

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.

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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 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 \$1.97 billion in the next biennium (\$984.0 million in FY 2016 and \$988.0 million in FY 2017). The Ohio Lottery also provides some funding to the Ohio Department of Mental Health and Addiction Services for the administration of problem gambling treatment programs. 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, Raffle, Kicker, Keno, EZPlay, Powerball, and Mega millions.¹ These games generated \$1.32 billion in FY 2014, 48.0% of total sales revenue. The Lottery also sells a variety of Instant games through thousands of retailers, including special games that coincide with major holidays. Instant games receipts were approximately \$1.42 billion (52.0%) of total sales revenue in FY 2014. The Ohio Lottery started regulating VLTs at Ohio racinos in FY 2012, and in FY 2014, the VLT program generated \$146.6 million in revenue for the Lottery.

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.

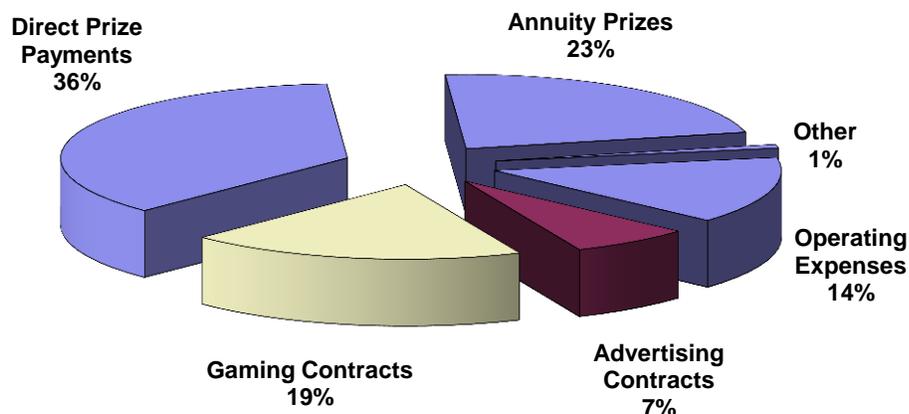
Table 1. Ohio Lottery Commission Staffing Levels (Full-Time Equivalent)*					
Office	2010	2011	2012	2013	2014
Charitable Gaming	16	16	15	15	13
Communications	8	8	6	6	6
Executive	5	5	2	2	2
Finance	23	19	17	17	18
General Services	24	28	22	21	22
Human Resources	7	5	7	7	7
Information Technology	43	46	38	37	39
Internal Audit	4	4	3	3	3
Legal Counsel	4	3	5	5	4
Marketing	13	16	10	10	7
Product Development	7	7	5	6	4
Sales	160	151	148	144	145
Security	13	12	13	12	16
Strategic Planning	5	3	0	0	0
Operations Management			11	11	9
Government & Community Relations			1	1	1
VLT Management			7	29	42
TOTAL	332	323	310	326	338

*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, and expenditures for the regulation of the VLT program. Recommended funding for the Ohio Lottery Commission for FY 2016 is \$362.3 million. This amount is \$108.2 million (23.0%) lower than FY 2015 estimated spending. Recommended funding for FY 2017 is \$364.7 million, \$2.4 million (0.7%) above the FY 2016 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 2016-FY 2017**



Recent Major Initiatives

VLT Program

The Video Lottery Terminal (VLT) program at Ohio horse racetracks (racinos) started in June 2012 and operated at five racinos in FY 2014. Hollywood Mahoning Valley and Hollywood Dayton opened to patrons during August and September 2014, respectively. Thus at the end of 2014, all seven racinos were in operation. The total number of available machines was 10,454 at the end of January 2015, ranging from 866 machines at Mahoning Valley to 2,218 machines at Hard Rock Rocksino at Northfield Park.

Revenue from the VLT program is shared by the racetrack owners (66.5%) and the Ohio Lottery Commission (LOT, 33.5%). The yield of the VLT program in FY 2014 was \$437.6 million (after payout to players). Of that amount, LOT received \$146.6 million, of which \$139.4 million was transferred to the Lottery Profits Education Fund (Fund 7017) and \$7.2 million was absorbed by administrative expenses. Through January 2015, revenue from the VLT program was \$142.6 million, potentially yielding about \$245.0 million for the fiscal year as a whole, which would surpass total FY 2014 revenue. LOT forecasts VLT revenue of \$248.0 million in FY 2016 and \$249.8 million in FY 2017. Total wagers were \$2.00 billion and \$5.08 billion in FY 2013 and FY 2014, respectively. With all seven racinos in operation, wagers may potentially total \$8.17 billion at the end of FY 2015.

Separately from operating revenue from VLTs, through the end of FY 2015, horse racetrack owners would have paid to the state \$300 million of the expected \$350 million in related license fees. For each racetrack, \$10 million were to be paid with a license application; then \$15 million when the facility opened, and \$25 million, a year after the opening of a racino, for a total of \$50 million per racino. The remaining of the license fees (\$50 million) will be paid in FY 2016.

Machines for Veterans and Fraternal Organizations

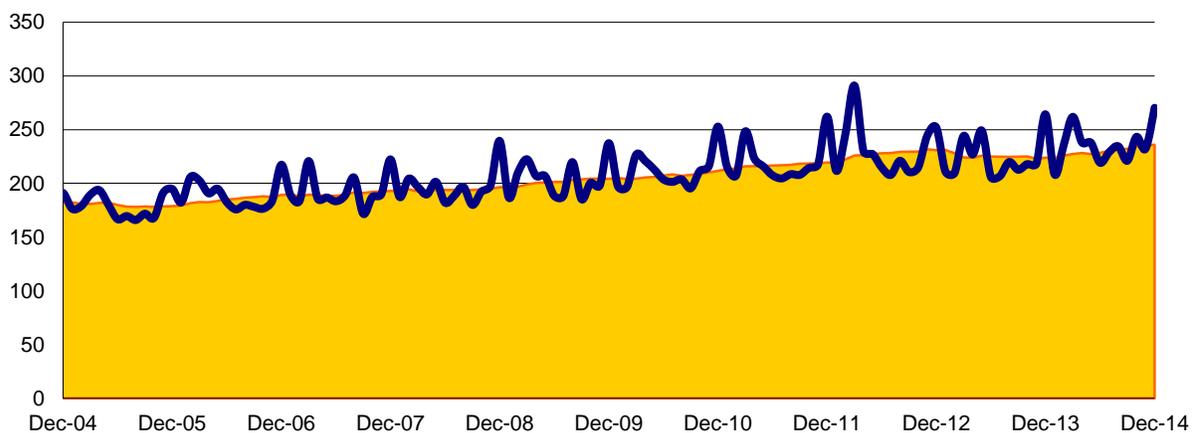
After the Controlling Board authorized the purchase and operation of up to 1,200 machines in March 2014, and made them exclusively available to veterans and fraternal organizations, LOT actively launched the Multi-Purpose Next Generation (MPNG) vending machines to Lottery-licensed veterans and fraternal organizations. Intralot, the current LOT gaming vendor, receives 1.83% of gross sales (after payout to players). Then, LOT receives 60% while the organizations receive 40% of the net proceeds of the machines. As of January 2015, 843 machines were installed at 241 organizations and another 15 organizations waiting for an additional 52 machines to be installed, or nearly 900 machines would be committed. LOT forecasts that all 1,200 machines are likely to be installed by the end of FY 2015. From October 2014 through the end of January, wagers on the machines were \$10.2 million, and for the fiscal year as a whole may be about \$23.0 million.

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 \$2.74 billion in FY 2014. The chart below shows the fall and subsequent rise of traditional ticket sales from December 2004 to December 2014.

Chart 2: Traditional Lottery Ticket Sales
Monthly Total and 12-Month Moving Average
(\$ in millions)

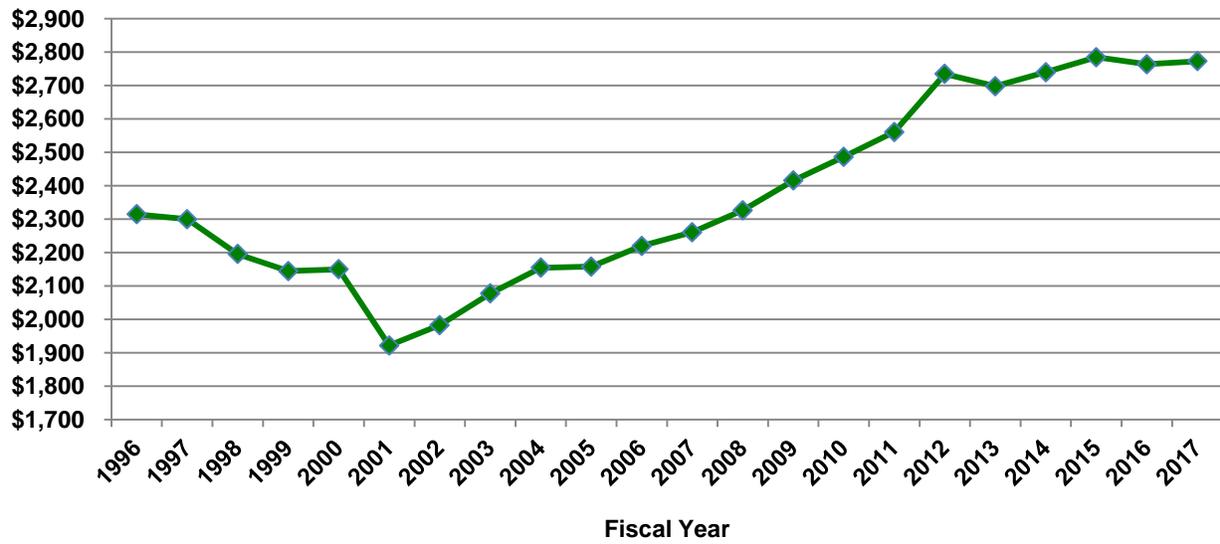


The line in the above chart indicates monthly sales of traditional ticket sales. Monthly sales have a seasonal pattern of increases during November and December, as well as increases associated with large Mega millions and Powerball jackpots. A 12-month moving average of sales removes any seasonal variations 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 have all contributed to limit the growth of traditional ticket sales.

Through January, FY 2015 traditional ticket sales of \$1.70 billion were \$121.0 million (7.8%) above sales in the corresponding period in FY 2014. Income from the VLT program was \$142.6 million through January, potentially yielding about

\$245.0 million for the fiscal year as a whole, and surpassing total FY 2014 revenue of \$146.6 million. Overall, FY 2015 traditional ticket sales may be about \$2.78 billion. The graph below shows annual sales from traditional ticket sales from FY 1996 to FY 2014, estimated sales in FY 2015, and forecasted sales in the next biennium.

Chart 3: Annual Traditional Lottery Sales (\$ in millions)



Transfers to Education

The executive is recommending transfers to the LPEF of \$984.0 million in FY 2016 and \$988.0 million in FY 2017. The budgeted commitment of \$974.5 million in profit transfers to the LPEF for FY 2015 (included in H.B. 59, the main operating budget for this biennium) is likely to be surpassed at the end of this fiscal year. Year-to-date, sales from traditional tickets have increased \$120.9 million (7.6%) over sales in FY 2014 through January 2014. Also, LOT revenue from VLTs was \$78.6 million (122.7%) higher than revenue through January 2014 last year. Year-to-date transfers were \$8.7 million above budgeted monthly transfers in the first seven months, and \$71.1 million above transfers in the corresponding period in FY 2014. Table 2 provides actual transfers in FY 2014 and budgeted transfers in FY 2015, FY 2016, and FY 2017.

	FY 2014	FY 2015 est.	FY 2016 F	FY 2017 F
Traditional Lottery Products	\$764.9	\$745.0	\$746.0	\$748.0
VLT Operations	\$139.4	\$229.5	\$238.0	\$240.0
Total Lottery Profits	\$904.3	\$974.5	\$984.0	\$988.0

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 are competing for patrons with Ohio's seven racinos, and both casinos and racetracks affect sales of traditional lottery ticket sales, 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 continues. 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. 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) and annuity payments are funded through the Deferred Prizes Trust Fund (Fund 8710). The Governor's recommended appropriations for these purposes in FY 2016-FY 2017 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. Unlike previous budgets, this budget contains no appropriations for the oversight of charitable gaming: the memorandum of understanding between the Ohio Attorney General and LOT expired on June 30, 2014, and was not renewed.

Governor's Recommended Amounts for the Ohio Lottery Commission				
Fund	ALI and Name		FY 2016	FY 2017
State Lottery Fund Group				
7044	950321	Operating Expenses	\$52,218,910	\$53,320,434
7044	950402	Advertising Contracts	\$24,550,000	\$24,550,000
7044	950403	Gaming Contracts	\$68,934,057	\$69,081,749
7044	950601	Direct Prize Payments	\$131,894,037	\$132,397,721
7044	950605	Problem Gambling	\$3,000,000	\$3,000,000
8710	950602	Annuity Prizes	\$81,705,325	\$82,313,553
State Lottery Fund Group Subtotal			\$362,302,329	\$364,663,457
Total Funding: State Lottery Fund Group			\$362,302,329	\$364,663,457

Operating Expenses (950321)

The line item provides funds for staff payroll and benefits, maintenance and supplies, and equipment. The recommended appropriation for operating expenses in FY 2016 is \$1.2 million (2.3%) above estimated spending in FY 2015. The recommended appropriation for FY 2017 is \$1.1 million (2.1%) higher than FY 2016 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 2016 is \$24.6 million, \$1.5 million (6.6%) above FY 2015 estimated spending, due to an expected increase in

the cost of advertising, including increases for marketing on television. The recommended appropriation for FY 2017 is the same as that for FY 2016.

Gaming Contracts (950403)

Spending on gaming contracts is directly related to the level of sales, but also included one-time fixed costs to set up the central monitoring system at the VLT facilities. Funding within this line item also accounts for additional gaming equipment necessary to support the retailer base. The executive recommends about \$7.5 million (9.9%) less in FY 2016 than estimated FY 2015 spending for gaming contracts. FY 2015 spending was outsized due to one-time costs to set up monitoring systems at VLT facilities, and, to a lesser extent, costs for the new MPNG program. The recommended spending for FY 2017 is \$0.1 million (0.2%) higher than recommended appropriations for FY 2016. High jackpots of multi-state games (Powerball and Mega millions) generally boost 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 2015 estimated spending for direct prize payments is \$236.5 million, due to large jackpots in Classic Lotto and Powerball games won in Ohio earlier in the fiscal year. Spending for direct prize payments is expected to decrease to \$131.9 million in FY 2016, \$104.7 million (44.2%) below estimated spending for FY 2015. The recommended appropriation for FY 2017 is \$0.5 million (0.4%) above that of FY 2016.

Problem Gambling (950605)

This line item is funded by a share of commissions (0.5%) received by Lottery sales agents operating VLTs at racinos (O.R.C. 3769.087).² This line item funds expenditures related to problem gambling identification and treatment programs, and supports the Ohio for Responsible Gambling initiative. Recommended appropriation in each year of the biennium is \$3.0 million, identical to the estimated spending for FY 2015. The Ohio Lottery has outsourced the responsibility of providing treatment and counseling services for gamblers to the Ohio Department of Mental Health and

²By 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.

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. The recommended appropriation for FY 2016 of \$81.7 million is \$1.4 million (1.8%) higher than FY 2015 estimated spending. The executive recommendation is \$0.6 million (0.7%) higher in FY 2017.

Proposed Statutory Changes

The executive budget amends the requirement that one person appointed as a member of the State Lottery Commission must represent an organization that deals with problem gambling and assists recovering gambling addicts to a requirement that one member must have experience or training in the area of problem gambling or other addictions and in assistance to recovering gambling or other addicts.

The executive budget expands the definition of "person" for purposes of licensing to include a limited liability company and other business entities.

The executive budget clarifies the law regarding employees of the Auditor of State. Current law prohibits these employees who actively audit, coordinate, or certify commission drawings from being awarded a lottery prize. The executive budget removes the prohibition on employees who "certify" drawings and replaces it with a prohibition on employees who "observe" the drawings. These employees may observe but not certify drawings.

The executive budget eliminates on July 1, 2015, the Charitable Gaming Oversight Fund (Fund 2310) and requires the Director of Budget and Management to transfer any cash balances to the State Lottery Fund (Fund 7044).

The executive budget eliminates a requirement that the Governor sign an agreement for statewide joint lottery games. Under continuing law, the Director of the State Lottery Commission may only enter into such agreements, and conduct statewide joint lottery games, if directed by the Governor to do so.

Ohio Lottery Commission

State Lottery Fund Group

2310 950604 Charitable Gaming Oversight

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$1,500,110	\$1,206,442	\$1,237,270	\$90,500	\$0	\$0
	-19.6%	2.6%	-92.7%	-100%	N/A

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

Legal Basis: Discontinued line item (originally established in 2006 by a Memorandum of Understanding between the Ohio Lottery and the Attorney General, and R.C. 3770.061)

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

7044 950100 Personal Services

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$29,943,653	\$39,493,316	\$241,383	\$0	\$0	\$0
	31.9%	-99.4%	-100%	N/A	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. Beginning in FY 2014, this line item was replaced with line item 950321, Operating Expenses.

7044 950200 Maintenance

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$12,471,470	\$13,215,579	\$1,300,162	\$0	\$0	\$0
	6.0%	-90.2%	-100%	N/A	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. Beginning in FY 2014, this line item was replaced with line item 950321, Operating Expenses.

Ohio Lottery Commission

7044 950300 Equipment

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$3,900,799	\$3,719,779	\$456,121	\$0	\$0	\$0
	-4.6%	-87.7%	-100%	N/A	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. Beginning in FY 2014, this line item was replaced with line item 950321, Operating Expenses.

7044 950321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$39,207,516	\$51,042,443	\$52,218,910	\$53,320,434
	N/A	N/A	30.2%	2.3%	2.1%

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

Legal Basis: ORC 3770.03; Section 323.10 of Am. Sub. H.B. 64 of the 131th 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$22,120,025	\$21,160,302	\$21,063,682	\$23,024,080	\$24,550,000	\$24,550,000
	-4.3%	-0.5%	9.3%	6.6%	0.0%

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

Legal Basis: ORC 3770.03; Section 323.10 of Am. Sub. H.B. 64 of the 131th 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$47,689,819	\$49,361,396	\$65,839,310	\$76,483,842	\$68,934,057	\$69,081,749
	3.5%	33.4%	16.2%	-9.9%	0.2%

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

Legal Basis: ORC 3770.03; Section 323.10 of Am. Sub. H.B. 64 of the 131th 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$335,000	\$335,000	\$0	\$0	\$0	\$0
	0.0%	-100%	N/A	N/A	N/A

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

Legal Basis: Discontinued line item (originally 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$201,631,652	\$146,016,205	\$123,110,186	\$236,549,896	\$131,894,037	\$132,397,721
	-27.6%	-15.7%	92.1%	-44.2%	0.4%

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

Legal Basis: ORC 3770.03; Section 323.10 of Am. Sub. H.B. 64 of the 131th 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$0	\$1,543,717	\$3,000,000	\$3,000,000	\$3,000,000
	N/A	N/A	94.3%	0.0%	0.0%

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

Legal Basis: ORC 3770.03; Section 323.10 of Am. Sub. H.B. 64 of the 131th 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, and Ohio for Responsible Gambling initiative. 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 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$78,558,533	\$78,498,852	\$79,546,262	\$80,299,167	\$81,705,325	\$82,313,553
	-0.1%	1.3%	0.9%	1.8%	0.7%

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 323.10 of Am. Sub. H.B. 64 of the 131th 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.

Appropriation Amounts as Recommended by the Governor

All Fund Groups

Line Item Detail by Agency			Estimate FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016		Introduced FY 2017	FY 2016 to FY 2017	
						\$ Change	% Change		\$ Change	% Change
Report For Main Operating Appropriations Bill			Version: As Introduced							
LOT	Ohio Lottery Commission									
2310	950604	Charitable Gaming Oversight	\$ 1,237,270	\$ 90,500	\$ 0	(\$90,500)	-100.00%	\$ 0	\$ 0	N/A
7044	950100	Personal Services	\$ 241,383	\$0	\$0	\$0	N/A	\$0	\$0	N/A
7044	950200	Maintenance	\$ 1,300,162	\$0	\$0	\$0	N/A	\$0	\$0	N/A
7044	950300	Equipment	\$ 456,121	\$0	\$0	\$0	N/A	\$0	\$0	N/A
7044	950321	Operating Expenses	\$ 39,207,516	\$ 51,042,443	\$ 52,218,910	\$ 1,176,467	2.30%	\$ 53,320,434	\$ 1,101,524	2.11%
7044	950402	Advertising Contracts	\$ 21,063,682	\$ 23,024,080	\$ 24,550,000	\$ 1,525,920	6.63%	\$ 24,550,000	\$ 0	0.00%
7044	950403	Gaming Contracts	\$ 65,839,310	\$ 76,483,842	\$ 68,934,057	(\$7,549,785)	-9.87%	\$ 69,081,749	\$ 147,692	0.21%
7044	950601	Direct Prize Payments	\$ 123,110,186	\$ 236,549,896	\$ 131,894,037	(\$104,655,859)	-44.24%	\$ 132,397,721	\$ 503,684	0.38%
7044	950605	Problem Gambling	\$ 1,543,717	\$ 3,000,000	\$ 3,000,000	\$ 0	0.00%	\$ 3,000,000	\$ 0	0.00%
8710	950602	Annuity Prizes	\$ 79,546,262	\$ 80,299,167	\$ 81,705,325	\$ 1,406,158	1.75%	\$ 82,313,553	\$ 608,228	0.74%
Sub-Total State Lottery Fund Group			\$ 333,545,608	\$ 470,489,928	\$ 362,302,329	(\$108,187,599)	-22.99%	\$ 364,663,457	\$ 2,361,128	0.65%
Ohio Lottery Commission Total			\$ 333,545,608	\$ 470,489,928	\$ 362,302,329	(\$108,187,599)	-22.99%	\$ 364,663,457	\$ 2,361,128	0.65%
Grand Total			\$ 333,545,608	\$ 470,489,928	\$ 362,302,329	(\$108,187,599)	-22.99%	\$ 364,663,457	\$ 2,361,128	0.65%