

- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund.
- The law provision requiring the transfer of at least 30% of ticket sales to the Lottery Profits Education Fund has been removed.

Ohio Lottery Commission

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ROLE

The Ohio Lottery operates to create profits to be transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefiting primary, secondary, vocational, and special education. The amount transferred comes largely from operating profits with other transfers made from the Unclaimed Prize Fund.

The Ohio Lottery is self-sustaining and funded through the State Lottery Fund. Of the \$2,150.3 billion of total ticket sales generated in FY 2000, 59 percent was awarded to players as prizes, 31 percent was transferred to the Ohio Department of Education, 6 percent was paid to agents as commissions and bonuses, and 4 percent was spent on operations. The Lottery operates a variety of on-line and instant ticket games. The on-line games are Pick 3, Pick 4, Buckeye 5, Super Lotto, and the Kicker.¹ These games generated approximately 48.5 percent of total sales revenue in FY 2001. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games were approximately 51.5 percent of total sales revenue in FY 2001.

The Lottery is governed by a nine-member commission, appointed by the Governor and confirmed by the Senate. No more than five members of the commission may be from the same political party. Daily administration of the Lottery is the responsibility of an executive director who is appointed by the Governor to oversee staff and operations.

Agency In Brief					
Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2002	2003	2002	2003	
344	\$452.1 million	\$452.3 million	\$0	\$0	Am.Sub. H.B. 94

Fifty-eight percent of the employees are in sales and marketing. Executive and administrative staff constitutes 22 percent of the work force. The remainder of the staff is either in the Finance or the Technology divisions.

¹ These on-line games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters computers. On-line games do not refer to "Internet" lottery sales.

OVERVIEW

Appropriations for FY 2002 are \$452.1 million, a 3.0 percent decrease from FY 2001 expenditures. FY 2003 appropriations are \$452.3 million, virtually identical to FY 2002 appropriations. Seventy percent of total appropriations are related to prizes. Appropriations for Prizes, Bonus, and Commissions are \$136.4 million in FY 2002 and \$132.5 million in FY 2003. Annuity Prizes appropriations are \$185.4 million in FY 2002 and \$188.2 million in FY 2003.

All operating funds are from the State Lottery Fund, which receives all its moneys from lottery ticket sales. The Ohio Lottery Commission uses no general revenue funds.

BUDGET ISSUES

TRANSFERS TO THE LOTTERY PROFIT EDUCATION FUND (LPEF)

The budget includes language eliminating the required transfer of at least 30 percent of ticket sales to the Lottery Profits Education Fund (LPEF). Transfers to LPEF will be determined for each biennium during the budget process. The FY 2002-2003 biennium budget requires the Ohio Lottery Commission to transfer an amount greater than or equal to \$633.7 million in FY 2002 and \$621.7 million in FY 2003 to LPEF. Transfers will be from estimated net income from operations and may be supplemented by the Unclaimed Prizes Fund. The transfer amount for FY 2003, which is lower than the FY 2002 transfer recognizes that lottery ticket sales may continue their decline. Regular and riverboat casinos, racetracks video-lottery terminals, multi-jurisdictional games such as Power Ball and the Big Game, Internet-based and charitable gaming are providing an increasingly fierce competition to the Ohio Lottery for Ohioans gaming dollars. Transfers from the Unclaimed Prizes Fund started in 1996 when \$13.0 million were transferred to LPEF. In FY 1997 and 1998, transfers were \$38.0 million and 28.7 million, respectively. In the last three fiscal years, transfers from the Unclaimed Prized Fund have been \$25.0 million.

GAMES AND ADVERTISING CONTRACTS

On-line and instant gaming operation and services are provided to the Lottery by GTECH Corporation. The Lottery had two separate contracts, one for on-line games and the other for instant tickets for the previous biennium. Estimated compensation was based on the rate of 1.6346 percent of on-line revenue and 0.188 percent of gross instant ticket sale, for an estimated total of \$33.5 million. During FY 2002-2003, the Lottery will have one contract with GTECH. For on-line games, GTECH will be compensated at the rate of 1.7853 percent of total on-line sales revenue and 0.3217 percent of total gross instant ticket sales. Total compensation is estimated to be \$21.4 million both in FY 2002 and in FY 2003, or \$42.8 million for the biennium. This represents a 27.2 percent increase over the previous biennium.

FY 2002 - 2003 Final Appropriation Amounts

All Fund Groups

<i>Line Item Detail by Agency</i>			<i>FY 1999:</i>	<i>FY 2000:</i>	<i>FY 2001:</i>	<i>FY 2002 Appropriations:</i>	<i>% Change 2001 to 2002:</i>	<i>FY 2003 Appropriations:</i>	<i>% Change 2002 to 2003:</i>
Report For: Main Operating Appropriations Bill			Version: Enacted						
LOT Lottery Commission, Ohio									
044	950-100	Personal Services	\$ 20,275,728	\$ 21,417,075	\$21,082,266	\$ 23,990,502	13.79%	\$ 25,164,204	4.89%
044	950-200	Maintenance	\$ 17,959,912	\$ 18,173,581	\$20,357,375	\$ 24,167,162	18.71%	\$ 24,698,840	2.20%
044	950-300	Equipment	\$ 2,188,802	\$ 1,699,871	\$2,017,550	\$ 4,131,719	104.79%	\$ 3,664,576	-11.31%
044	950-402	Game and Advertising Contracts	\$ 51,823,796	\$ 52,252,617	\$60,268,419	\$ 64,913,869	7.71%	\$ 64,624,331	-0.45%
044	950-601	Prizes, Bonuses and Commissions	\$ 184,929,181	\$ 130,537,087	\$129,530,896	\$ 136,371,980	5.28%	\$ 132,532,125	-2.82%
871	950-602	Annuity Prizes	\$ 167,877,518	\$ 372,297,240	\$223,556,967	\$ 185,454,636	-17.04%	\$ 188,275,991	1.52%
872	950-603	Unclaimed Prize Awards	\$ 5,000,000	\$ 11,291,614	\$9,625,475	\$ 13,093,114	36.03%	\$ 13,354,976	2.00%
State Lottery Fund Group Total			\$ 450,054,937	\$ 607,669,085	\$ 466,438,948	\$ 452,122,982	-3.07%	\$ 452,315,043	0.04%
Lottery Commission, Ohio Total			\$ 450,054,937	\$ 607,669,085	\$ 466,438,948	\$ 452,122,982	-3.07%	\$ 452,315,043	0.04%