

State of Ohio
Ohio 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 a staff of 355. The commission's total fiscal year 2005 annual budget is approximately \$446 million.

The commission operates a variety of online and instant ticket games. Online lottery games include Pick 3, Pick 4, Super Lotto Plus, Kicker, Rolling Cash 5 (formerly Buckeye 5), and MegaMillions. Online games generated \$988.7 million or 45.9 percent of the Lottery's total sales revenue in fiscal year 2004. There are also a wide variety of instant games, which generated \$1.2 billion or 54.1 percent of the Lottery's total sales revenue in fiscal year 2004.

Approximately \$284 million (or 63.7%) of the total agency budget supports operating costs, with the balance supporting annuity prize payments. Of the total sales revenues generated in fiscal year 2004 (approximately \$2.15 billion), \$648.1 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.

Executive Priorities for the Ohio Lottery Commission

- Provide an estimated \$1.3 billion in funding for primary, secondary, vocational, and special education.

Summary of Budget History and Recommendations

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
	FY 2002	FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
General Services Fund Group	0	0	0	0	.0	1,200	.0	1,200	.0
State Lottery Fund Group	438,795	374,503	498,624	423,636	(15.0)	415,621	(1.9)	402,900	(3.1)
TOTAL	438,795	374,503	498,624	423,636	(15.0)	416,821	(1.6)	404,100	(3.1)

(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
	FY 2002	FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
Personal Services	361,239	294,292	418,445	332,645	(20.5)	320,203	(3.7)	307,700	(3.9)
Purchased Services	41,248	41,311	43,424	45,854	5.6	53,023	15.6	52,516	(1.0)
Maintenance	33,936	36,005	34,635	41,760	20.6	40,633	(2.7)	40,944	.8
Equipment	2,225	2,799	1,806	3,022	67.4	2,608	(13.7)	2,585	(.9)
Subsidy	140	91	47	335	618.9	335	.0	335	.0
Transfer & Other	7	5	268	20	(92.6)	20	.0	20	.0
TOTAL	438,795	374,503	498,624	423,636	(15.0)	416,821	(1.6)	404,100	(3.1)

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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.

What the Budget Buys:

- Supports the purchase, warehousing, and distribution of instant tickets, which includes the contracted vendors' commission amounts that are based on a percent of sales;
- Funds the cash and non-cash prize (trips, cars, merchandise) payouts to winners; and
- Makes the annual payment for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SLF	044	950-402	Game & Advertising Contracts	25,119,686	25,126,207
SLF	044	950-601	Prizes Bonuses and Commissions	52,884,104	53,346,020
SLF	871	950-602	Annuity Prizes	2,472,628	3,128,627
TOTAL FOR PROGRAM				80,476,418	81,600,854

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.

What the Budget Buys:

- Supports the purchase of on-line terminal paper to produce the lottery ticket, which includes the contracted vendors' commission amounts that are based on a percent of sales;
- Funds the cash payouts to winners, including winners of the MegaMillions game; and
- Makes the annual payment for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SLF	044	950-402	Game & Advertising Contracts	22,812,314	22,305,793
SLF	044	950-601	Prizes Bonuses and Commissions	98,068,362	94,370,266
SLF	871	950-602	Annuity Prizes	146,207,403	135,789,930
TOTAL FOR PROGRAM				267,088,079	252,465,989

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Program 01.03: Marketing

The goal of the marketing program is to increase sales through product promotion 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 Cash Explosion television game show and associated prizes are also provided within this program.

What the Budget Buys:

- Finances the contracts with vendors to purchase creative advertising, TV, radio and print media placement and to produce the Cash Explosion game show;
- Supports the purchase of merchandise and promotional items; and
- Provides resources for 10 staffing positions.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SLF	044	950-100	Personal Services	672,911	686,369
SLF	044	950-200	Maintenance	2,079,800	2,079,800
SLF	044	950-402	Game & Advertising Contracts	19,442,000	19,342,000
TOTAL FOR PROGRAM				22,194,711	22,108,169

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.

What the Budget Buys:

- Funds approximately 336 full-time positions that implement and oversee the Lottery's other programs; and
- Provides for the general operational costs that include telecommunications, data processing and systems maintenance, and facility rental and maintenance.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SLF	044	950-100	Personal Services	24,247,643	24,724,769
SLF	044	950-200	Maintenance	15,563,094	15,874,356
SLF	044	950-300	Equipment	2,517,533	2,494,718
SLF	044	950-402	Game & Advertising Contracts	3,150,000	3,250,000
TOTAL FOR PROGRAM				45,478,270	46,343,843

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

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.

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What the Budget Buys:

- Maintains the Lottery's transfer of funding to the Ohio Department of Alcohol and Drug Addiction Services for the administration of problem gambling treatment programs.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SLF	044	950-100	Personal Services	48,868	45,878
SLF	044	950-500	Problem Gambling Subsidy	335,000	335,000
TOTAL FOR PROGRAM				383,868	380,878

PROGRAM SERIES 03: Charitable Gaming

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 of over 2,000 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.

What the Budget Buys:

- Supports approximately 15 full-time positions that will build upon the licensure and monitoring of charitable gaming organizations, which began in fiscal year 2005.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GSF	231	950-604	Charitable Gaming Oversight	1,200,000	1,200,000
TOTAL FOR PROGRAM				1,200,000	1,200,000

LINE ITEM SUMMARY - Lottery Commission

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
231	950-604	Charitable Gaming Oversight	0	0	0	0	1,200,000	.0	1,200,000	.0
TOTAL General Services Fund Group			0	0	0	0	1,200,000	.0	1,200,000	.0
044	950-100	Personal Services	23,718,456	23,835,504	23,119,486	25,783,982	24,969,422	(3.2)	25,457,016	2.0
044	950-200	Maintenance	17,553,777	17,124,488	17,067,866	19,069,772	17,642,894	(7.5)	17,954,156	1.8
044	950-300	Equipment	2,224,887	2,799,342	1,805,985	3,022,375	2,517,533	(16.7)	2,494,718	(.9)
044	950-402	Game & Advertising Contracts	56,659,038	59,279,886	60,007,406	63,240,000	70,524,000	11.5	70,024,000	(.7)
044	950-500	Problem Gambling Subsidy	140,000	91,200	306,600	335,000	335,000	.0	335,000	.0
044	950-601	Prizes Bonuses and Commissions	169,428,927	117,238,055	153,453,617	150,000,000	150,952,466	.6	147,716,286	(2.1)
871	950-602	Annuity Prizes	156,088,753	145,682,058	242,863,357	162,185,260	148,680,031	(8.3)	138,918,557	(6.6)
872	950-603	Unclaimed Prize Awards	12,981,264	8,452,728	0	0	0	.0	0	.0
TOTAL State Lottery Fund Group			438,795,102	374,503,261	498,624,317	423,636,389	415,621,346	(1.9)	402,899,733	(3.1)
TOTAL Lottery Commission			438,795,102	374,503,261	498,624,317	423,636,389	416,821,346	(1.6)	404,099,733	(3.1)