

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 335 full-time employees and 22 part-time employees.

The commission operates a variety of online (draw) and instant ticket games. Online lottery games include Pick 3, Pick 4, Classic Lotto, Rolling Cash 5, EZPlay, Ten-OH!, Raffle, Keno, Keno Booster, Mega Millions, Megaplier, Power Ball, and Power Play.

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 citizens 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 \$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.

Funding Recommendation for FY2012 and FY2013

Funding Summary

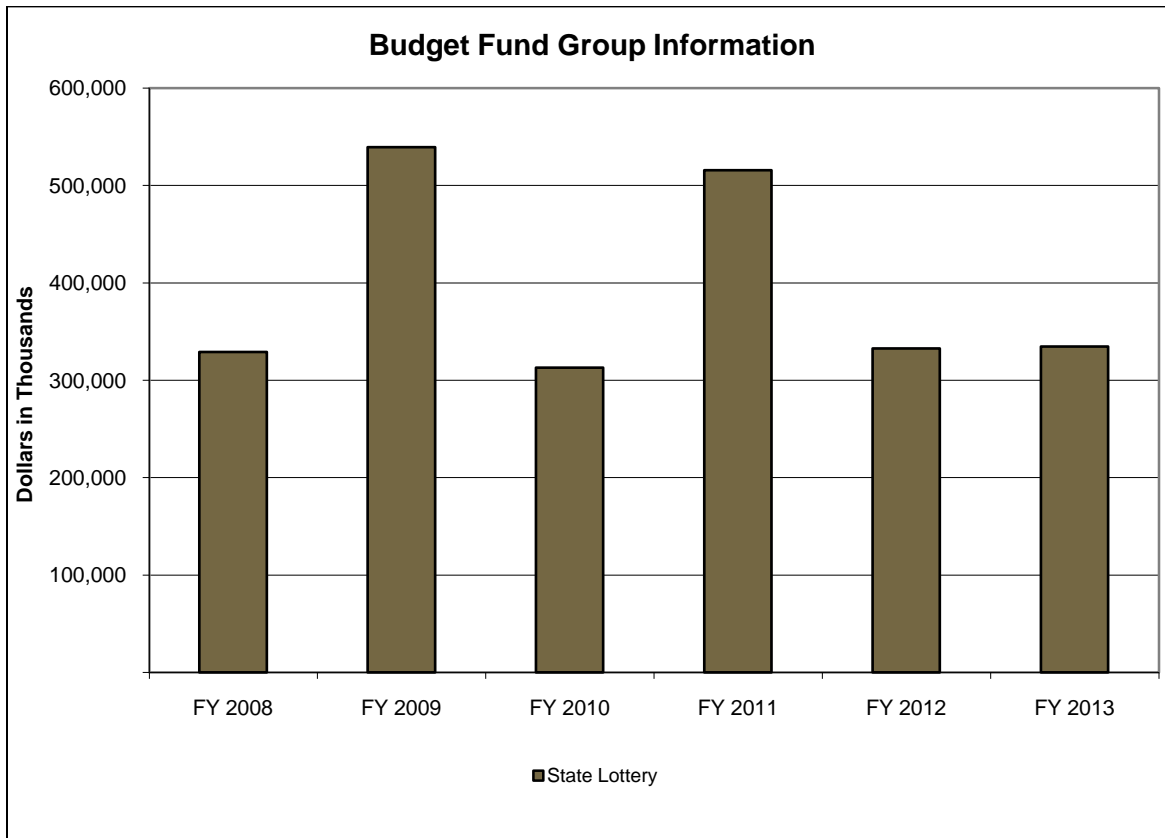
- All funds: Funding for fiscal year 2012 is \$332.5 million (or a 35.5% decrease from fiscal year 2011). Funding for fiscal year 2013 is \$334.4 million (or a 0.6% increase from fiscal year 2012).

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 for 8,900 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 335 full-time positions that implement and oversee the Lottery's programs.

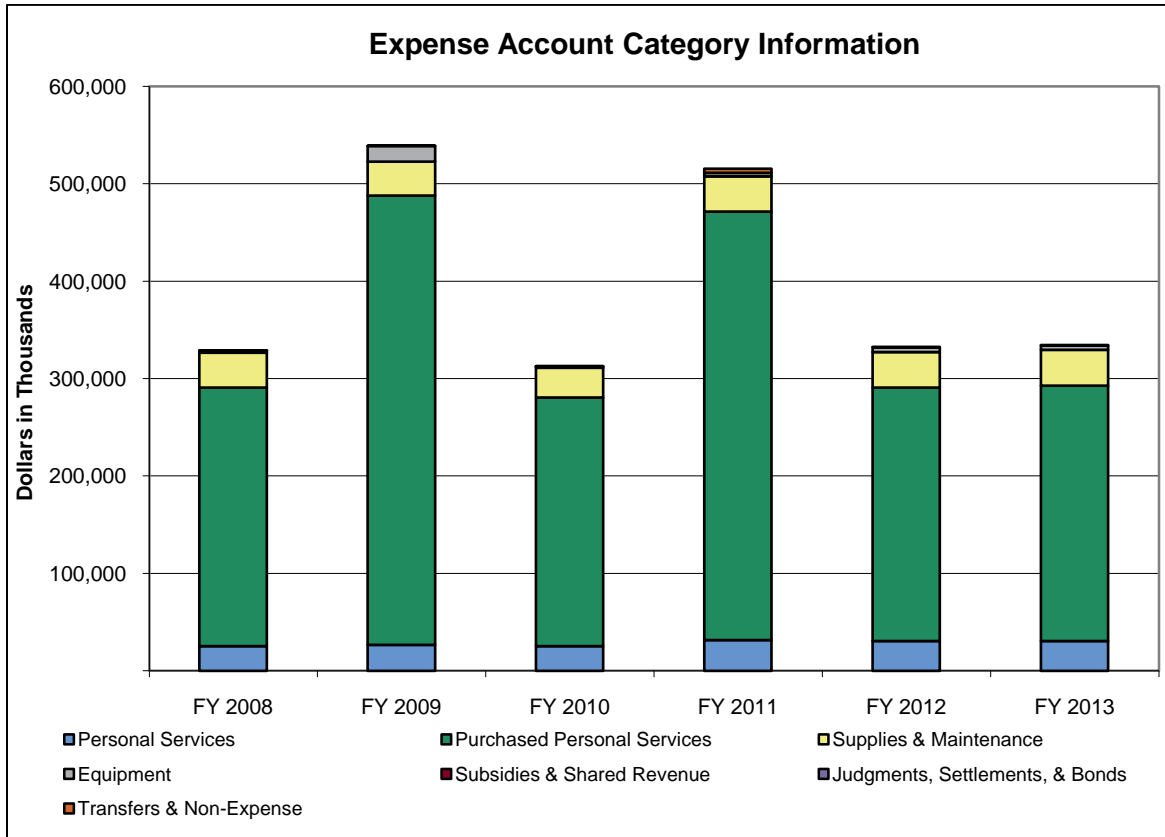
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- Provide for the general operational costs that include telecommunications, data processing and systems maintenance, facility rental and maintenance, motor vehicle replacement and maintenance, software licenses, independent auditor fees, records management, and other ancillary support items for most of the Lottery's major Offices and Bureaus.
- Maintain the Lottery's transfer of funding to the Ohio Department of Alcohol and Drug Addiction Services for the administration of problem gambling treatment programs.
- Support approximately 17 full-time positions that administer the licensing and monitoring of charitable gaming operations.



- Large Mega Millions and Powerball jackpot prizes claimed in Ohio in fiscal years 2009 and 2011, respectively, resulted in prize expenses higher than historical averages, as reflected in expenses from the State Lottery Budget Fund Group.

(in Thousands)	Actual			Est.	% Change	Recommended			
Budget Fund Group	FY 2008	FY 2009	FY 2010	FY 2011	FY10-11	FY 2012	% Change	FY 2013	% Change
State Lottery	329,060	539,335	312,907	515,589	64.8%	332,497	-35.5%	334,433	0.6%
Totals	329,060	539,335	312,907	515,589	64.8%	332,497	-35.5%	334,433	0.6%



- Large Mega Millions and Powerball jackpot prizes claimed in Ohio in fiscal years 2009 and 2011, respectively, resulted in prize expenses higher than historical averages, as reflected in expenses from the purchased personal services expense account category. Lottery prizes paid by state warrant are expended from the purchased personal services expense account category.

(in Thousands)	Actual			Est.	% Change	Recommended			
Expense Account Category	FY 2008	FY 2009	FY 2010	FY 2011	FY10-11	FY 2012	% Change	FY 2013	% Change
Personal Services	25,284	26,754	25,525	31,735	24.3%	30,582	-3.6%	30,582	0.0%
Purchased Personal Services	265,446	461,138	255,103	439,870	72.4%	260,397	-40.8%	262,320	0.7%
Supplies & Maintenance	36,052	35,017	30,404	36,030	18.5%	36,358	0.9%	36,716	1.0%
Equipment	1,919	16,086	1,525	3,604	136.3%	4,810	33.5%	4,466	-7.2%
Subsidies & Shared Revenue	18	0	0	0	-	0	-	0	-
Judgments, Settlements, & Bonds	0	0	10	0	-100.0%	0	-	0	-
Transfers & Non-Expense	341	340	339	4,350	1,184.6%	350	-92.0%	350	0.0%
Totals	329,060	539,335	312,907	515,589	64.8%	332,497	-35.5%	334,433	0.6%

Program Series 1: Instant and Online Lottery Ticket Sales (7900A)

This program series includes four programs that support the Lottery's mission of maximizing sales in order to generate profit to be transferred to the Lottery Profits Education Fund. The Instant Ticket Sales Program (7900B) supports the 50-60 "scratch off" games on sale at the Ohio Lottery's 8,900 retailers. The program provides for costs associated with operating the gaming system, costs to produce and distribute the instant tickets, and prizes paid to holders of winning instant tickets. The Online Ticket Sales Program (7905B) supports the 13 distinct online (draw) games on sale at the Lottery's retailers. The program supports costs associated with operating the gaming system, thermal paper used to

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produce an online lottery ticket, and prizes associated with online games. The Marketing Program (7910B) supports the sale of all lottery products through the creation and placement of specialized marketing programs, merchandise, point-of-sale materials, promotional items, as well as the production of the Lottery's weekly game show. The program also supports the funding for 16 full-time equivalents in the Marketing and Game Show departments. The Program Management Program (7915B) supports all other administrative and personnel costs not included in the Instant Ticket, Online, and Marketing programs. These services include, but are not limited to, the operation of the customer call center, retailer licensing and bonding, fleet management, office services, warehouse operations, information technology, communications and publications, human resources, internal audit, legal counsel, finance management, and product research and development.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
7044	950100	Personal Services	31,237,206	30,018,152	-3.9%	30,004,979	0.0%
7044	950200	Maintenance	14,652,155	13,558,000	-7.5%	13,266,150	-2.2%
7044	950300	Equipment	3,603,920	4,810,440	33.5%	4,465,690	-7.2%
7044	950402	Advertising Contracts	23,548,000	26,136,000	11.0%	26,136,000	0.0%
7044	950403	Gaming Contracts	48,756,010	46,476,608	-4.7%	47,359,732	1.9%
7044	950601	Direct Prize Payments	301,647,886	131,995,700	-56.2%	133,263,456	1.0%
8710	950602	Annuity Prizes	89,415,976	77,206,258	-13.7%	77,641,283	0.6%
Total for Instant and Online Lottery Ticket Sales			512,861,153	330,201,158	-35.6%	332,137,290	0.6%

Program Series 2: Problem Gambling Subsidy (7925A)

This program series contains the Problem Gambling Subsidy 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.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
7044	950500	Problem Gambling Subsidy	350,000	350,000	0.0%	350,000	0.0%
Total for Problem Gambling Subsidy			350,000	350,000	0.0%	350,000	0.0%

Program Series 3: Charitable Gaming (7940A)

This program series contains the Licensing and Monitoring Program (7940B). In July 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 Office of 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. This program supports the requirements of this agreement. Performance of these duties requires the Lottery to incur reimbursed costs associated with operating the online computer system in order to license applicants, conduct site visits, complete audits, and standardize reports.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
2310	950604	Charitable Gaming Oversight	2,378,000	1,946,000	-18.2%	1,946,000	0.0%
Total for Charitable Gaming			2,378,000	1,946,000	-18.2%	1,946,000	0.0%

Appropriation Line Item Analysis for Fiscal Years 2012 and 2013

Line Item Notes

950601, Direct Prize Payments: This line item is self-appropriating if the original appropriation is insufficient to pay prize payments. Due to two Powerball jackpot wins paid in Ohio in early fiscal year 2011, the appropriation estimate for that year is higher than historical levels. The fiscal year 2012 and 2013 appropriations are estimated prize payout amounts.

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Line Item Summary By Budget Fund Group

Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	% Change	FY 2013	% Change
2310	950604	Charitable Gaming Oversight	1,822,863	1,801,975	1,498,500	2,378,000	1,946,000	-18.2%	1,946,000	0.0%
7044	950100	Personal Services	24,378,979	26,252,658	24,910,085	31,237,206	30,018,152	-3.9%	30,004,979	0.0%
7044	950200	Maintenance	17,347,972	17,794,394	9,942,862	14,652,155	13,558,000	-7.5%	13,266,150	-2.2%
7044	950300	Equipment	1,861,740	16,086,213	1,525,169	3,603,920	4,810,440	33.5%	4,465,690	-7.2%
7044	950402	Advertising Contracts	23,964,806	20,552,866	19,333,045	23,548,000	26,136,000	11.0%	26,136,000	0.0%
7044	950403	Gaming Contracts	44,789,213	47,353,291	50,718,827	48,756,010	46,476,608	-4.7%	47,359,732	1.9%
7044	950500	Problem Gambling Subsidy	353,000	335,000	335,000	350,000	350,000	0.0%	350,000	0.0%
7044	950601	Direct Prize Payments	110,727,762	124,627,356	125,215,526	301,647,886	131,995,700	-56.2%	133,263,456	1.0%
8710	950602	Annuity Prizes	103,813,494	284,531,240	79,427,779	89,415,976	77,206,258	-13.7%	77,641,283	0.6%
Total for State Lottery			329,059,829	539,334,994	312,906,794	515,589,153	332,497,158	-35.5%	334,433,290	0.6%
TOTAL Lottery Commission			329,059,829	539,334,994	312,906,794	515,589,153	332,497,158	-35.5%	334,433,290	0.6%