

- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund.
- Am. Sub. H.B. 95 eliminates the Unclaimed Prize Fund.

Lottery Commission, Ohio

Jean J. Botomogno, Economist

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 total amount transferred comes largely from operating profits with other transfers made primarily from the Unclaimed Prize Fund. In the current biennium, no additional transfers will be made from the Unclaimed Funds which has been eliminated.

The Ohio Lottery is self-sustaining and funded through the State Lottery Fund. Of the \$1,983.1 million of total ticket sales generated in FY 2002, approximately 58% was awarded to players as prizes, 31% was transferred to the Ohio Department of Education, 6% was paid to agents as commissions and bonuses, and 5% 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, Mega Millions, and the Kicker.⁶ Ohio entered Mega Millions, a multi-state game,⁷ in May of 2002. Fiscal Year 2003 was the first full year of operation of this game in the state. The on-line games generated approximately 48.2% of total ticket sales revenue in FY 2003. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games were approximately 51.8% of total ticket sales revenue in FY 2003.

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)
	2004	2005	2004	2005	
351	\$446	\$446	\$0	\$0	Am. Sub. H.B. 95

*Employee head count as of June 28, 2003 obtained from the Ohio Lottery Commission.

⁶ 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.

⁷ Mega Millions is also played in the following states: Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Virginia, and Washington.

Fifty-four percent of the employees are in sales and marketing. Executive and administrative staff constitutes 25% of the work force. In FY 2003, the Ohio Lottery added the product research and development division, which has nine employees or 3% of the workforce. The remainder of the staff is either in the finance or the information technology divisions.


OVERVIEW

Appropriations for FY 2004 are \$445.7 million, a 19% increase from FY 2003 expenditures. Actual FY 2003 expenditures were 17% below appropriated amounts for that year in the FY 2002-2003 operating budget. Fiscal Year 2005 appropriations are virtually identical to FY 2004 appropriations. Seventy-four percent of total appropriations are related to prizes. Appropriations for prizes, bonuses, and commissions are \$166.2 million in FY 2004 and in FY 2005. Annuity prizes appropriations are \$162.2 million in each year of the biennium. For spending to reach the appropriation level for these two accounts, lottery sales would have to substantially increase over current levels. Appropriations for the problem gambling subsidy are \$335,000 each year, 267% more than the amount spent in FY 2003. These funds are provided to the Ohio Department of Alcohol and Drug Addiction Services for the treatment of co-occurring instances of gambling addiction with alcohol and drug addictions.

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

ELIMINATION OF THE UNCLAIMED PRIZE FUND

Am. Sub. H.B. 95, the new biennial budget act, eliminated the Unclaimed Lottery Prizes Fund as well as the Ohio Lottery's power to conduct lotteries in order to disburse unclaimed prize awards, and required unclaimed prize awards to be returned to the State Lottery Fund. The budget act directs the Office of Budget and Management to transfer up to \$7.5 million from the Unclaimed Prizes Fund (Fund 872) to the Lottery Profits Education Reserve Fund, and the remaining balances as of July 31, 2003 to the State Lottery Fund (Fund 044). As a result of this change, money from the Unclaimed Prize Fund will no longer be available to supplement transfers from operations to the Lottery Profit Education Fund. Instead, any funds from nonoperating sources may be provided from the Deferred Prize Trust Fund or the Lottery Profit Education Reserve Fund to shore up transfers when transfers from operations are insufficient to meet targets established during the budget process.⁸ 

⁸ Am. Sub. H.B. 94 (123rd General Assembly) removed a provision of law requiring that at least 30% of ticket sales be transferred to the Lottery Profit Education Fund (LPEF), thus allowing the Ohio Lottery greater flexibility in the design and the mix of games. Am. Sub. H.B. 94 also changed the manner in which the Ohio Lottery transfers profits to LPEF. A target for such transfers is determined for each biennium during the legislative budget process.

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency

FY 2001: *FY 2002:* *FY 2003:* **FY 2004** *% Change* **FY 2005** *% Change*
Appropriations: *Appropriations:* *Appropriations:* *2003 to 2004:* *Appropriations:* *2004 to 2005:*

Report For: Main Operating Appropriations Bill

Version: Enacted

LOT Lottery Commission, Ohio

044	950-100	Personal Services	\$ 21,082,266	\$ 23,718,456	\$23,835,504	\$ 25,114,200	5.36%	\$ 25,133,314	0.08%
044	950-200	Maintenance	\$ 20,357,375	\$ 17,553,779	\$17,124,488	\$ 20,100,168	17.38%	\$ 20,120,268	0.10%
044	950-300	Equipment	\$ 2,017,550	\$ 2,224,887	\$2,799,342	\$ 3,067,250	9.57%	\$ 3,113,259	1.50%
044	950-402	Game and Advertising Contracts	\$ 60,268,419	\$ 56,659,038	\$59,279,886	\$ 68,683,000	15.86%	\$ 68,683,000	0.00%
044	950-500	Problem Gambling Subsidy	---	---	\$91,200	\$ 335,000	267.32%	\$ 335,000	0.00%
044	950-601	Prizes, Bonuses and Commissions	\$ 129,530,896	\$ 169,428,927	\$117,238,055	\$ 166,173,455	41.74%	\$ 166,173,455	0.00%
871	950-602	Annuity Prizes	\$ 223,556,967	\$ 156,088,753	\$145,682,058	\$ 162,228,451	11.36%	\$ 162,185,260	-0.03%
872	950-603	Unclaimed Prize Awards	\$ 9,625,475	\$ 12,981,264	\$8,452,728	\$ 0	-100.00%	\$ 0	N/A
State Lottery Fund Group Total			\$ 466,438,948	\$ 438,655,103	\$ 374,503,261	\$ 445,701,524	19.01%	\$ 445,743,556	0.01%
Lottery Commission, Ohio Total			\$ 466,438,948	\$ 438,655,103	\$ 374,503,261	\$ 445,701,524	19.01%	\$ 445,743,556	0.01%