

### **Role and Overview**

The Ohio Lottery Commission (OLC) generates profits for programs benefiting primary, secondary, vocational, and special education through the operation of the state lottery. A nine-member commission appointed by the Governor and confirmed by the Senate governs the Lottery. No more than five members of the commission can be from the same political party. Day-to-day administration of the Lottery is the responsibility of an executive director who is hired by the Governor to oversee a staff of 358.

The commission operates a variety of online and instant ticket games. Online lottery games include Pick 3, Pick 4, Classic Lotto, Kicker, Rolling Cash 5, EZ Play, Ten-OH!, Raffles, Keno and Mega Millions. Keno was introduced in August 2008 (fiscal year 2009). Online games generated \$960.3 million or 41.3 percent of the Lottery's total sales revenue in fiscal year 2008. There are also a wide variety of instant games, which generated nearly \$1.36 billion or 58.7 percent of the Lottery's total sales revenue in fiscal year 2008.

Approximately \$122.0 million and \$122.1 million for fiscal years 2010 and 2011, respectively, or 36 percent of the total agency budget, support operating costs. The charitable gaming oversight program's budget is approximately \$2.3 million for both fiscal years 2010 and 2011. The balance of the budget request supports budgeted prize expenses including annuity prizes. Of the \$2.3 billion in total sales revenues generated in fiscal year 2008, \$672.2 million was transferred to the Ohio Department of Education to support primary, secondary, vocational, and special education, with the remainder being awarded to players as prizes, paid to agents as bonuses and commissions, and expended for Lottery operations.

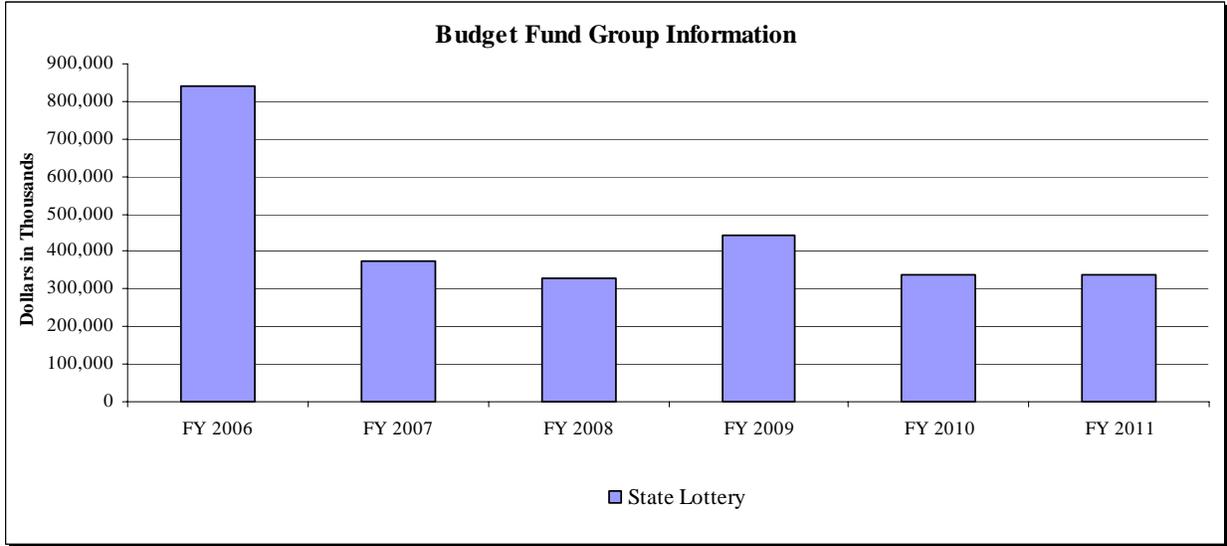
Since its inception, the Ohio Lottery Commission has contributed nearly \$16.0 billion to primary, secondary, vocational, and special education in Ohio's schools.

More information regarding the Ohio Lottery Commission is available at <http://www.ohiolottery.com/>.

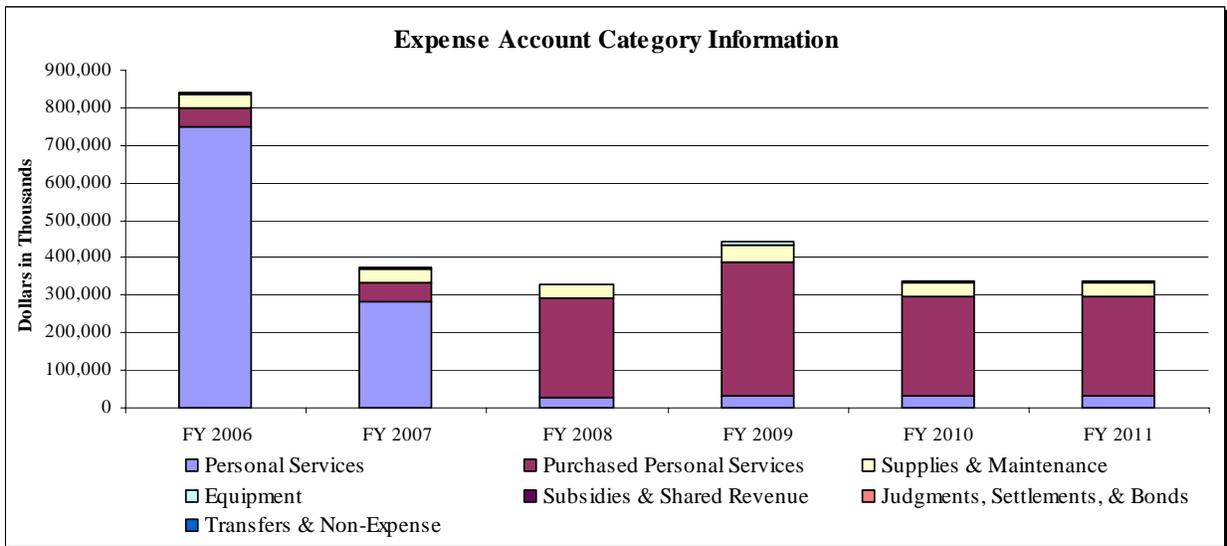
### **Agency Priorities**

- Offer fair and honest games of chance to the public to benefit primary, secondary, special, and vocational education throughout the State of Ohio.
- Through a Memorandum of Understanding between the Ohio Lottery Commission and Attorney General's Office, provide charitable gaming licensing, site inspection, records review, audits & investigations, and settlement & license revocation services.
- Provide \$350,000 annually to the Ohio Department of Alcohol and Drug Addiction Services supporting programs to supply treatment, prevention, intervention, education, and information to those individuals who request it.

**Summary of Budget History and Recommendations**



(In Thousands)	ACTUAL			EST.	%	RECOMMENDED			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	CHANGE	FY 2011	CHANGE
State Lottery	840,459	372,408	329,060	441,527	34.2	338,740	-23.3	338,825	0.0
<b>TOTAL</b>	<b>840,459</b>	<b>372,408</b>	<b>329,060</b>	<b>441,527</b>	<b>34.2</b>	<b>338,740</b>	<b>-23.3</b>	<b>338,825</b>	<b>0.0</b>



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(In Thousands) EXPENSE ACCOUNT CATEGORY	ACTUAL			EST.	% CHANGE	RECOMMENDED			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	% CHANGE	FY 2011	% CHANGE
Personal Services	750,219	282,177	25,284	30,358	20.1	31,649	4.3	31,735	0.3
Purchased Personal Services	49,523	52,665	265,446	359,375	35.4	266,696	-25.8	267,106	0.2
Supplies & Maintenance	37,901	35,393	36,052	42,185	17.0	35,987	-14.7	36,030	0.1
Equipment	2,479	1,851	1,919	9,254	382.2	4,058	-56.1	3,604	-11.2
Subsidies & Shared Revenue	40	36	18	0	-100.0	0	0.0	0	0.0
Judgments, Settlements, & Bonds	298	287	0	335	100.0	0	-100.0	0	0.0
Transfers & Non-Expense	0	0	341	20	-94.1	350	0	350	0.0
<b>TOTAL</b>	<b>840,459</b>	<b>372,408</b>	<b>329,060</b>	<b>441,527</b>	<b>34.2</b>	<b>338,740</b>	<b>-23.3</b>	<b>338,825</b>	<b>0.0</b>

**PROGRAM SERIES 01: Instant and Online Lottery Ticket Sales**

The purpose of this program series is to generate profit 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 and net profit are found within this program series.

**Program 01.01: Instant Ticket Sales**

The primary goal of this program is to maximize instant ticket sales and net profits to support the Lottery's transfer of funds for education. In order to reach this goal, the Lottery must provide the product (instant tickets), pay prizes to winners, conduct ticket and machine testing, and warehouse and distribute the tickets. The resources necessary to produce the Cash Explosion television game show and associated prizes are also provided within this program.

**The Executive Recommendation will fund the following objectives:**

- Support the purchase of instant tickets, ticket security testing, warehousing, and distribution of instant tickets;
- Provide contracted vendor's commission based on a percent of sales;
- Provide the funding for cash and non-cash prize payout to winners; and
- Fund the annual payment for the annuity prize winning for those prize winners who have selected to be paid over a period of time rather than on one lump sum.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	7044	950402	Game And Advertising Contracts	2,128,000	2,128,000
SLF	7044	950403	Gaming Contracts	25,510,105	25,527,638
SLF	7044	950601	Prizes Bonuses And Commissions	61,080,050	61,148,780
SLF	8710	950602	Annuity Prizes	10,810,000	12,810,000
<b>TOTAL FOR PROGRAM</b>				<b>99,528,155</b>	<b>101,614,418</b>

**Program 01.02: Online Ticket Sales**

As with instant ticket sales, the primary goal of this program is to maximize online ticket sales and net profits to support the Lottery's transfer of funds for education. In order to reach this goal, the Lottery enters into contracts for the ticket paper and for the gaming system. Additionally, the Lottery must make prize payments to winners.

**The Executive Recommendation will fund the following objectives:**

- Support the purchase of thermal paper to produce the online lottery ticket, pre-printed bet cards, the production and transmission of the Lottery's daily drawing, and operation of the gaming computer system, which represents the contracted vendors' commission based on a percent of sales;
- Provide for funding of cash prizes to holders' of winning tickets, including the Mega Millions game; and
- Fund the annual payment for the annuity prize winnings for those prize winners who have selected to be paid over a period of time rather than in one lump sum.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	7044	950402	Game And Advertising Contracts	1,100,000	1,100,000
SLF	7044	950403	Gaming Contracts	22,468,644	23,228,372
SLF	7044	950601	Prizes Bonuses And Commissions	63,346,118	63,735,259
SLF	8710	950602	Annuity Prizes	79,125,565	76,605,976
<b>TOTAL FOR PROGRAM</b>				<b>166,040,327</b>	<b>164,669,607</b>

**Program 01.03: Marketing**

The goal of the marketing program is to increase sales through product promotions and brand building in order to increase consumer awareness. This program supports the creation and placement of advertising for radio, television, signage, billboards, and promotional sponsorships.

**The Executive Recommendation will fund the following objectives:**

- Support the payment to various vendors for the purchase of advertising development and media placement of TV, radio, and print advertising;
- Provide funds to purchase sales support, merchandise and promotional materials; and
- Provide funding for 14 employees;

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	7044	950100	Personal Services	1,033,284	1,033,284
SLF	7044	950200	Maintenance	3,610,000	3,610,000
SLF	7044	950402	Game And Advertising Contracts	20,320,000	20,320,000
<b>TOTAL FOR PROGRAM</b>				<b>24,963,284</b>	<b>24,963,284</b>

**Program 01.04: Program Management**

This program provides the oversight necessary to deliver a quality product (the instant or online ticket) and service in a cost-efficient manner; supports the sale of tickets; and promotes the maximization of profits from instant and online tickets. More specifically, this program supports the administrative, financial, information technology, sales support, and executive oversight functions of the Lottery Commission.

**The Executive Recommendation will fund the following objectives:**

- Fund approximately 336 full-time positions that implement and oversee the Lottery's other programs; and
- Provide for the general operational costs that include telecommunications, data processing and systems maintenance, facility rental and maintenance, motor vehicle replacement and maintenance, software licenses, independent auditor fees, records management, and ancillary support items for most of the Lottery's major Offices and Bureaus.

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FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	7044	950100	Personal Services	30,454,001	30,203,922
SLF	7044	950200	Maintenance	10,968,155	11,042,155
SLF	7044	950300	Equipment	4,058,420	3,603,920
<b>TOTAL FOR PROGRAM</b>				<b>45,480,576</b>	<b>44,849,997</b>

**PROGRAM SERIES 02: Problem Gambling Subsidy**

This program series supports the Ohio Department of Alcohol and Drug Addiction Services' efforts to administer problem gambling treatment programs in Ohio.

**Program 02.01: Problem Gambling Subsidy Oversight**

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

**The Executive Recommendation will fund the following objectives:**

- Maintain the Lottery's transfer of funding to the Ohio Department of Alcohol and Drug Addition Services for the administration of problem gambling treatment program.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	7044	950500	Subsidy	350,000	350,000
<b>TOTAL FOR PROGRAM</b>				<b>350,000</b>	<b>350,000</b>

**PROGRAM SERIES 03: Charitable Gambling**

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

**Program 03.01: Licensing and Monitoring**

In July 2004, the AG and the Lottery entered into an agreement which requires the Lottery to perform the following duties previously undertaken by the AG: issue gambling licenses to charitable organizations; issue licenses to manufacturers and distributors of gambling products; and provide regulation, investigation, and audits for all charitable organizations, manufacturers, and distributors. This program supports the requirements of this agreement. Performance of these new duties requires the Lottery to incur costs associated with operating the online computer system in order to license applicants; conduct site visits; complete audits; and standardize reports.

**The Executive Recommendation will fund the following objectives:**

- Support approximately 23 full-time positions that will build upon the licensure and monitoring of charitable gaming operations, which began in fiscal year 2005.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SLF	2310	950604	Charitable Gaming Oversight	2,378,000	2,378,000
<b>TOTAL FOR PROGRAM</b>				<b>2,378,000</b>	<b>2,378,000</b>

**LINE ITEM SUMMARY - Lottery Commission**

FUND	ALI	ALI NAME	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 RECOMMENDED	% CHANGE	FY 2011 RECOMMENDED	% CHANGE
2310	950604	Charitable Gaming Oversight	977,947	1,771,511	1,822,863	2,378,000	2,378,000	0.0	2,378,000	0.0
7044	950100	Personal Services	23,626,294	22,921,417	24,378,979	29,290,265	31,487,285	7.5	31,237,206	-0.8
7044	950200	Maintenance	17,282,680	16,470,701	17,347,972	21,109,578	14,578,155	-30.9	14,652,155	0.5
7044	950300	Equipment	2,433,784	1,790,968	1,861,740	9,254,250	4,058,420	-56.1	3,603,920	-11.2
7044	950402	Game and Advertising Contracts	65,176,541	67,238,318	23,964,806	21,756,000	23,548,000	8.2	23,548,000	0.0
7044	950403	Gaming Contracts	0	0	44,789,213	57,963,780	47,978,749	-17.2	48,756,010	1.6
7044	950500	Subsidy	324,500	321,000	353,000	335,000	350,000	4.5	350,000	0.0
7044	950601	Prizes Bonuses and Commissions	149,554,612	107,941,089	110,727,762	147,716,286	124,426,168	-15.8	124,884,039	0.4
8710	950602	Annuity Prizes	581,082,235	153,953,303	103,813,494	151,724,305	89,935,565	-40.7	89,415,976	-0.6
<b>TOTAL State Lottery</b>			<b>840,458,593</b>	<b>372,408,307</b>	<b>329,059,829</b>	<b>441,527,464</b>	<b>338,740,342</b>	<b>-23.3</b>	<b>338,825,306</b>	<b>0.0</b>
<b>TOTAL Lottery Commission</b>			<b>840,458,593</b>	<b>372,408,307</b>	<b>329,059,829</b>	<b>441,527,464</b>	<b>338,740,342</b>	<b>-23.3</b>	<b>338,825,306</b>	<b>0.0</b>