

Lottery Commission

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 Ohio Senate governs the Lottery. Day-to-day administration of the Lottery is the responsibility of an executive director who is appointed by the Governor. The Lottery 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 (including Tap & Quick Keno), Raffle, Keno/Booster, Mega Millions, Megaplier, Power Ball, and Power Play. Currently, there are approximately 65 instant ticket "scratch-off" games in the market. In its 43-year history the Lottery has contributed over \$22 billion to education funding. The OLC employs approximately 400 people, including staff at video lottery facilities.

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

Agency Priorities

- Meet or exceed profit commitments for the fiscal years 2018-2019 biennium. 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.
- 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.
- 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.
- Consistently innovate and modernize the agency in order to maximize operational efficiencies and serve as a model to other state lotteries and Ohio agencies.
- Support the state's new and ongoing initiatives, such as its responsible gaming program and Minority Business Enterprise (MBE)/Encouraging Diversity, Growth and Equity (EDGE) goals.

Funding Recommendation for 2018 and 2019

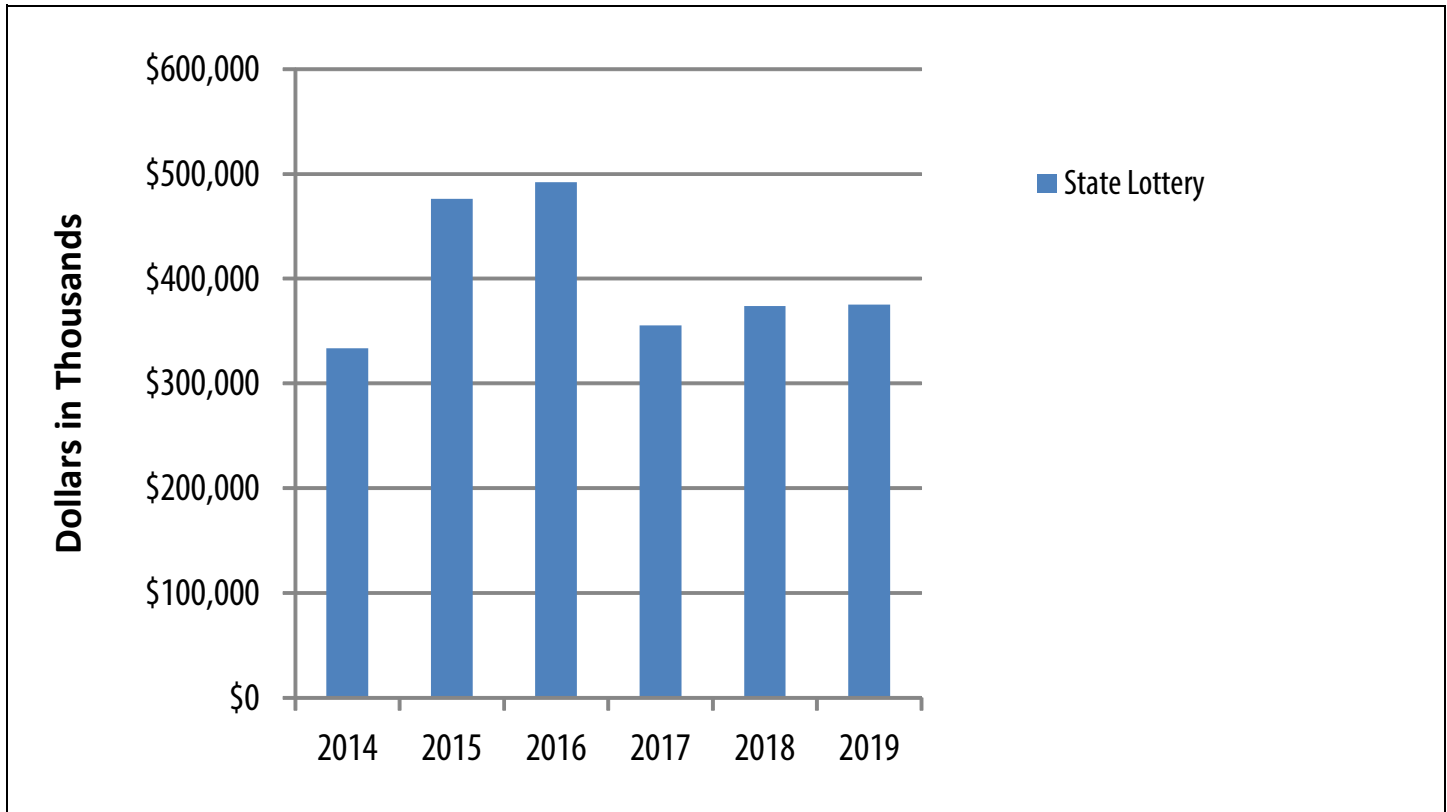
- All Funds: Funding for fiscal year 2018 is \$374.0 million (or a 5.3% increase from fiscal year 2017). Funding for fiscal year 2019 is \$375.3 million (or a 0.3% increase from fiscal year 2018).

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.
- Deliver appealing and entertaining game options for Ohio residents. The Lottery continues to consistently enhance its game portfolio, in order to maximize profit transfers to benefit education.
- 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 10,000 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 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, facility rental and maintenance, motor vehicle maintenance, software, independent auditor fees, records management, and other ancillary support items for most of the Lottery's major offices and bureaus.
- Provide funding to the Ohio Department of Mental Health and Addiction Services (MHA) for the administration of problem gambling treatment programs as well as the support and funding for the Ohio for Responsible Gambling (ORG) initiative.

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Budget Fund Group Information

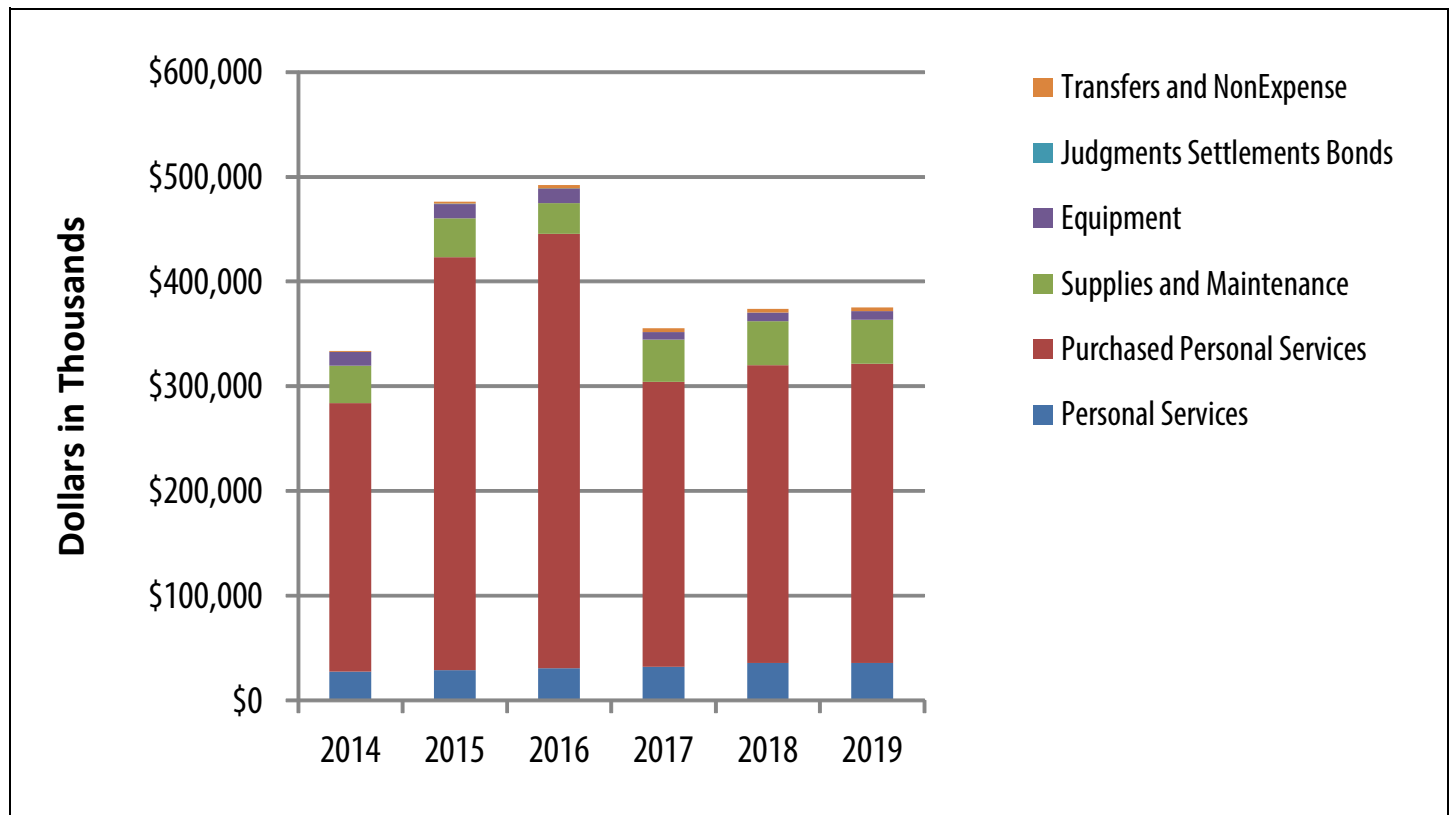


- Expenditures in fiscal years 2015 and 2016 reflect higher prize payouts from increased sales driven by player enthusiasm over record breaking multi-state jackpots.

(in Thousands)	Actual			Est.	% Change	Recommended			
Budget Fund Group	FY 2014	FY 2015	FY 2016	FY 2017	FY 16-17	FY 2018	% Change	FY 2019	% Change
State Lottery	333,546	476,224	492,263	355,214	-27.8%	374,005	5.3%	375,254	0.3%
Total	333,546	476,224	492,263	355,214	-27.8%	374,005	5.3%	375,254	0.3%

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Expense Account Category Information



- Expenditures in fiscal years 2015 and 2016 reflect higher prize payouts from increased sales driven by player enthusiasm over record breaking multi-state jackpots.

(in Thousands)	Actual			Est.	% Change	Recommended			
Expense Account Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 16-17	FY 2018	% Change	FY 2019	% Change
Personal Services	27,455	29,071	30,834	32,198	4.4%	35,689	10.8%	35,742	0.1%
Purchased Personal Services	256,451	394,131	414,592	272,156	-34.4%	284,516	4.5%	285,712	0.4%
Supplies and Maintenance	35,814	37,022	29,344	40,125	36.7%	42,050	4.8%	42,050	0.0%
Equipment	13,001	13,913	14,147	7,450	-47.3%	8,250	10.7%	8,250	0.0%
Judgments, Settlements & Bonds	0	92	60	0	-100.0%	0	0.0%	0	0.0%
Transfers and Non-Expense	824	1,996	3,286	3,285	0.0%	3,500	6.5%	3,500	0.0%
Total	333,546	476,224	492,263	355,214	-27.8%	374,005	5.3%	375,254	0.3%

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Program Series 1: Traditional Lottery and VLT Operations (7900A)

This program series includes four programs that support the Lottery's mission of maximizing sales to generate profit for the Lottery Profits Education Fund. These programs include Traditional Lottery Sales (7900B), 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 2017	FY 2018	% Change	FY 2019	% Change
7044	950321	Operating Expenses	49,330,346	53,339,208	8.1%	53,287,220	-0.1%
7044	950402	Advertising Contracts	24,550,000	25,800,000	5.1%	25,800,000	0.0%
7044	950403	Gaming Contracts	64,150,000	68,258,704	6.4%	68,917,884	1.0%
7044	950601	Direct Prize Payments	132,397,721	142,307,278	7.5%	142,949,268	0.5%
8710	950602	Annuity Prizes	82,051,215	81,000,000	-1.3%	81,000,000	0.0%
Total for Traditional Lottery and VLT Operations			352,479,282	370,705,190	5.2%	371,954,372	0.3%

Program Series 2: Problem Gambling (7925A)

This program series contains the Problem Gambling Subsidy 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 2017	FY 2018	% Change	FY 2019	% Change
7044	950605	Problem Gambling	2,735,000	3,300,000	20.7%	3,300,000	0.0%
Total for Problem Gambling			2,735,000	3,300,000	20.7%	3,300,000	0.0%

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Line Item Summary by Budget Fund Group

Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	% Change	FY 2019	% Change
2310	950604	Charitable Gaming Oversight	1,237,270	90,517	0	0	0	0.0%	0	0.0%
7044	950100	Personal Services	241,383	0	0	0	0	0.0%	0	0.0%
7044	950200	Maintenance	1,300,162	0	0	0	0	0.0%	0	0.0%
7044	950300	Equipment	456,121	0	0	0	0	0.0%	0	0.0%
7044	950321	Operating Expenses	39,207,517	44,892,385	46,439,847	49,330,346	53,339,208	8.1%	53,287,220	-0.1%
7044	950402	Advertising Contracts	21,063,682	24,168,173	24,362,874	24,550,000	25,800,000	5.1%	25,800,000	0.0%
7044	950403	Gaming Contracts	65,839,310	66,524,873	61,628,414	64,150,000	68,258,704	6.4%	68,917,884	1.0%
7044	950601	Direct Prize Payments	123,110,186	257,256,880	274,655,574	132,397,721	142,307,278	7.5%	142,949,268	0.5%
7044	950605	Problem Gambling	1,543,717	2,836,948	3,125,311	2,735,000	3,300,000	20.7%	3,300,000	0.0%
8710	950602	Annuity Prizes	79,546,262	80,454,570	82,051,215	82,051,215	81,000,000	-1.3%	81,000,000	0.0%
Total State Lottery			333,545,610	476,224,346	492,263,235	355,214,282	374,005,190	5.3%	375,254,372	0.3%
Grand Total Lottery Commission			333,545,610	476,224,346	492,263,235	355,214,282	374,005,190	5.3%	375,254,372	0.3%