

DIVISION OF THE LOTTERY

MISSION

In 1966, New Yorkers approved a constitutional amendment to authorize a State Lottery in support of education. The Division of the Lottery raises revenue through the sale and marketing of Lottery games.

ORGANIZATION AND STAFFING

The Division of the Lottery is an independent unit of the Department of Taxation and Finance, whose Commissioner appoints the Director of the Lottery. The Division maintains a central office in Schenectady, regional offices in Buffalo, Syracuse, New York City and Long Island, a satellite office in Fishkill to serve the Hudson Valley, and a claims center in Rochester. Marketing sales representatives are assigned to the regional offices around the State, and recruit and support point-of-sale retailers, which include convenience stores, newsstands, supermarkets, restaurants and bowling centers.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$95 million All Funds** (\$95 million Other Funds) for the Division of the Lottery. This is a decrease of **\$22 million in All Funds** (\$22 million Other Funds) from the 2009-10 budget, primarily reflecting achieved savings in nonpersonal services expenditures. Lottery was able to achieve reductions through a successful contract negotiation with their full service contractor who provides services for both draw and instant games.

The Executive Budget recommends a staffing level of **329 FTEs** for the Division of the Lottery, which is at the same level as in 2009-10. This flat level reflects the impact of the statewide hiring freeze, implemented by the Executive in July of 2008. Selective hiring will continue for positions that will enable Lottery to advance its goal of maximizing revenue for education.

The Division of the Lottery currently invests funds to pay annuity payments to prize holders in low yielding Treasury strips. The current investment market provides an opportunity to sell Treasury strips and purchase a portfolio of higher-yielding taxable municipal bonds that will provide the same cash flow needed to match existing prize winner obligations at a lower cost. This re-investment strategy will allow the Lottery to provide an additional \$50 million to support education in 2010-11 while maintaining a secure portfolio of investments to pay future prize liabilities.

The Executive Budget proposes legislation that will eliminate the sunset of Quick Draw and certain restrictions on the game, and eliminate restrictions on VLT hours.

PROGRAM HIGHLIGHTS

The Division of the Lottery sells games through 17,000 licensed retailers and eight licensed video gaming facilities across New York State. The Lottery offers three distinct products: 1) Draw games, such as Numbers, Win 4, Pick 10, Take 5, Quick Draw, Lotto, Sweet Million, Mega Millions, and Powerball, 2) Instant scratch-off games, and 3) Video Lottery games.

Draw games are conducted multiple times per day, daily, or twice weekly, depending on the game. Players try to win prizes by matching their selected numbers to those drawn

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by the Lottery. Quick Draw, first introduced in 1995, draws random numbers electronically on a central computer system every four minutes. Quick Draw is displayed at approximately 3,800 licensed retailers statewide, such as restaurants, OTB's, and bowling centers. Pursuant to legislation enacted in 2001, the Lottery entered into an agreement with nine other states to create the multi-state Lottery game called Mega Millions. Mega Millions first drawing in New York occurred on May 17, 2002. Currently, 12 states participate in Mega Millions including New York, California, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, Ohio, Texas, Virginia, and Washington. In 2009-10, the Mega Millions consortium reached an agreement with the Multi-State Lottery Association (MUSL) to cross-sell Mega Millions and Powerball, allowing New York to sell the Powerball game and expanding the number of states offering each game to approximately 45. Powerball will be offered for the first time in New York in February 2010.

Instant scratch-off games are played by instantly revealing pre-selected characters and prizes on a game ticket. Instant games have contributed significantly to the growth of Lottery revenues. The Lottery will market approximately 40 new Instant games during 2010-11, with ticket prices ranging from \$1 to \$30.

Video Lottery games are played on video lottery terminals (VLTs) which interact with a central gaming system. Video lottery gaming was authorized in 2001 by legislation enacted to broaden the Lottery gaming opportunities in New York State. This legislation permitted the installation of VLTs at horse racing facilities across the State. Eight racetracks currently offer video lottery gaming: Batavia Downs Casino, Fairgrounds Gaming & Raceway, Finger Lakes Gaming & Racetrack, Monticello Casino & Raceway, Saratoga Gaming & Raceway, Tioga Downs Casino, Vernon Downs Casino, and Empire City Casino at Yonkers Raceway.

The 2010-11 Executive Budget provides funds necessary for the Lottery to administer, operate, and market traditional Lottery games for the coming fiscal year. The 2010-11 Executive Budget also provides the necessary funding for the video lottery program's continued operation and implementation.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2009-10	Appropriations Recommended 2010-11	Change	Reappropriations Recommended 2010-11
State Operations	117,552,101	95,310,700	(22,241,401)	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	117,552,101	95,310,700	(22,241,401)	0

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Program	Full-Time Equivalent Positions (FTE)		
	2009-10 Estimated FTEs 03/31/10	2010-11 Estimated FTEs 03/31/11	FTE Change
Administration of the Lottery Program			
Special Revenue Funds - Other	307	307	0
Administration of the VLT Program			
Special Revenue Funds - Other	22	22	0
Total	329	329	0

**STATE OPERATIONS
ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE
APPROPRIATIONS
(dollars)**

Fund Type	Available 2009-10	Recommended 2010-11	Change
Special Revenue Funds - Other	117,552,101	95,310,700	(22,241,401)
Total	<u>117,552,101</u>	<u>95,310,700</u>	<u>(22,241,401)</u>

**STATE OPERATIONS
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)**

Program	Available 2009-10	Recommended 2010-11	Change
Administration of the Lottery Program			
Special Revenue Funds - Other	106,142,013	84,476,800	(21,665,213)
Administration of the VLT Program			
Special Revenue Funds - Other	11,410,088	10,833,900	(576,188)
Total	<u>117,552,101</u>	<u>95,310,700</u>	<u>(22,241,401)</u>

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2010-11 RECOMMENDED
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration of the Lottery Program	84,476,800	(21,665,213)	20,087,700	(711,997)
Administration of the VLT Program	10,833,900	(576,188)	2,664,000	150,621
Total	<u>95,310,700</u>	<u>(22,241,401)</u>	<u>22,751,700</u>	<u>(561,376)</u>

Program	Nonpersonal Service	
	Amount	Change
Administration of the Lottery Program	64,389,100	(20,953,216)
Administration of the VLT Program	8,169,900	(726,809)
Total	<u>72,559,000</u>	<u>(21,680,025)</u>