

# Lottery Commission

## Role and Overview

The Ohio Lottery Commission (LOT) 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 an anticipated staff of approximately 400 employees, including staffing at video lottery facilities.

The commission operates a variety of online (draw) and instant ticket games. Online lottery games include Pick 3, Pick 4, Pick 5, Classic Lotto, Rolling Cash 5, EZPlay, Raffle, Keno/Booster, Mega Millions, Megaplier, Power Ball, and Power Play. Currently, there are approximately 64 instant ticket "scratch-off" games in the market.

More information regarding the 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.
- Protect the integrity of the Lottery with its employees, sales retailers, and most importantly, its players.
- Maximize the excess of revenues over expenses, to judge all expenditures solely on the basis of their contribution to producing profits for the agency, and to make every effort to evaluate and improve operational efficiency in order to honor and maintain the annual commitment made to the Lottery Profits Education Fund.
- Promote the accessibility of Lottery games among all the residents of the State of Ohio and to continue to offer to its players only games that are fair and equitable in terms of quality, quantity, and value of prizes awarded.
- Evaluate retailers not only on the basis of revenues generated, but also with respect to their locations and the populations they serve.
- Provide charitable gaming licensing, site inspection, records review, audits and investigations, and settlement and license revocation services through a Memorandum of Understanding between the Ohio Lottery Commission and the Office of the Attorney General.
- Provide funding to the Ohio Department of Alcohol and Drug Addiction Services to support programs for treatment, prevention, intervention, education, and information to those individuals who request it, as well as provide funding and support for the newly created Ohio Responsible Gambling (ORG) initiative.

## Funding Recommendation for 2014 and 2015

- All Funds: Funding for fiscal year 2014 is \$335.5 million (or a 3.2% decrease from fiscal year 2013). Funding for fiscal year 2015 is \$333.6 million (or a 0.6% decrease from fiscal year 2014).

## The Executive Recommendation will fund the following objectives:

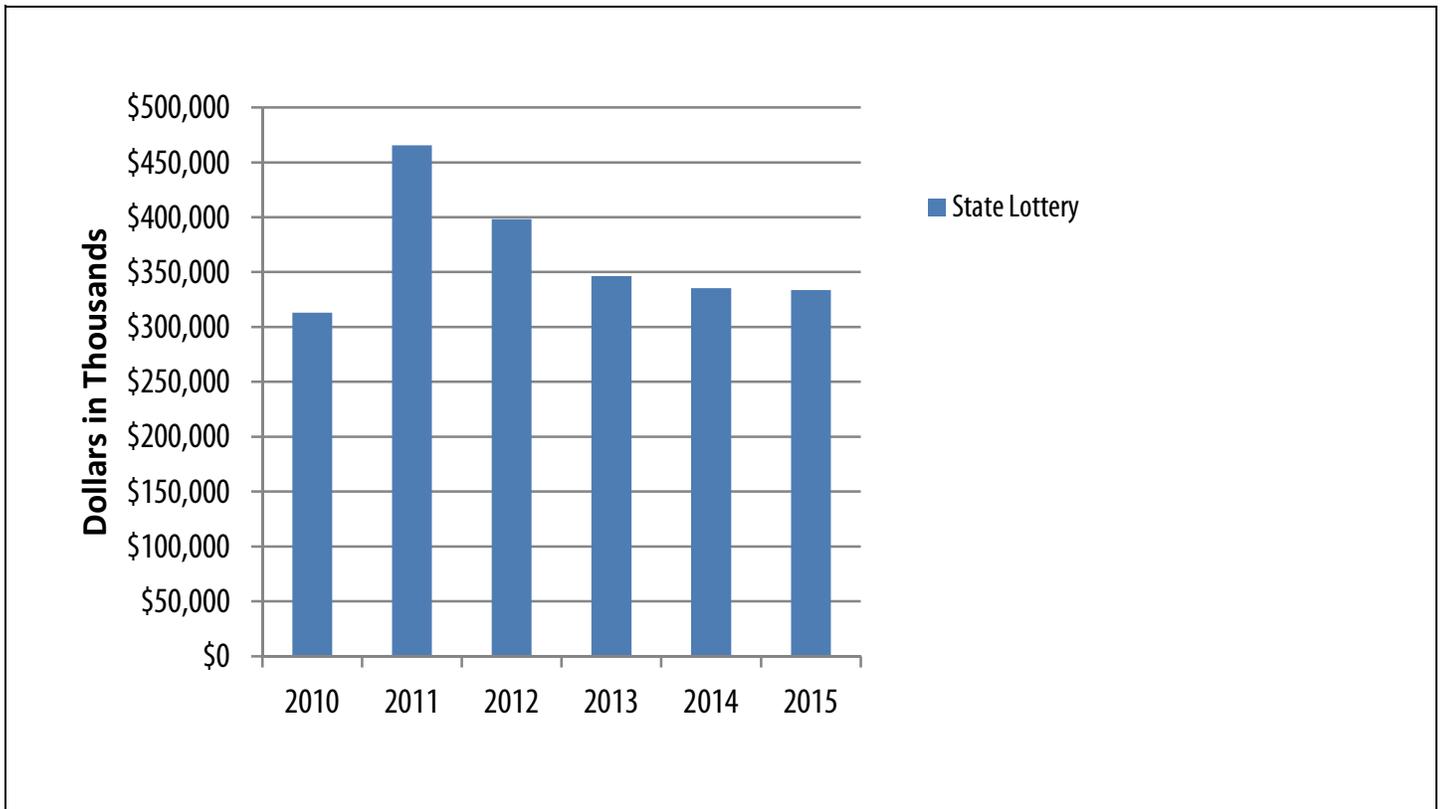
- Maximize total ticket sales and net profits transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefitting primary, secondary, vocational, and special education in Ohio.
- Compensate the online gaming system vendor based on ticket sales, purchase instant tickets from instant ticket providers, as well as warehouse and distribute the instant tickets to over 9,300 licensed retailers.
- Support the purchase of thermal paper used to produce an online lottery ticket, pre-printed bet cards, and the production and transmission of the Lottery's daily drawings.
- Fund approximately 400 full-time positions that implement and oversee the Lottery's programs, including positions at each video lottery facility.
- 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 other ancillary support items for most of the Lottery's major Offices and Bureaus.

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- Maintain the Lottery's funding to the Ohio Department of Alcohol and Drug Addiction Services for the administration of problem gambling treatment programs as well as the support and funding for the newly created Ohio for Responsible Gambling initiative.
- Support approximately 15 full-time positions that administer the licensing and monitoring of charitable gaming operations.

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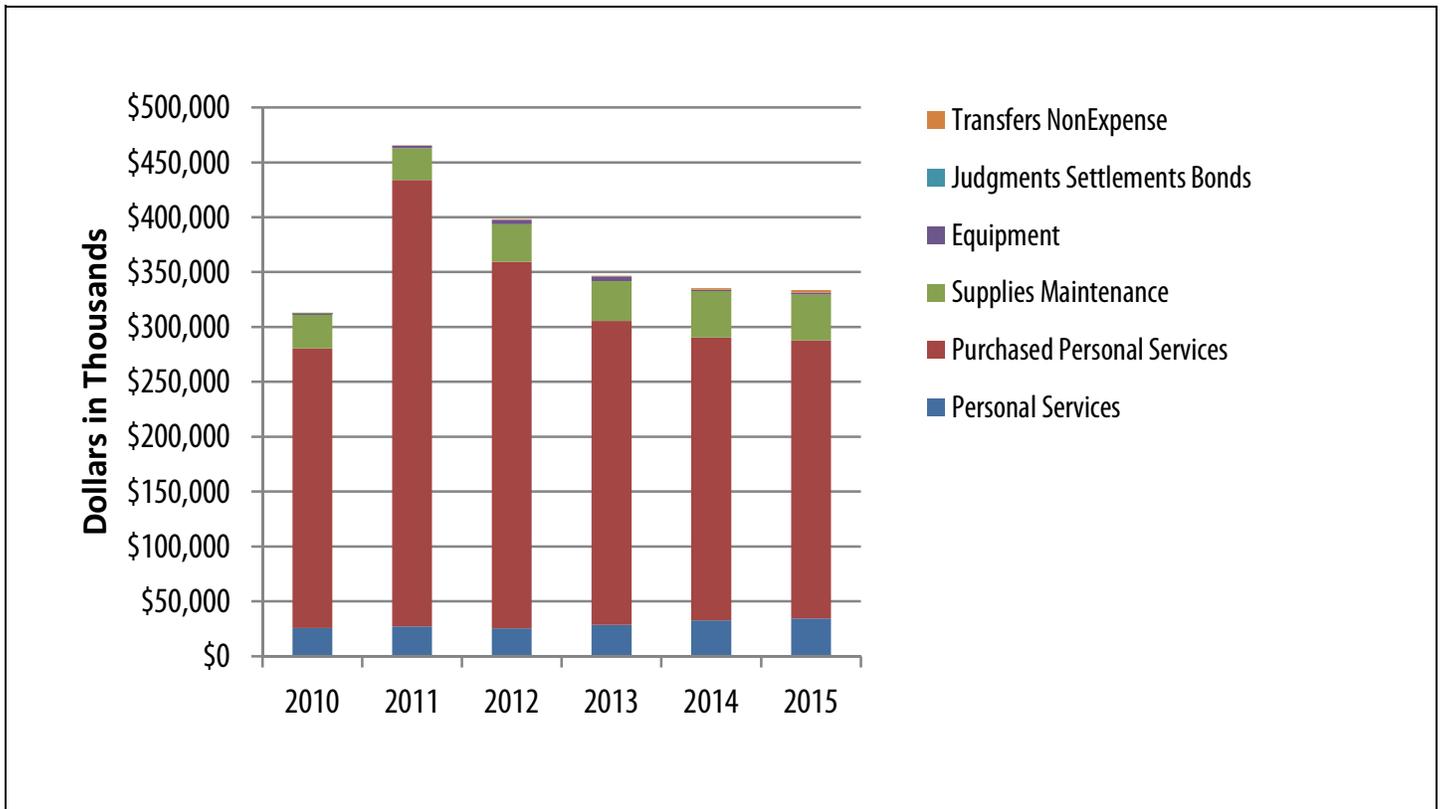
Budget Fund Group Information



- Fiscal year 2011 and 2012 expenditures include one-time prize payments associated with large multi-State jackpots claimed in Ohio. In fiscal year 2011, there were two Powerball jackpots and one Mega Millions jackpot won in Ohio with a total cash payout of \$176.7 million. In fiscal year 2012 another Mega Millions jackpot was claimed with a cash payout of \$65.4 million.

(in Thousands)	Actual			Est.	% Change	Recommended			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change	FY 2015	%Change
State Lottery	312,907	465,559	398,151	346,489	-13.0%	335,476	-3.2%	333,579	-0.6%
<b>Total</b>	<b>312,907</b>	<b>465,559</b>	<b>398,151</b>	<b>346,489</b>	<b>-13.0%</b>	<b>335,476</b>	<b>-3.2%</b>	<b>333,579</b>	<b>-0.6%</b>

Expense Account Category Information



(in Thousands) Expense Account Category	Actual			Est.	% Change	Recommended			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change	FY 2015	%Change
Personal Services	25,525	27,103	25,266	28,464	12.7%	32,570	14.4%	34,393	5.6%
Purchased Personal Services	255,103	406,762	334,145	277,133	-17.1%	257,714	-7.0%	253,429	-1.7%
Supplies & Maintenance	30,404	28,906	34,254	36,051	5.2%	42,471	17.8%	41,823	-1.5%
Equipment	1,525	2,452	3,901	4,466	14.5%	1,197	-73.2%	1,617	35.1%
Judgments, Settlements, & Bonds	10	0	0	0	0.0%	0	0.0%	0	0.0%
Transfers & Non-Expense	339	336	585	375	-35.9%	1,524	306.4%	2,316	52.0%
<b>Total</b>	<b>312,907</b>	<b>465,559</b>	<b>398,151</b>	<b>346,489</b>	<b>-13.0%</b>	<b>335,476</b>	<b>-3.2%</b>	<b>333,579</b>	<b>-0.6%</b>

Program Series 1: Instant, Online, and VLT Sales (7900A)

This program series includes five programs that support the Lottery's mission of maximizing sales to generate profit for the Lottery Profits Education Fund. These programs include Instant Ticket Sales (7900B), Online Ticket Sales (7905B), Marketing (7910B), Program Management (7915B), and Video Lottery Operations (7920B). These programs provide for costs associated with operating the gaming system, the production and distribution of tickets, personnel, creation and placement of specialized marketing programs, other administrative costs necessary to operate traditional lottery programs, video lottery support, and prizes.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
7044	950100	Personal Services	41,251,370	0	-100.0%	0	0.0%
7044	950200	Maintenance	13,462,150	0	-100.0%	0	0.0%
7044	950300	Equipment	4,465,690	0	-100.0%	0	0.0%
7044	950321	Operating Expenses	0	49,778,677	0.0%	51,173,293	2.8%
7044	950402	Advertising Contracts	21,756,000	23,024,080	5.8%	23,024,080	0.0%
7044	950403	Gaming Contracts	52,352,904	63,405,851	21.1%	59,356,988	-6.4%
7044	950601	Direct Prize Payments	133,263,456	116,281,000	-12.7%	114,779,000	-1.3%
8710	950602	Annuity Prizes	77,641,283	79,039,985	1.8%	80,299,167	1.6%

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			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
<b>Total for Instant, Online, and VLT Sales</b>			<b>344,192,853</b>	<b>331,529,593</b>	<b>-3.7%</b>	<b>328,632,528</b>	<b>-0.9%</b>

**Program Series 2: Problem Gambling (7925A)**

This program series contains the Problem Gambling Oversight Program (7925B). The goals of this program are to establish outpatient 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.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
7044	950500	Problem Gambling Subsidy	350,000	0	-100.0%	0	0.0%
7044	950605	Problem Gambling	0	2,000,000	0.0%	3,000,000	50.0%
<b>Total for Problem Gambling</b>			<b>350,000</b>	<b>2,000,000</b>	<b>471.4%</b>	<b>3,000,000</b>	<b>50.0%</b>

**Program Series 3: Charitable Gaming (7940A)**

This program series contains the Licensing and Monitoring Program (7940B). In 2004, the Office of the Attorney General and the Lottery Commission entered into an agreement that requires the Lottery to perform the following duties previously undertaken by the Attorney General: 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.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
2310	950604	Charitable Gaming Oversight	1,946,000	1,946,000	0.0%	1,946,000	0.0%
<b>Total for Charitable Gaming</b>			<b>1,946,000</b>	<b>1,946,000</b>	<b>0.0%</b>	<b>1,946,000</b>	<b>0.0%</b>

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#### Appropriation Line Item Analysis for Fiscal Years 2014 and 2015

##### Line Item Restructuring Analysis

In order to improve operational efficiency and simplify accounting practices, funding previously appropriated in the Lottery Commission's line items 950100, Personal Services, 950200, Maintenance, and 950300, Equipment, is combined into a new line item 950321, Operating Expenses.

To illustrate changes in funding levels due to this restructuring, estimated fiscal year 2013 spending in the following table is converted from the previous line-item structure to the current line-item structure.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
7044	950321	Operating Expenses	\$ 59,179,210	\$ 49,778,677	-15.9%	\$51,173,293	2.8%

##### Line Item Notes

950605, Problem Gambling: All expenditures related to problem gambling identification and treatment by the Lottery Commission were combined into one new line item beginning in fiscal year 2014. The increase in appropriations from fiscal year 2013 to 2014 and from fiscal year 2014 to 2015 is due to new Video Lottery Terminal revenues. Statute dictates that one half of one percent of the operators' share of Video Lottery Terminal Revenues will be set-aside for problem gambling activities within the Lottery Commission's budget.

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Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	% Change	FY 2015	% Change
2310	950604	Charitable Gaming Oversight	1,498,500	1,268,816	1,500,111	1,946,000	1,946,000	0.0%	1,946,000	0.0%
7044	950100	Personal Services	24,910,085	26,807,644	29,943,653	41,251,370	0	-100.0%	0	0.0%
7044	950200	Maintenance	9,942,862	11,038,517	12,471,470	13,462,150	0	-100.0%	0	0.0%
7044	950300	Equipment	1,525,169	2,451,946	3,900,799	4,465,690	0	-100.0%	0	0.0%
7044	950321	Operating Expenses	0	0	0	0	49,778,677	0.0%	51,173,293	2.8%
7044	950402	Advertising Contracts	19,333,045	23,155,255	22,120,025	21,756,000	23,024,080	5.8%	23,024,080	0.0%
7044	950403	Gaming Contracts	50,718,827	41,037,503	47,689,820	52,352,904	63,405,851	21.1%	59,356,988	-6.4%
7044	950500	Problem Gambling Subsidy	335,000	335,000	335,000	350,000	0	-100.0%	0	0.0%
7044	950601	Direct Prize Payments	125,215,526	281,631,834	201,631,652	133,263,456	116,281,000	-12.7%	114,779,000	-1.3%
7044	950605	Problem Gambling	0	0	0	0	2,000,000	0.0%	3,000,000	50.0%
8710	950602	Annuity Prizes	79,427,778	77,832,955	78,558,532	77,641,283	79,039,985	1.8%	80,299,167	1.6%
<b>Total State Lottery</b>			<b>312,906,792</b>	<b>465,559,470</b>	<b>398,151,062</b>	<b>346,488,853</b>	<b>335,475,593</b>	<b>-3.2%</b>	<b>333,578,528</b>	<b>-0.6%</b>
<b>Grand Total Lottery Commission</b>			<b>312,906,792</b>	<b>465,559,470</b>	<b>398,151,062</b>	<b>346,488,853</b>	<b>335,475,593</b>	<b>-3.2%</b>	<b>333,578,528</b>	<b>-0.6%</b>