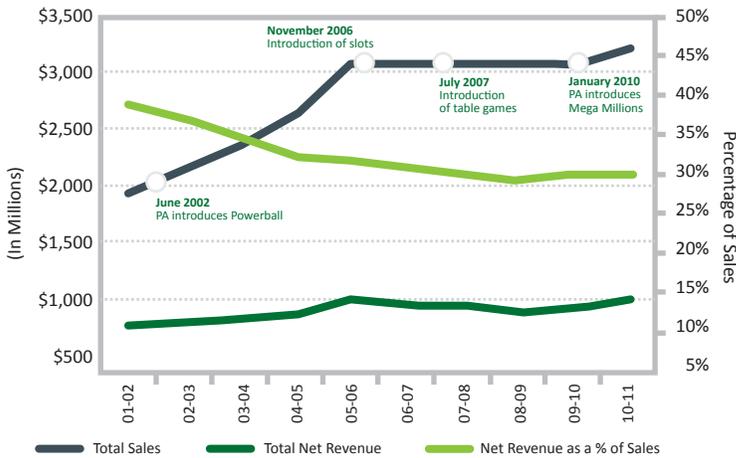


THE McCord Report

A quarterly look at Pennsylvania's economic vital signs

Total Sales and Net Revenue

This chart compares the Pennsylvania Lottery's total sales by fiscal year and notes milestones over the past decade that have affected the industry. The graph also illustrates net revenue – or the amount available to support state programs.



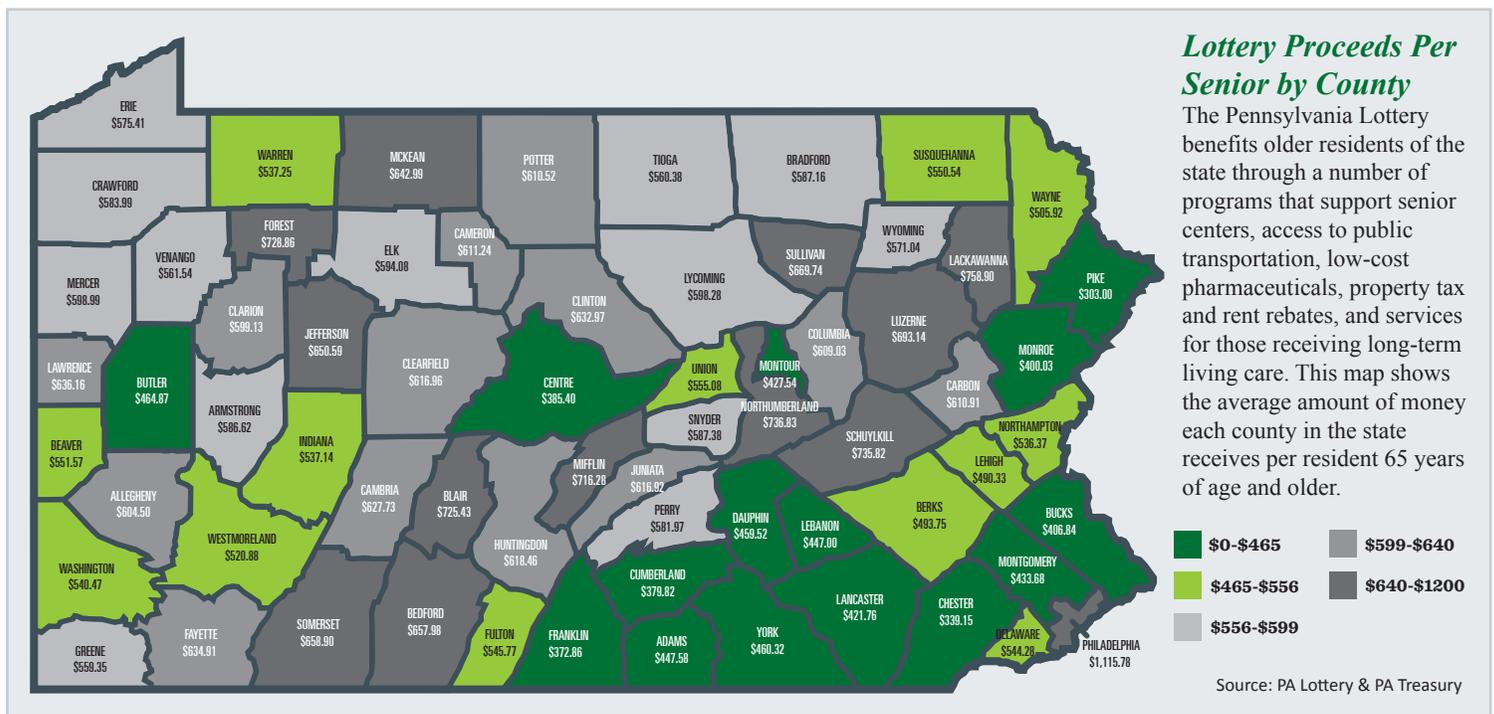
Source: PA Dept of Revenue

Where Does the Money Go?

Under Pennsylvania law, the lottery must contribute at least 27 cents of each dollar earned to programs and must pay at least 40 cents in prize money. In FY 10-11, the actual breakdown was as follows:



Source: PA Lottery



Lottery Proceeds Per Senior by County

The Pennsylvania Lottery benefits older residents of the state through a number of programs that support senior centers, access to public transportation, low-cost pharmaceuticals, property tax and rent rebates, and services for those receiving long-term living care. This map shows the average amount of money each county in the state receives per resident 65 years of age and older.



Source: PA Lottery & PA Treasury

PA's Top 5 Lottery Games

In FY 10-11, the top five Lottery games by sales were:



Source: PA Lottery



Rob McCord
Pennsylvania State Treasurer

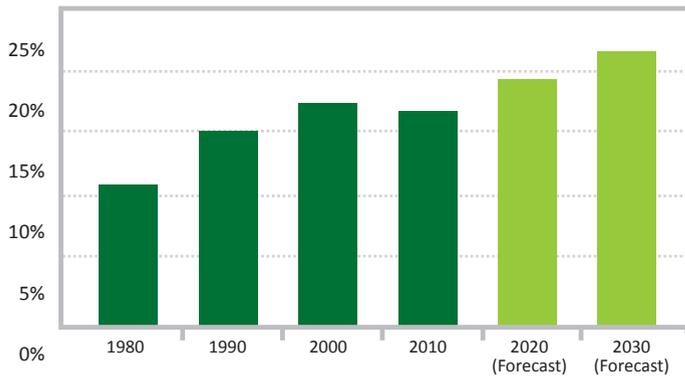
As Treasurer, I am the custodian of virtually all of Pennsylvania’s public funds, including the Lottery Fund, which directly serves and benefits seniors. It is important that we manage it properly, because the Lottery helped seniors get more than 8 million hot meals and nearly 11.4 million low-cost prescription medications in the last fiscal year. On top of that, the Lottery provided older Pennsylvanians with \$280 million in property tax and rent rebates, \$214 million in support for the state’s 52 Area Agencies on Aging and other senior centers, and nearly \$158 million in free and shared ride-assistance among other services.

In Harrisburg, an effort is underway to pursue private management of the Pennsylvania Lottery. Given the lottery’s benefits to our senior citizens, I decided to study its performance and provide quantitative information about what it, as an asset, provides.

As always, I look forward to your feedback. Please do email your thoughts or suggestions for future topics to McCordReport@ptreasury.gov.

Share of PA Population 65 Year of Age and Older

The Pennsylvania Lottery is intended to benefit residents 65 years of age and older. The percentage of the state’s citizens that segment of the population has represented each decade since 1980 is reflected below, as well as forecasts for 2020 and 2030.



Source: US Census Bureau

Program Benefits

See how and to what extent Lottery’s proceeds were used to benefit programs for seniors in Pennsylvania during FY 10-11.

	\$214,111,000	Area Agencies on Aging & Senior Centers (Dept. of Aging)
	\$314,426,813	PACE/PACENET (Pharmaceutical Assistance)*
	\$157,947,000	Shared & Free Ride Program (Dept. of Transportation)
	\$280,394,000	Property Tax & Rent Rebates (Dept. of Revenue)*
	\$178,438,001	Long-term Living Services (DPW)

*Includes Lottery & other sources of funding

Source: PA Lottery

Performance Comparison of the Nation’s Top 10 Lotteries

Pennsylvania operates the 7th largest lottery in the United States based on revenues in the last fiscal year. The following table compares the Commonwealth to the nine other largest state lotteries in terms of total revenues and administrative costs. The table also indicates the average sales per adult resident based on each state’s population of individuals 18 and older, as well as the operational efficiency of each state, in other words, what percentage of revenue is consumed by administrative costs. Six of the top 10 states offer games such as Keno or video lottery terminals (VLT). States with those offerings are noted in the table.

NY	MA	FL	TX	CA	GA	PA	NJ	OH	IL
Keno & VLT	Keno			Keno	Keno			Keno	VLT
TOTAL REVENUE									
\$7,868,211,000	\$4,630,205,000	\$4,014,922,000	\$3,811,270,135	\$3,438,577,998	\$3,335,606,000	\$3,207,908,050	\$2,636,447,566	\$2,601,000,000	\$2,262,995,344
LOTTERY REVENUE PER ADULT RESIDENT									
\$522.69	\$902.80	\$271.29	\$208.50	\$122.99	\$463.53	\$323.70	\$391.94	\$295.38	\$233.26
ADMINISTRATIVE COSTS									
\$315,086,000	\$86,241,000	\$129,311,000	\$184,980,000	\$170,522,000	\$138,493,000	\$76,346,000	\$66,362,000	\$89,729,000	\$230,807,000
ADMINISTRATIVE COST AS % OF SALES									
4.00%	1.86%	3.22%	4.85%	4.96%	4.15%	2.38%	2.52%	3.45%	10.20%

Source: PA Lottery & PA Treasury

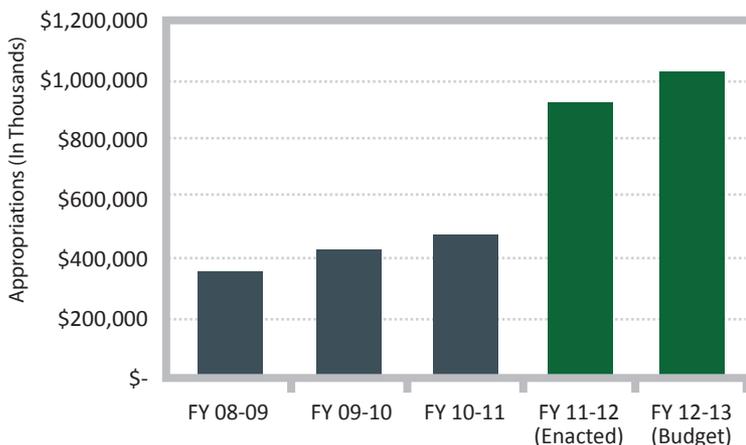
THE ILLINOIS EXPERIENCE

In January 2011, Illinois became the first state to privatize management of its lottery when it signed an agreement with Northstar Lottery Group, a consortium consisting of GTECH, Scientific Games and Energy BBDO. Northstar assumed its management responsibilities in March 2011, making this fiscal year (July 1, 2011-June 30, 2012) the first in which it has operated the state's lottery.

Northstar's plans called for increasing the percentage of Illinois' adult population who are lottery customers, adding new games, and expanding the number of retail outlets. The group also proposed a greater online presence, which would allow for a player loyalty program and subscription service. In March, Illinois became the first state in the country to sell lottery tickets via the Internet.

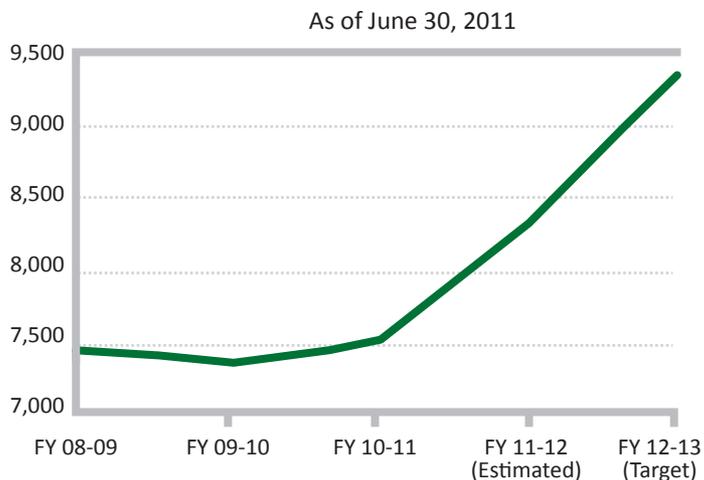
Cost to Operate Illinois' Lottery

See how state appropriations to fund Illinois' lottery operations in its last three years of state-run management compare to what has been budgeted for fiscal years 2012 and 2013 – the first two years under the private management agreement.



Number of Illinois Lottery Retailers

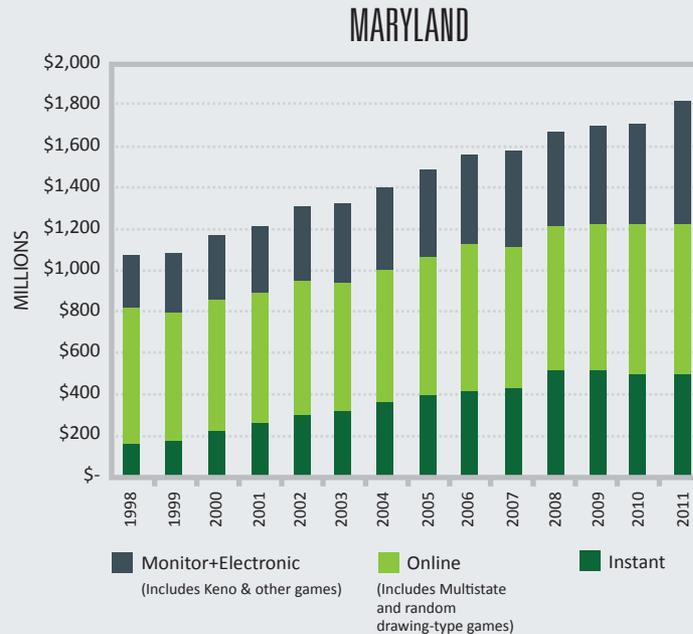
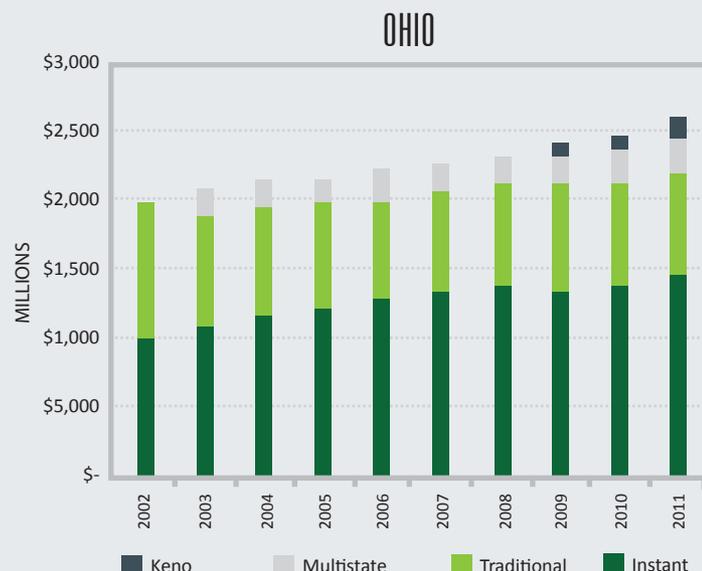
Illinois plans to add more than 800 retail outlets this fiscal year, and another 1,000 in FY 2013. The actual number of retailers for the present fiscal year is unavailable.



Source: Illinois Office of Management and Budget

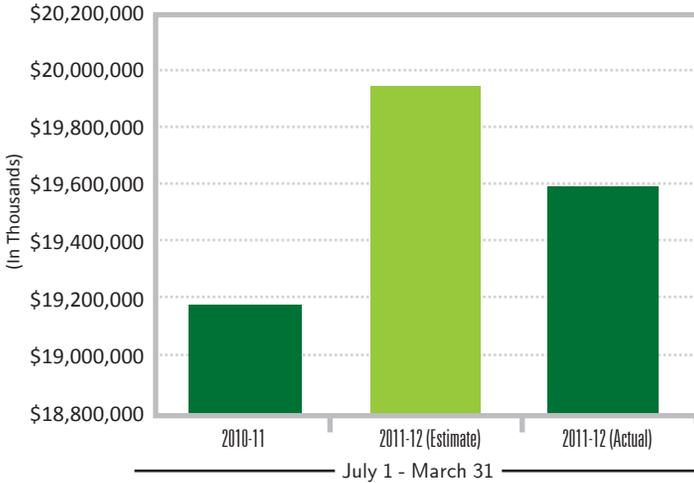
Maryland and Ohio: The Growth of Keno

Maryland and Ohio were able to increase lottery sales partially through the introduction of Keno and other forms of electronic games. Maryland introduced Keno in 1993. Over the past 10 years traditional lottery sales in the state (including Powerball and Mega Millions) increased 40%, or \$522 million, while sales of Keno and other electronic games increased by \$255 million, or 72%. Keno accounted for 49% of Maryland's total increase in lottery revenues. Ohio introduced Keno in 2009. Since that time, Ohio's total lottery sales increased approximately \$183 million, and 86% of that increase, or \$158 million, was attributed to Keno. To learn more about the game in both states visit mdlottery.com and ohiolottery.com.



Fiscal Year-to-Date Revenue Collections

General Fund revenues were 1.9% below estimate through the third quarter of the fiscal year, but collections were 2.1% ahead of last year's revenues over this same period. March 2012 revenue collections marked the second consecutive month in which receipts exceeded estimates.



Source: PA Dept of Revenue

Economic Indicators

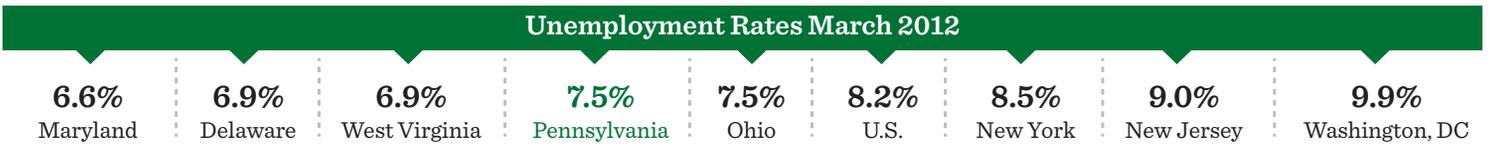
The following reflects U.S. economic data for the first three months of 2012 as reported by the federal government. Each figure, with the exception of the line for average new single family house sales price, represents a change as compared to the preceding month.

JANUARY	FEBRUARY	MARCH
Change in Personal Income		
0.20%	0.20%	0.40%
Change in Consumer Price Index		
0.20%	0.40%	0.30%
Change in Retail Sales		
0.60%	1.00%	0.80%
New orders for manufactured durable goods		
2.20%	1.90%	-4.20%
Monthly change in new single family residential sales		
-1.60%	7.30%	-7.10%
Average new single family house sales price		
\$261,600	\$267,700	\$291,200

Source: U.S. Department of Commerce

Current Unemployment Rate by State

Compare Pennsylvania's unemployment rate to the national rate, as well as to that of neighboring states as of March 2012.



Source: PA Dept of Labor & Industry

Unclaimed Property Available by County

The map below displays the amount of unclaimed property currently available for claim in each county of the Commonwealth. Visit www.patreasury.gov to see if you have unclaimed property.

