

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Lottery Commission

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February 2013

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.

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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
- The Ohio Lottery oversees video lottery terminal gaming at Ohio racinos

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 from traditional lottery tickets, and more recently, video lottery terminals (VLTs) at Ohio horse racetracks (or racinos). The executive budget proposes transfers to LPEF of \$1.82 billion in the next biennium (\$841.0 million in FY 2014 and \$974.5 million in FY 2015). The Ohio Lottery has taken over certain duties regarding charitable gaming previously performed by the Attorney General. Funds for the oversight of charitable gaming are transferred from appropriations of the Attorney General. The Ohio Lottery is self-sustaining and funded through the State Lottery Fund.

The Ohio Lottery operates a variety of traditional On-line and Instant ticket games. The On-line games are Pick 3, Pick 4, Pick 5, Rolling Cash 5, Classic Lotto, Ten-OH, Raffle, Kicker, Keno, EZPlay, Powerball, and Mega Millions.¹ These games generated \$1.23 billion (45.0%) of total sales revenue in FY 2012. The Lottery also sells a variety of Instant games through over 9,300 retailers, including special games that coincide with major holidays. Instant games receipts were approximately \$1.50 billion (55.0%) of total sales revenue in FY 2012. The Ohio Lottery started regulating VLTs at Ohio racinos in FY 2012.

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. Table 1 below provides the staffing level of the agency in the last few years.

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.

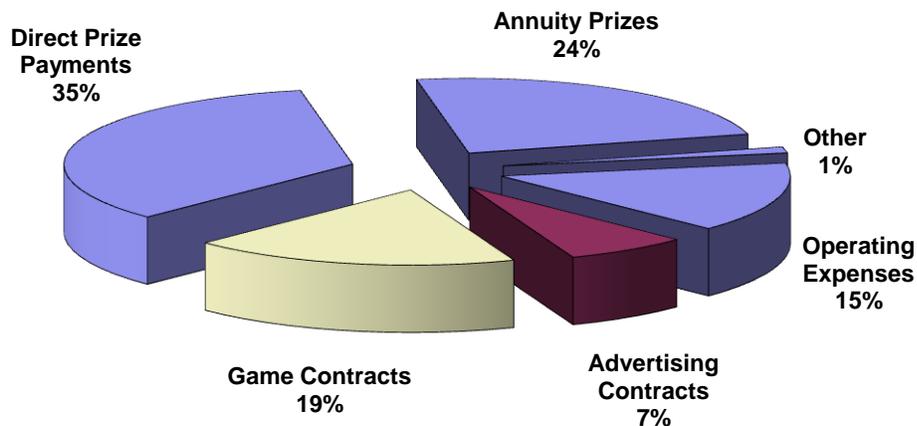
Table 1. Ohio Lottery Commission Staffing Levels (Full-Time Equivalent)*					
Office	2009	2010	2011	2012	2013
Charitable Gaming	23	16	16	15	15
Communications	9	8	8	6	6
Executive	5	5	5	2	2
Finance	26	23	19	17	17
General Services	24	24	28	22	21
Human Resources	7	7	5	7	7
Information Technology	41	43	46	38	37
Internal Audit	4	4	4	3	3
Legal Counsel	6	4	3	5	5
Marketing	13	13	16	10	10
Product Development	7	7	7	5	6
Sales	142	160	151	148	144
Security	13	13	12	13	12
Strategic Planning	5	5	3	0	0
Operations Management				11	11
Government & Community Relations				1	1
VLT Management				7	29
Total	325	332	323	310	326

*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 programs supporting gambling and related addiction services, the oversight of charitable gaming, and expenditures for the regulation of VLTs at horse racetracks. Recommended funding for the Ohio Lottery Commission for FY 2014 is \$335.5 million. This amount is \$11.0 million (3.2%) lower than FY 2013 estimated spending. Recommended funding for FY 2015 is \$333.6 million, \$1.9 million (0.6%) lower than FY 2014 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 2014-FY 2015**



Recent Major Initiatives

The Ohio Lottery started regulating VLTs at Ohio horse racetracks in FY 2012. Scioto Downs Racino in Columbus opened in June 2012 with 1,787 VLTs, yielding VLT gross proceeds of \$11.7 million, and income of \$3.7 million to the Commission that fiscal year. Gross proceeds from VLTs are shared by the lottery sales agents – the horse racetracks (66.5%), and the Ohio Lottery (33.5%). A second racino, Thistledown, is scheduled to start in the second quarter of calendar year 2013. Ohio Lottery's income from the VLT program in the next biennium is uncertain. The five remaining racetracks will open at different times in the next several months, but all seven racinos are likely to be operational at the beginning of FY 2015. The Ohio Lottery expects to generate net profits (VLT income minus expenses)² of about \$162.0 million and \$275.0 million from the VLT program in FY 2014 and FY 2015, respectively. However, it is possible VLT net income may be higher than those projections. Net profits from the VLT program, similarly to net profits from traditional ticket sales, will be transferred to the LPEF.

The Ohio Lottery will also receive \$50 million per racetrack in licensing fees from VLT licensees totaling \$350 million, including \$25 million received in FY 2012. For each licensee, the first fee, \$10 million, is paid at the time of the licensing application; the second fee, \$15 million, is paid at the time when the racino opens; the remainder of the licensing fee, \$25 million, is to be paid a year after the opening of the racino. Table 2 below provides the potential timeline for receipts of license fees according to the Ohio Lottery.

² LOT expenses are estimated to be about 5% of VLT gross income for the biennium.

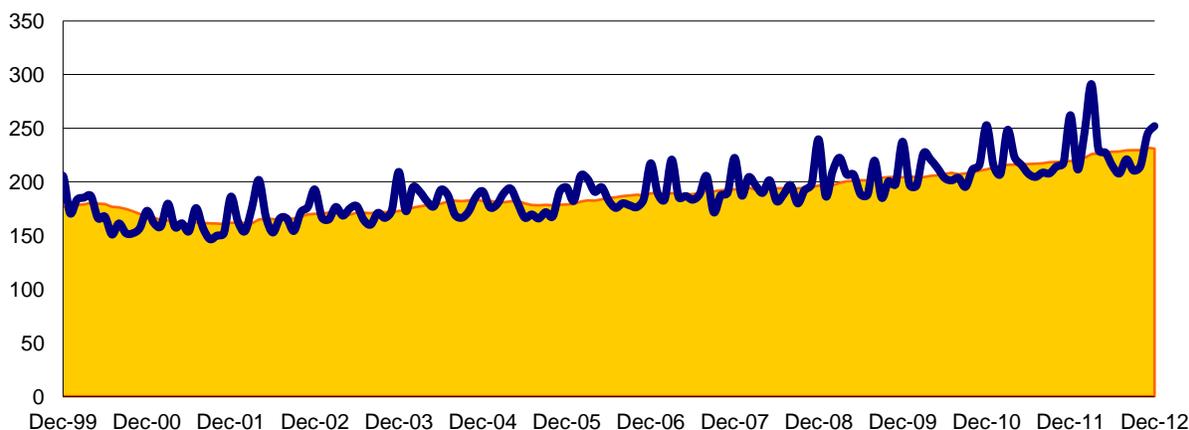
Table 2. Potential Timing of Receipts of Licensing Fees (in millions)				
Licensing Fees	FY 2012	FY 2013	FY 2014	FY 2015
License Application (1st fee, \$10 million)	\$10	\$60	\$0	\$0
Commencement of sales (2nd Fee, \$15 million)	\$15	\$15	\$75	\$0
One year after opening (3rd fee)	\$0	\$25	\$25	\$125
Total	\$25	\$100	\$100	\$125

FACTS AND FIGURES

Traditional Ticket Sales

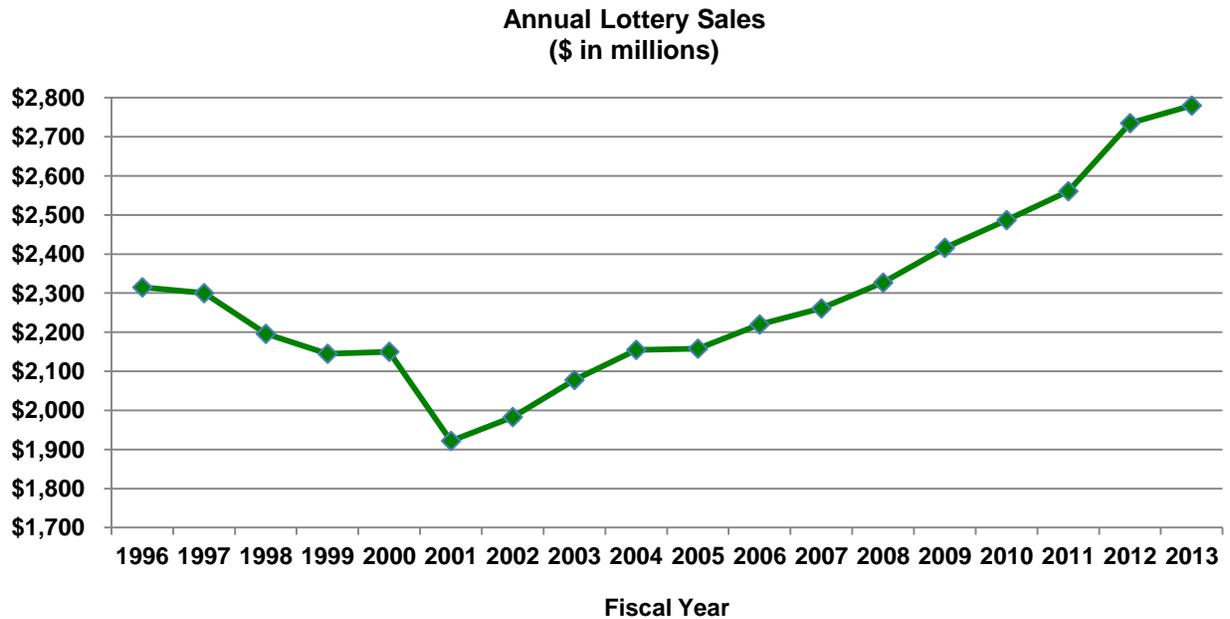
Traditional lottery ticket sales grew tremendously throughout the early to mid-1990s. Sales grew to over \$2.32 billion in FY 1996. Then, sales fell to \$1.92 billion in FY 2001, before improving to \$2.22 billion in FY 2006. The rise in receipts has continued since then from the introduction of new games and additional drawings for existing games, reaching \$2.73 billion in FY 2012. The chart below shows the fall and subsequent rise of traditional ticket sales from December 1999 to December 2012.

Traditional Lottery Ticket Sales
Monthly Total and 12-Month Moving Average
(\$ in millions)



The line in the above chart indicates monthly sales of traditional ticket sales. Monthly sales have a seasonal pattern of increases during November and December, as well as increases associated with large Mega Millions and 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 existing games are made, or increases in the number of drawings boost sales. Although incomes continue to grow, 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 traditional ticket sales.

Through January, FY 2013 ticket sales were \$34.8 million above sales in the corresponding period in FY 2012. Income from the VLT program was \$26.2 million through January, potentially yielding about \$44.0 million for the fiscal year as a whole. Overall, FY 2013 total revenue may be about \$2.78 billion. The graph below shows annual sales from FY 1996 to FY 2012, and estimated FY 2013 revenue.



Transfers to Education

The executive is recommending transfers to the LPEF of \$841.0 million in FY 2014 and \$974.5 million in FY 2015. Excluding estimated transfers from net income from the VLT program referenced above, transfers to LPEF from traditional ticket sales are estimated by the Ohio Lottery at about \$679.0 million and \$699.5 million, respectively, for FY 2014 and FY 2015. Those amounts would be below transfers from traditional ticket sales in recent years, as shown in Table 3 below. The budgeted commitment of \$680.5 million in profit transfers to the LPEF for FY 2013 (included in H.B. 153, the main operating budget for this biennium) is likely to be surpassed at the end of the fiscal year. Through January, FY 2013 year-to-date transfers were \$66.8 million above budgeted monthly transfers in the first seven months, and \$28.5 million above transfers in the corresponding period in FY 2012.

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Sales	\$2,326.9	\$2,416.3	\$2,486.8	\$2,561.4	\$2,735.3
Sales Growth	2.9%	3.8%	2.9%	3.0%	6.8%
Transfers	\$672.2	\$702.3	\$728.6	\$743.0	\$771.0
Transfer Growth	0.4%	4.5%	3.7%	2.0%	3.8%
Share of Ticket Sales	28.9%	29.1%	29.3%	29.0%	28.2%

Competition in the Gaming Industry

Public attitudes toward gaming continue to be favorable, but the gaming market is becoming more competitive each year. Ohio casinos will be directly competing for patrons with Ohio's seven racinos, and both casinos and horse racetracks will reduce sales of traditional lottery ticket sales. The extent of the decrease in traditional lottery sales is uncertain, as the transforming Ohio gaming market searches for a new equilibrium in the next few 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, despite repeated attempts to reduce or eliminate their presence.

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 has casinos and racinos with several tens of thousands of VLTs in various locations. The 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, and higher price points, of Instant ticket sales, additional On-line games, increases in the number of drawings, and other means to increase betting by players.

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 2014-FY 2015 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. LOT restructured line items for the coming biennium, eliminating four and creating two new line items.

Governor's Recommended Amounts for the Ohio Lottery Commission				
Fund	ALI and Name		FY 2014	FY 2015
State Lottery Fund Group				
2310	950604	Charitable Gaming Oversight	\$1,946,000	\$1,946,000
7044	950312	Operating Expenses	\$49,778,677	\$51,173,293
7044	950402	Advertising Contracts	\$23,024,080	\$23,024,080
7044	950403	Gaming Contracts	\$63,405,851	\$59,356,988
7044	950601	Direct Prize Payments	\$116,281,000	\$114,779,000
7044	950605	Problem Gambling	\$2,000,000	\$3,000,000
8710	950602	Annuity Prizes	\$79,039,985	\$80,299,167
State Lottery Fund Group Subtotal			\$335,475,593	\$333,578,528
Total Funding: State Lottery Fund Group			\$335,475,593	\$333,578,528

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 for about 15 full-time positions is appropriations from the Attorney General. The recommended funding for this oversight function, at \$1.9 million each year of the biennium, is identical to estimated spending in FY 2013.

Operating Expenses (950321)

This line item essentially replaces ALI 950100, Personal Services, ALI 950200, Maintenance, and ALI 950300, Equipment, in previous budgets. The line item will provide funds for staff payroll and benefits, maintenance and supplies, and equipment. The recommended appropriation for operating expenses in FY 2014 is \$9.4 million (15.9%) below estimated combined estimated spending in FY 2013 for personal services, maintenance and supplies, and equipment. The recommended appropriation for FY 2015 is \$1.4 million (2.8%) higher than FY 2014 funding.

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 2014 is \$23.0 million, \$1.3 million (5.8%) above FY 2013 estimated spending, due to an expected increase in the cost of advertising, including increases for marketing on television. The recommended appropriation for FY 2015 is the same as that of FY 2014.

Gaming Contracts (950403)

Spending on gaming contracts is directly related to the level of sales, but also includes one-time fixed costs to set up the central monitoring system at the VLT facilities. In addition, equipment to support the gaming function has been moved into this appropriation line item from ALI 950300, Equipment, as reported in previous years. Funding within this line item also accounts for additional gaming equipment necessary to support the retailer base. In addition, the Lottery intends to expand Instant ticket game products to include multiple extended-play themes which cost more to print. The executive recommends about \$11.1 million (21.1%) more in FY 2014 than estimated FY 2013 spending for gaming contracts, and \$4.0 million (6.4%) less in FY 2015. Multi-state games (Powerball and Mega Millions) generally boost estimated gaming contracts spending.

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 2012 actual spending for direct prize payments was \$201.6 million, due to large jackpots won in Ohio. Spending for direct prize payments is expected to decrease to \$133.3 million in FY 2013. The recommended appropriation for FY 2014 is \$17.0 million (12.7%) below estimated spending for FY 2013. The recommended appropriation for FY 2015 is \$1.5 million (1.3%) below that of FY 2014.

Problem Gambling (950605)

This is a new line item replacing ALI 950500, Problem Gambling Subsidy, in previous budgets, and is funded by a share of commissions (0.5%) received by Lottery sales agents operating VLTs at racinos (O.R.C. 3769.087).³ This line item will fund expenditures related to problem gambling identification and treatment programs, and support the Ohio for Responsible Gambling initiative. Recommended appropriation in FY 2014 is \$2.0 million. Recommended appropriation in the second year of the biennium is increased 50% to \$3.0 million. 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. Funding for the various programs started in FY 2003 and will continue in the next biennium.

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 2014 of \$79.0 million is \$1.4 million (1.8%) higher than FY 2013 estimated spending of \$77.6 million. The executive recommendation is \$1.3 million (1.6%) higher in FY 2015.

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³ By rule, the Ohio Lottery also may require the racinos to disperse an additional amount of up to one-half of one per cent of their commissions for the same purpose.

Ohio Lottery Commission

State Lottery Fund Group

2310 950604 Charitable Gaming Oversight

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$1,498,500	\$1,268,816	\$1,500,110	\$1,946,000	\$1,946,000	\$1,946,000
	-15.3%	18.2%	29.7%	0.0%	0.0%

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

Legal Basis: Section 329.10 of Am. Sub. H.B. 153 of the 129th G.A.

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

7044 950100 Personal Services

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$24,910,085	\$26,807,644	\$29,943,653	\$41,251,370	\$0	\$0
	7.6%	11.7%	37.8%	-100%	N/A

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: Discontinued line item (originally established by H.B. 990 of the 110th G.A.)

Purpose: This line item provided funds for payroll and fringe benefits for the Ohio Lottery Commission. This line item was replaced with line item 950321, Operating Expenses.

7044 950200 Maintenance

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$9,942,862	\$11,038,517	\$12,471,470	\$13,462,150	\$0	\$0
	11.0%	13.0%	7.9%	-100%	N/A

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: Discontinued line item (originally established by H.B. 990 of the 110th G.A.)

Purpose: This line item provided funds for maintenance for the Ohio Lottery Commission. This line item was replaced with line item 950321, Operating Expenses.

Ohio Lottery Commission

7044 950300 Equipment

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$1,525,169	\$2,451,946	\$3,900,799	\$4,465,690	\$0	\$0
	60.8%	59.1%	14.5%	-100%	N/A

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: Discontinued line item (originally established by H.B. 990 of the 110th G.A.)

Purpose: This line item provided funds for equipment for the Ohio Lottery Commission. This line item was replaced with line item 950321, Operating Expenses.

7044 950321 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$0	\$49,778,677	\$51,173,293
	N/A	N/A	N/A	N/A	2.8%

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: ORC 3770.03; Section 329.10 of Am. Sub. H.B. 153 of the 129th G.A.

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

7044 950402 Advertising Contracts

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$19,333,045	\$23,155,255	\$22,120,025	\$21,756,000	\$23,024,080	\$23,024,080
	19.8%	-4.5%	-1.6%	5.8%	0.0%

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: ORC 3770.03; Section 329.10 of Am. Sub. H.B. 153 of the 129th 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.

7044 950403 Gaming Contracts

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$50,718,827	\$41,037,503	\$47,689,819	\$52,352,904	\$63,405,851	\$59,356,988
	-19.1%	16.2%	9.8%	21.1%	-6.4%

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: ORC 3770.03; Section 329.10 of Am. Sub. H.B. 153 of the 129th 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.

Ohio Lottery Commission

7044 950500 Problem Gambling Subsidy

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$335,000	\$335,000	\$335,000	\$350,000	\$0	\$0
	0.0%	0.0%	4.5%	-100%	N/A

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: Discontinued line item (originally established by established by Controlling Board on February 11, 2002)

Purpose: This line item provided 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.

7044 950601 Direct Prize Payments

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$125,215,526	\$281,631,834	\$201,631,652	\$133,263,456	\$116,281,000	\$114,779,000
	124.9%	-28.4%	-33.9%	-12.7%	-1.3%

Source: State Lottery Fund Group: Lottery ticket sales and VLT revenue

Legal Basis: ORC 3770.03; Section 329.10 of Am. Sub. H.B. 153 of the 129th 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.

7044 950605 Problem Gambling

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$0	\$0	\$2,000,000	\$3,000,000
	N/A	N/A	N/A	N/A	50.0%

Source: State Lottery Fund Group: Commissions of sales agents conducting VLT gaming

Legal Basis: ORC 3770.03; Section 329.10 of H.B. 153 of the 129th G.A.; and Am. Sub. H.B. 386 of the 129th G.A

Purpose: This line item supports programs that provide gambling addiction and related addiction services. The Lottery Commission requires by rule that lottery sales agents conducting VLT gaming (horse racetracks) pay 0.5% of their commission to the Commission,, and may require up to an additional 0.5% for that purpose.

Ohio Lottery Commission

8710 950602 Annuity Prizes

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$79,427,779	\$77,832,955	\$78,558,533	\$77,641,283	\$79,039,985	\$80,299,167
	-2.0%	0.9%	-1.2%	1.8%	1.6%

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 329.10 of Am. Sub. H.B. 153 of the 129th 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 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For: Main Operating Appropriations Bill			Version: As Introduced					
LOT Ohio Lottery Commission								
2310	950604	Charitable Gaming Oversight	\$ 1,500,110	\$ 1,946,000	\$ 1,946,000	0.00%	\$ 1,946,000	0.00%
7044	950100	Personal Services	\$ 29,943,653	\$ 41,251,370	\$ 0	-100.00%	\$ 0	N/A
7044	950200	Maintenance	\$ 12,471,470	\$ 13,462,150	\$ 0	-100.00%	\$ 0	N/A
7044	950300	Equipment	\$ 3,900,799	\$ 4,465,690	\$ 0	-100.00%	\$ 0	N/A
7044	950321	Operating Expenses	\$ 0	\$ 0	\$ 49,778,677	N/A	\$ 51,173,293	2.80%
7044	950402	Advertising Contracts	\$ 22,120,025	\$ 21,756,000	\$ 23,024,080	5.83%	\$ 23,024,080	0.00%
7044	950403	Gaming Contracts	\$ 47,689,819	\$ 52,352,904	\$ 63,405,851	21.11%	\$ 59,356,988	-6.39%
7044	950500	Problem Gambling Subsidy	\$ 335,000	\$ 350,000	\$ 0	-100.00%	\$ 0	N/A
7044	950601	Direct Prize Payments	\$ 201,631,652	\$ 133,263,456	\$ 116,281,000	-12.74%	\$ 114,779,000	-1.29%
7044	950605	Problem Gambling	\$ 0	\$ 0	\$ 2,000,000	N/A	\$ 3,000,000	50.00%
8710	950602	Annuity Prizes	\$ 78,558,533	\$ 77,641,283	\$ 79,039,985	1.80%	\$ 80,299,167	1.59%
State Lottery Fund Group Total			\$ 398,151,061	\$ 346,488,853	\$ 335,475,593	-3.18%	\$ 333,578,528	-0.57%
Ohio Lottery Commission Total			\$ 398,151,061	\$ 346,488,853	\$ 335,475,593	-3.18%	\$ 333,578,528	-0.57%