

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 361. The commission's total fiscal year 2007 annual budget is approximately \$417 million.

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, and Mega Millions. Online games generated \$946.9 million or 42.6 percent of the Lottery's total sales revenue in fiscal year 2006. There are also a wide variety of instant games, which generated nearly \$1.3 billion or 57.4 percent of the Lottery's total sales revenue in fiscal year 2006.

Approximately \$119 million and \$121 million for fiscal years 2008 and 2009, respectively, or 29 percent of the total agency budget, supports operating costs. The charitable gaming oversight program's budget is approximately \$2 million for both fiscal years 2008 and 2009. The balance of the budget request supports budgeted prize expenses including annuity prizes. Of the \$2.2 billion in total sales revenues generated in fiscal year 2006, \$646.3 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. The Ohio Lottery Commission transferred an additional \$5.8 million to the Deferred Prizes Trust Fund to ensure continued funding of annuity prizes.

Since its inception, the Ohio Lottery Commission has contributed over \$14.5 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/>.



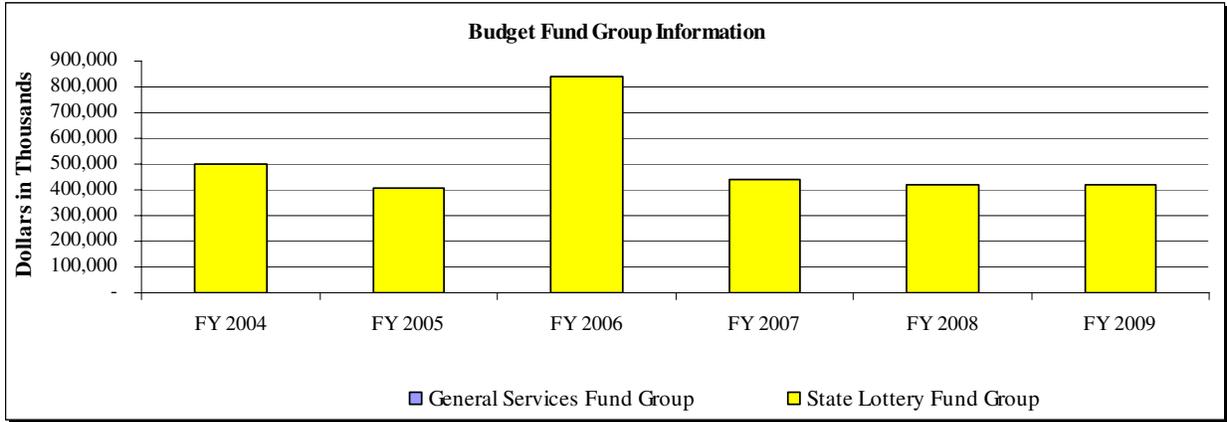
Turnaround Ohio Initiatives

- Support primary, secondary, vocational, and special education throughout the state by providing \$657.9 million in fiscal year 2008 and \$667.9 million in fiscal year 2009 to the Lottery Profits Education Fund.

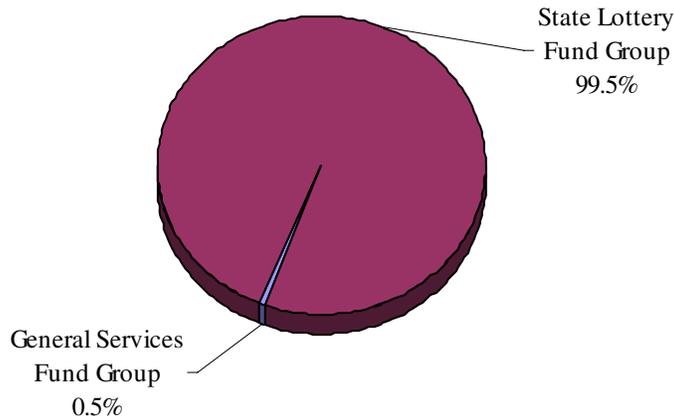
Agency Priorities

- 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 \$335,000 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

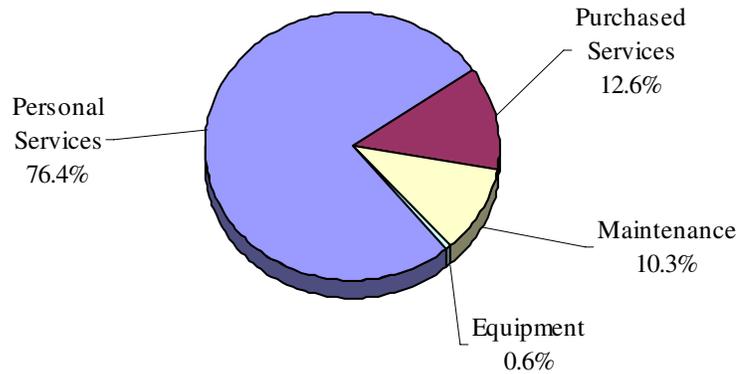


**FY 2008-09 Biennial Appropriation
by Budget Fund Group**



(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE FY 2007	% CHANGE FY 06-07	RECOMMENDED			
	FY 2004	FY 2005	FY 2006			FY 2008	CHANGE	FY 2009	CHANGE
General Services Fund Group	0	0	978	1,800	84.1	2,253	25.2	2,378	5.5
State Lottery Fund Group	498,624	404,357	839,469	438,066	(47.8)	418,693	(4.4)	420,501	.4
TOTAL	498,624	404,357	840,447	439,866	(47.7)	420,946	(4.3)	422,879	.5

**FY 2008-09 Biennial Appropriation
by Expense Category***



*Categories of expense accounting for less than 0.0% are not shown.

(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	% CHANGE	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	% CHANGE	FY 2009	% CHANGE
Personal Services	418,445	325,768	750,219	343,366	(54.2)	321,559	(6.4)	322,824	.4
Purchased Services	43,424	42,071	49,523	52,514	6.0	53,279	1.5	53,366	.2
Maintenance	34,635	34,935	37,901	41,137	8.5	43,198	5.0	43,888	1.6
Equipment	1,806	1,251	2,479	2,495	.6	2,555	2.4	2,447	(4.2)
Subsidy	47	45	40	335	748.1	335	.0	335	.0
Transfer & Other	268	287	286	20	(93.0)	20	.0	20	.0
TOTAL	498,624	404,357	840,447	439,866	(47.7)	420,946	(4.3)	422,879	.5

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), make prize payments to winners, conduct ticket and machine testing, and warehouse and distribute the tickets.

The Executive Recommendation will:

- Support the purchase of instant tickets, ticket security testing, warehousing, and distribution of instant tickets which include the contracted vendors' commission based on a percent of sales;

State of Ohio
Ohio Lottery Commission

- Provide the funding for cash and non-cash (trips, cars, merchandise) prize payouts for winners; 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 2008	FY 2009
SLF	044	950-403	Gaming Contracts	27,113,567	28,199,911
SLF	044	950-601	Direct Prize Payments	53,346,020	53,346,020
SLF	871	950-602	Annuity Prizes	3,128,627	3,128,627
TOTAL FOR PROGRAM				83,588,214	84,674,558

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:

- Support the purchase of thermal paper to produce the online lottery ticket, pre-printed bet cards, and operation of gaming computer system which include 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 2008	FY 2009
SLF	044	950-403	Gaming Contracts	23,305,793	23,050,793
SLF	044	950-601	Direct Prize Payments	94,370,266	94,370,266
SLF	871	950-602	Annuity Prizes	148,595,678	148,595,678
TOTAL FOR PROGRAM				266,271,737	266,016,737

Program 01.03: Marketing

The goal of the marketing program is to increase sales through product promotions in order to increase consumer awareness. This program supports the creation and placement of advertising for radio, television, signage, billboards, and promotional sponsorships. The resources necessary to produce the Make Me Famous/Make Me Rich television game show and associated prizes are also provided within this program.

The Executive Recommendation will:

- Support the payment to various vendors for the purchase of advertising development and media placement of TV, radio, and print advertising, and the production and transmission of the Lottery's daily drawing and television game show;
- Provide funds to purchase sales support, merchandise and promotional materials; and
- Provide funding for 11 employees.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SLF	044	950-100	Personal Services	866,896	912,312
SLF	044	950-200	Maintenance	2,519,940	2,519,940
SLF	044	950-402	Advertising Contracts	18,000,000	18,000,000
TOTAL FOR PROGRAM				21,386,836	21,432,252

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 approximately 326 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.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SLF	044	950-100	Personal Services	25,078,220	26,172,953
SLF	044	950-200	Maintenance	16,228,334	16,173,388
SLF	044	950-300	Equipment	2,554,500	2,446,500
SLF	044	950-402	Advertising Contracts	3,250,000	3,250,000
TOTAL FOR PROGRAM				47,111,054	48,042,841

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:

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

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SLF	044	950-500	Problem Gambling Subsidy	335,000	335,000
TOTAL FOR PROGRAM				335,000	335,000

PROGRAM SERIES 03: Charitable Gambling

In accordance with an agreement with the Ohio Attorney General (AG), the Lottery will perform 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 the conversion of the existing manual application to an online system in order to license applicants; conduct site visits; complete audits; and standardize reports.

The Executive Recommendation will:

- Support approximately 24 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 2008	FY 2009
GSF	231	950-604	Charitable Gaming Oversight	2,253,000	2,378,000
TOTAL FOR PROGRAM				2,253,000	2,378,000

LINE ITEM SUMMARY - Lottery Commission

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
231	950-604	Charitable Gaming Oversight	0	0	977,947	1,800,000	2,253,000	25.2	2,378,000	5.5
TOTAL General Services Fund Group			0	0	977,947	1,800,000	2,253,000	25.2	2,378,000	5.5
044	950-100	Personal Services	23,119,486	23,371,631	23,626,293	25,457,016	25,945,116	1.9	27,085,265	4.4
044	950-200	Maintenance	17,067,866	16,303,587	17,282,680	17,954,156	18,748,274	4.4	18,693,328	(.3)
044	950-300	Equipment	1,805,985	1,251,141	2,433,784	2,494,718	2,554,500	2.4	2,446,500	(4.2)
044	950-402	Advertising Contracts	60,007,406	58,089,746	65,176,541	70,024,000	21,250,000	(69.7)	21,250,000	.0
044	950-403	Gaming Contracts	0	0	0	0	50,419,360	.0	51,250,704	1.6
044	950-500	Problem Gambling Subsidy	306,600	329,500	324,500	335,000	335,000	.0	335,000	.0
044	950-601	Direct Prize Payments	153,453,617	138,244,505	149,543,295	147,716,286	147,716,286	.0	147,716,286	.0
871	950-602	Annuity Prizes	242,863,357	166,766,890	581,081,520	174,085,092	151,724,305	(12.8)	151,724,305	.0
TOTAL State Lottery Fund Group			498,624,317	404,357,000	839,468,613	438,066,268	418,692,841	(4.4)	420,501,388	.4
TOTAL Lottery Commission			498,624,317	404,357,000	840,446,560	439,866,268	420,945,841	(4.3)	422,879,388	.5