

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 customer service center in Rochester. Marketing sales representatives, assigned to the regional offices around the State, recruit and support point-of-sale retailers, which include convenience stores, newsstands, supermarkets, restaurants and bowling centers.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$89.7 million** All Funds for the Division of the Lottery. This is a decrease of **\$5.6 million (-5.9 percent)** in All Funds from the 2010-11 budget, primarily reflecting achieved savings in nonpersonal services expenditures. Lottery is continuing to achieve reductions through a successful contract negotiation with its full service contractor, who provides services for both draw and instant games.

The Executive Budget recommends a staffing level of **369 FTEs** for the Division of the Lottery. This level reflects an increase of 50 FTEs to enable Lottery to implement much needed revenue enhancements to help close the State budget gap. In addition, the Division will implement measures to improve efficiency of Lottery sales.

The Executive Budget proposes legislation that will remove location restrictions on the Quick Draw game, expand subsidized free play offerings at video gaming facilities, and allow for increased prize payouts on multi-jurisdictional and instant games.

PROGRAM HIGHLIGHTS

The Division of the Lottery sells games through approximately 17,000 licensed retailers and soon to be nine 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 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 3,600 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,

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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 jurisdictions offering each game to 44. Powerball was 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 30 to 40 new Instant games during 2011-12, with ticket prices ranging from \$1 to \$30.

Video Lottery games are played on video lottery terminals (VLTs) and electronic table games (ETG) 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, Hamburg Casino at the Fairgrounds, Finger Lakes Casino & Racetrack, Monticello Casino & Raceway, Saratoga Gaming & Raceway, Tioga Downs Casino, Vernon Downs Casino, and Empire City Casino at Yonkers Raceway, with a ninth location to be opened soon, Resorts World New York, located at Aqueduct Racetrack.

The 2011-12 Executive Budget provides funds necessary for the Lottery to administer, operate, and market traditional Lottery games for the coming fiscal year. The 2011-12 Executive Budget also provides the necessary funding for the video lottery program's continued operation and implementation.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2010-11	Appropriations Recommended 2011-12	Change	Reappropriations Recommended 2011-12
State Operations	95,310,700	89,704,000	(5,606,700)	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	<u>95,310,700</u>	<u>89,704,000</u>	<u>(5,606,700)</u>	<u>0</u>

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

Program	Full-Time Equivalent Positions (FTE)		
	2010-11 Estimated FTEs 03/31/11	2011-12 Estimated FTEs 03/31/12	FTE Change
	Administration of the Lottery Program Special Revenue Funds - Other	297	309
Administration of the VLT Program Special Revenue Funds - Other	22	60	38
Total	<u>319</u>	<u>369</u>	<u>50</u>

The above table does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

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

<u>Fund Type</u>	<u>Available 2010-11</u>	<u>Recommended 2011-12</u>	<u>Change</u>
Special Revenue Funds - Other	95,310,700	89,704,000	(5,606,700)
Total	<u>95,310,700</u>	<u>89,704,000</u>	<u>(5,606,700)</u>

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

<u>Program</u>	<u>Available 2010-11</u>	<u>Recommended 2011-12</u>	<u>Change</u>
Administration of the Lottery Program			
Special Revenue Funds - Other	84,476,800	80,052,000	(4,424,800)
Administration of the VLT Program			
Special Revenue Funds - Other	10,833,900	9,652,000	(1,181,900)
Total	<u>95,310,700</u>	<u>89,704,000</u>	<u>(5,606,700)</u>

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

<u>Program</u>	<u>Total</u>		<u>Personal Service</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration of the Lottery Program	80,052,000	(4,424,800)	21,189,000	1,101,300
Administration of the VLT Program	9,652,000	(1,181,900)	3,313,000	649,000
Total	<u>89,704,000</u>	<u>(5,606,700)</u>	<u>24,502,000</u>	<u>1,750,300</u>

<u>Program</u>	<u>Nonpersonal Service</u>	
	<u>Amount</u>	<u>Change</u>
Administration of the Lottery Program	58,863,000	(5,526,100)
Administration of the VLT Program	6,339,000	(1,830,900)
Total	<u>65,202,000</u>	<u>(7,357,000)</u>