

## Ohio Lottery Commission Budget Testimony Fiscal Years 2026 & 2027

*Delivered by Director Michelle Gillcrist to the Ohio House Education Committee  
February 11<sup>th</sup>, 2025*

### Introduction

Chair Fowler Arthur, Vice Chair Odioso, Ranking Member Robinson and Members of the Education Committee: I'm Michelle Gillcrist, Director of the Ohio Lottery Commission, and I'm pleased to present you with the Lottery's budget request for Fiscal Years 2026 and 2027.

As you know, the Ohio Lottery is a unique agency, in that it is completely self-sufficient and is a non-GRF (General Revenue Fund) agency that does not depend on a single dime of taxpayer dollars to operate. In short, the Ohio Lottery is a state-owned business and operates with keen attention to keeping operating costs low, diversifying its game portfolio, and maximizing profits for the State.

The Lottery's mission is to support education by offering entertaining gaming experiences and to invest in Ohio's students and communities through gaming innovation. As articulated in the Ohio Constitution, all Lottery profits support elementary, secondary, vocational, and special education programs in Ohio. This is accomplished via monthly transfers to the Lottery Profits Education Fund (LPEF), which are then appropriated by the legislature and administration during the biennial budget process. Currently, the LPEF represents around 12% of all State dollars spent on education, a percentage that has risen over the past decade.

The Lottery just celebrated its 50th anniversary last year from its first ticket sold in 1974. To date, the Lottery has transferred more than **\$33 billion** to the State. The annual profit transfers have exceeded \$1 billion since 2016, and in the most recent fiscal year reached a record \$1.514 billion.

This is accomplished through the sale of lottery products at retailers across all 88 counties. On average, for every dollar spent on a traditional lottery game, approximately 65 cents are paid out in prizes to players; 24 cents are transferred to the LPEF; 7 cents go to retailers in the form of commissions, incentives and bonuses; and only 4 cents—are required for operating expenses.



In addition to selling traditional lottery games, the Lottery plays an important regulatory role in Ohio's gaming landscape through the regulation of the Video Lottery Terminal games (VLTs) at the seven racinos in Ohio. This includes licensing of the racino properties, their employees, and the equipment providers; establishing and enforcing regulations, operating standards, and minimum internal controls. Additionally, the Lottery collects 33.5 percent of VLT net revenue, which is transferred to the LPEF.

With the passage of House Bill 29 in December of 2021, the Lottery was mandated to offer and regulate "type C" lottery sports gaming at select host locations with the proper liquor permit. This program was launched at midnight January 1, 2023 and is currently at over 700 retail locations across the State.

### Budget Request

For the next biennium, the Lottery is requesting approval to appropriate \$450 million for FY 2026 and \$458 million for FY 2027. This represents annual increases under 2% for each year of the biennium. The Lottery's budget consists of six line-items.

ALI	ALI NAME	Actual		Estimated	Request	
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
950321	Operating Expenses	\$53,818,622	\$56,446,085	\$64,686,040	\$73,138,202	\$75,729,884
950402	Advertising Contracts	\$27,864,001	\$28,895,438	\$29,955,000	\$30,811,375	\$30,811,375
950403	Gaming Contracts	\$92,192,634	\$105,781,630	\$120,685,198	\$123,355,327	\$128,639,066
950601	Direct Prize Payments	\$351,928,390	\$205,288,580	\$182,106,000	\$183,030,000	\$183,282,000
950605	Responsible Gambling	\$4,370,396	\$4,843,042	\$4,850,000	\$5,000,000	\$5,000,000
950602	Annuity Prizes	\$43,163,800	\$40,249,404	\$40,946,000	\$35,637,000	\$34,737,000
<b>Total</b>		<b>\$573,337,843</b>	<b>\$441,504,179</b>	<b>\$443,228,238</b>	<b>\$450,971,904</b>	<b>\$458,199,325</b>

Operating Expenses: The Operating Expense line item includes funding for nearly 400 employees as well as facilities charges for our headquarters, warehouse, and nine regional offices. Increases in this line item are driven primarily by cost-of-living adjustments due to the state union contract, inflation assumptions, rising health care costs, and associated fees from other state agency partners (i.e. AOS, DAS, AGO.)

Advertising Contracts: The Lottery's Advertising Contracts line item includes support for the drawing and transmission of our daily in-state lotto games, production of the weekly Cash Explosion game show, and marketing efforts which drives sales growth and profits for the State. These funds are vital to ensuring that lottery products remain competitive amid rising marketing costs, especially in the digital marketing arena, garner attention, and reach consumers everywhere they consume media (i.e. TV, radio, streaming services, podcasts, Digital-Out-of-Home, social media, etc.).

Direct Prize Payments & Annuity Prizes: Appropriations for the Direct Prize Payments line item and the Annuity Prize Payments line item fluctuate across the biennium and primarily reflect current trends in how lottery players are cashing their winnings. This line also encompasses the VLT and Traditional prize intercepts the Lottery collects on behalf of the Attorney General's Office and Ohio Department of Jobs & Family Services when a winner has state debt.

Responsible Gambling: The appropriation request of \$5 million for the Responsible Gambling line item represents the largest amount in Ohio Lottery history. The Lottery has significantly expanded our funding for these programs over the past six years. In the next biennium, there will continue to be a close working relationship with our partner agencies such as Ohio Mental Health and Addiction Services (OMHAS), the State Racing Commission, and the Casino Control Commission to effectively expand our responsible gambling services.

Gaming Contracts: Finally, our Gaming Contracts line item includes contracts for the Lottery's central gaming system, scratch-off ticket printing, and other gaming-related consumables, services, equipment, and maintenance. Recently, a new gaming system contract was competitively bid and awarded for the first time since 2008. It will take approximately two years to complete this conversion to the new system. Historically, increases in this line item are driven by both revenue-share agreements tied to sales performance and investments in products and equipment to help maximize profits. Revenue-share agreements are standard within the lottery industry and help incentivize vendor innovation and strategic alignment.

## **Overcoming Challenges**

---

Unpredictable Multistate Jackpots: The previous biennium had a record number of large, consecutive, multistate jackpots (Mega Millions and Power Ball). When high jackpots run for weeks and months, it also lifts traditional Lottery product sales, as players often purchase additional Lottery games during these "jackpot runs." However, the Lottery has no control over when these occur, nor can it accurately forecast future occurrences. While recent years have had several of these that provided extra revenue, it would not be prudent to include similar "jackpot runs" in the next biennium's sales forecasts as they are unpredictable.

Competition: Since Ohio legalized new forms of entertainment and gambling, the Lottery faces pressure on its product lines. While select Lottery retailers can offer "type C" sports gaming, that product line has realized minimal revenue as 97% of the Ohio market bets online via "type A" sportsbooks. In fact, three of the five "type C" sports proprietors that launched have left Ohio due to the difficulties of the market. Most recently, product lines like Keno™ have been hurt by online sports gaming offerings. Mobile sportsbooks offer huge promotions that attract the same demographic as a typical Keno™ player. Other product lines are also affected which ultimately has a direct impact on profits for education.

Gaming System Infrastructure: This biennium will see the beginning of the conversion process for the gaming system for the first time since 2008. This will require significant time and resources to completely upgrade the system and install brand new equipment at all 10,500+ Lottery retailers. While this may impact Lottery sales during this biennium, this necessary, but extensive process will ultimately lead to increased sales and profits beyond 2027.

Despite these new challenges, the Lottery will utilize multiple strategies to maintain sales. This includes, but is not limited to:

- Improving Consumer Access to Products: The Lottery strives to expand its retail base through recruitment of new retailers. Increasing access to Lottery products has shown to drive sales, and in turn, profits and retailer commissions. By utilizing advanced analytics within the Innovate Ohio Platform, the Lottery will be able to leverage agency partnerships to extend retail recruitment efforts.
- Digital Engagement: The Lottery engages players in the digital space through its social media pages and its MyLotto Rewards app with features that enhance the players' experience and convenience. The app currently has approximately 1.5 million users. This player engagement tool helps to foster loyalty, brand and product awareness.
- Product Mix: Introducing new games and diversifying our game portfolio is key to engaging our customers and increasing profits for education. The Lottery will utilize data from customer segmentation studies and focus groups to offer games that appeal to all consumer demographics and segments.

## Revenue Forecast

Looking at the economy, gaming trends in Ohio, and past performance, the Lottery forecasts traditional lottery sales of approximately \$4.473 billion and \$4.483 billion in FY '26 and FY '27, respectively. For comparison purposes, total traditional sales in FY '24 were \$4.5 billion.

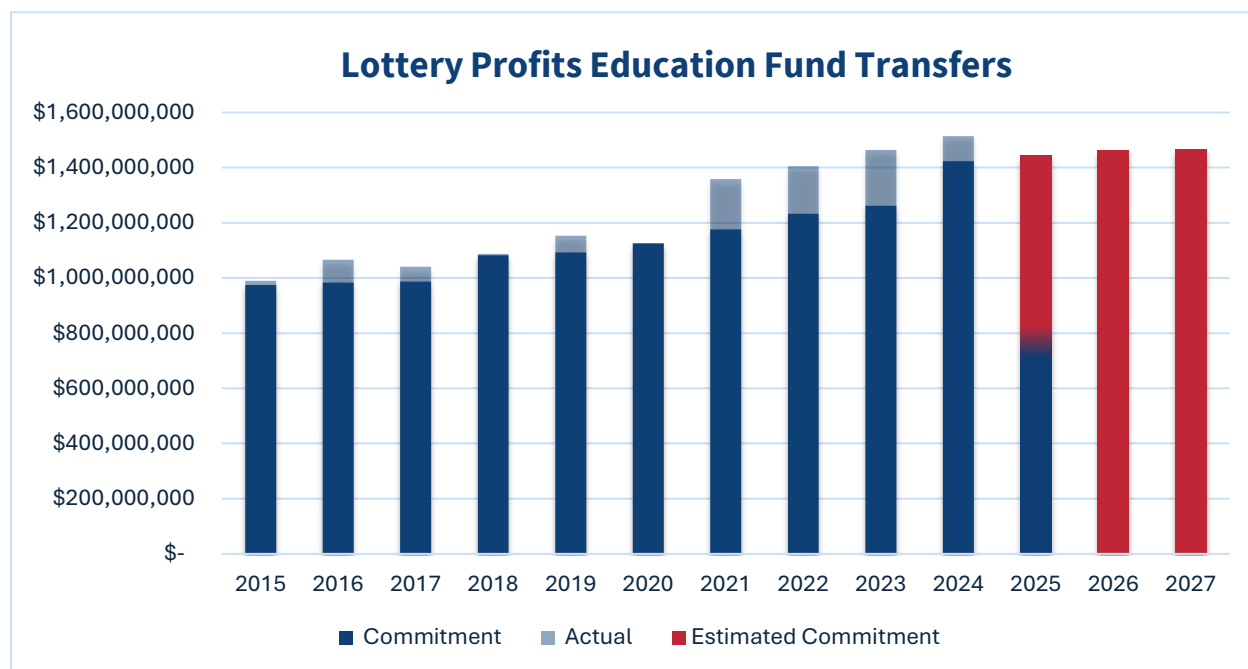
TRADITIONAL SALES FORECAST (millions)			
Fiscal Year	2025	2026	2027
Total Traditional Sales	4,349.0	4,473.3	4,483.1

Similarly, VLT performance in fiscal years 2026 and 2027 are forecasted to be \$1.381 billion and \$1.389 billion, respectively. FY '24 VLT revenue was \$1.367 billion.

VLT FORECAST (millions)				
Fiscal Year	Net Win	Racino	Lottery	RG
2025	1,374.8	909.3	460.4	4.5
2026	1,381.0	913.8	462.4	4.6
2027	1,389.3	919.3	465.4	4.6

## LPEF Profit Transfers

With the realistic revenue forecast and budget appropriation request, the Lottery believes it can continue supporting increased profit transfers for education. This includes committing to annual transfers of \$1.462 billion in FY '26 and \$1.467 billion in FY '27, totaling \$2.9 billion for the biennium!



## Responsible Gambling

Turning to Responsible Gambling efforts, there are several aspects of the Lottery's responsible gambling program that deserve to be highlighted. The Lottery takes its duty to protect consumers and offer responsible gambling programs seriously and has been a national leader in this area. Notably, the Lottery was recertified and rated as having "exceeds standards" at the Sustaining Level for the National Council on Problem Gambling (NCPG) and the North American Association of State & Provincial Lotteries (NASPL) Responsible Gambling Verification program. The Lottery is extremely proud that these national associations not only certified the Lottery's Responsible Gambling program, but the former NCPG Executive Director also noted that this is a very difficult rating to achieve and *"...Ohio remains the only lottery to merit an "exceeds standards" rating at any level, let alone at the sustaining level."*

The Lottery has a long history of collaboration and partnership with other State agencies to benefit Ohioans. As such, the Lottery is proud of its participation in the Ohio for Responsible Gambling consortium, which includes the Ohio Lottery, Ohio Mental Health and Addiction Services, Ohio Casino Control Commission, and State Racing Commission. The consortium's

work to address problem gambling in partnership with prevention and treatment stakeholders is recognized by NCPG as the “Ohio Model”.

The bottom line is the Lottery is committed to responsible gambling efforts and plans to grow these programs in the future.

## **Conclusion**

---

In conclusion, the Lottery is a business that is run by the State of Ohio and has been a successful partnership between retailers, vendors, employees, and our players. Our profits are vital to the State and mandated during each biennial budget, and therefore, act uniquely as a clearly defined and measurable requirement. As a reminder, the Lottery is the only gaming entity in Ohio where 100% of its profits flow to the State.

The Ohio Lottery is recognized as an industry leader throughout the country, particularly for its responsible gambling programs, marketing efforts, cashless payment options, mobile cashing options, and data analytics. This budget request for fiscal years 2026 and 2027 leverages these and other strengths with the aim of staying competitive by embracing technological trends and adapting to changing player preferences. The Lottery is also mindful that in times of economic uncertainty, consumers may have less disposable income to spend on entertainment like gaming or lottery tickets. The Lottery is confident that our request will provide for the successful attainment of our goals and objectives, address challenges and ensure success in the future.

Thank you once again for the opportunity to provide testimony and I’m happy to answer any questions you have.