FY 2012.

**Annuity Prizes (950602)**

Appropriations in this line item support the annual payment for the annuity prize winnings for winners who selected to be paid over a period of time rather than in one lump sum payment. The Ohio Lottery is required to set aside and transfer to the Treasurer of State for investment any annuity jackpots won in Mega Millions, Powerball, and other games. Prizes are then paid out over time as they are due to winners. As the number of jackpot winners choosing annuity payments has declined over the years, expenditures for annuity prizes have also declined, except in years when new games with large jackpots have been added to the lineup of games. The recommended appropriation for FY 2012 of \$77.2 million is \$12.2 million (13.7%) lower than FY 2011 estimated spending of \$89.4 million. The executive recommendation is \$0.4 million (0.6%) higher in FY 2013.

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# Ohio Lottery Commission

## State Lottery Fund Group

### 2310 950604 Charitable Gaming Oversight

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,822,863	\$1,801,975	\$1,498,500	\$2,378,000	<b>\$1,946,000</b>	<b>\$1,946,000</b>
	-1.1%	-16.8%	58.7%	<b>-18.2%</b>	<b>0.0%</b>

**Source:** State Lottery Fund Group: Transfer from appropriations of the Attorney General

**Legal Basis:** Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

### 7044 950100 Personal Services

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$24,378,979	\$26,252,658	\$24,910,085	\$31,237,206	<b>\$30,018,152</b>	<b>\$30,004,979</b>
	7.7%	-5.1%	25.4%	<b>-3.9%</b>	<b>0.0%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

### 7044 950200 Maintenance

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$17,347,972	\$17,794,394	\$9,942,862	\$14,652,155	<b>\$13,558,000</b>	<b>\$13,266,150</b>
	2.6%	-44.1%	47.4%	<b>-7.5%</b>	<b>-2.2%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

### 7044 950300 Equipment

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,861,740	\$16,086,213	\$1,525,169	\$3,603,920	<b>\$4,810,440</b>	<b>\$4,465,690</b>
	764.0%	-90.5%	136.3%	<b>33.5%</b>	<b>-7.2%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

## Ohio Lottery Commission

### 7044 950402 Advertising Contracts

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$23,964,806	\$20,552,866	\$19,333,045	\$23,548,000	<b>\$26,136,000</b>	<b>\$26,136,000</b>
	-14.2%	-5.9%	21.8%	<b>11.0%</b>	<b>0.0%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

### 7044 950403 Gaming Contracts

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$44,789,213	\$47,353,291	\$50,718,827	\$48,756,010	<b>\$46,476,608</b>	<b>\$47,359,732</b>
	5.7%	7.1%	-3.9%	<b>-4.7%</b>	<b>1.9%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

**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 online and Instant gaming contracts were combined with advertising expenditures. The budget shows them separately starting in FY 2008.

### 7044 950500 Problem Gambling Subsidy

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$353,000	\$335,000	\$335,000	\$350,000	<b>\$350,000</b>	<b>\$350,000</b>
	-5.1%	0.0%	4.5%	<b>0.0%</b>	<b>0.0%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A. (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.

## Ohio Lottery Commission

### 7044 950601 Direct Prize Payments

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$110,727,762	\$124,627,356	\$125,215,526	\$301,647,886	<b>\$131,995,700</b>	<b>\$133,263,456</b>
	12.6%	0.5%	140.9%	<b>-56.2%</b>	<b>1.0%</b>

**Source:** State Lottery Fund Group: Lottery ticket sales

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

**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, Mega Millions, and Powerball prizes, first installments of deferred Classic Lotto, Mega Millions, and Powerball prizes, and prize payments for high-tier winners of Rolling Cash 5. Other expenses include prize payouts from instant games and other online games and non-cash prizes awarded as promotions (such as items awarded during TV shows). This line also supports bonuses and commissions of retailers.

### 8710 950602 Annuity Prizes

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$103,813,494	\$284,531,240	\$79,427,779	\$89,415,976	<b>\$77,206,258</b>	<b>\$77,641,283</b>
	174.1%	-72.1%	12.6%	<b>-13.7%</b>	<b>0.6%</b>

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

**Legal Basis:** ORC 3770.03; Section 327.10 of Am. Sub. H.B. 1 of the 128th G.A.

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

# FY 2012 - FY 2013 Introduced Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>LOT</b>	<b>Ohio Lottery Commission</b>							
2310	950604	Charitable Gaming Oversight	\$ 1,498,500	\$ 2,378,000	\$ 1,946,000	-18.17%	\$ 1,946,000	0.00%
7044	950100	Personal Services	\$ 24,910,085	\$ 31,237,206	\$ 30,018,152	-3.90%	\$ 30,004,979	-0.04%
7044	950200	Maintenance	\$ 9,942,862	\$ 14,652,155	\$ 13,558,000	-7.47%	\$ 13,266,150	-2.15%
7044	950300	Equipment	\$ 1,525,169	\$ 3,603,920	\$ 4,810,440	33.48%	\$ 4,465,690	-7.17%
7044	950402	Advertising Contracts	\$ 19,333,045	\$ 23,548,000	\$ 26,136,000	10.99%	\$ 26,136,000	0.00%
7044	950403	Gaming Contracts	\$ 50,718,827	\$ 48,756,010	\$ 46,476,608	-4.68%	\$ 47,359,732	1.90%
7044	950500	Problem Gambling Subsidy	\$ 335,000	\$ 350,000	\$ 350,000	0.00%	\$ 350,000	0.00%
7044	950601	Direct Prize Payments	\$ 125,215,526	\$ 301,647,886	\$ 131,995,700	-56.24%	\$ 133,263,456	0.96%
8710	950602	Annuity Prizes	\$ 79,427,779	\$ 89,415,976	\$ 77,206,258	-13.65%	\$ 77,641,283	0.56%
<b>State Lottery Fund Group Total</b>			<b>\$ 312,906,794</b>	<b>\$ 515,589,153</b>	<b>\$ 332,497,158</b>	<b>-35.51%</b>	<b>\$ 334,433,290</b>	<b>0.58%</b>
<b>Ohio Lottery Commission Total</b>			<b>\$ 312,906,794</b>	<b>\$ 515,589,153</b>	<b>\$ 332,497,158</b>	<b>-35.51%</b>	<b>\$ 334,433,290</b>	<b>0.58%</b>