

Directive to the Ohio Lottery

July 13, 2009

Implementing Video Lottery Terminals

1. **Ohio is Facing Significant Economic Challenges.** The national economic recession has caused many and substantial hardships for the people of Ohio. Many Ohioans rely on the health, safety and welfare services provided by the State. Declining employment and recessionary sales have led to declining tax revenues realized by the State, making it more and more challenging for the State to provide the educational, health and other services its people deserve. Without additional revenues, the State would be required to cut services even beyond the significant levels already undertaken and under consideration in current budget discussions.
2. **The Implementation of Video Lottery Terminals (VLTs) is an Important Part of Ohio's Balanced Budget Plan.** The immediate implementation of VLTs by the Ohio Lottery is projected to generate approximately \$933 million in net proceeds during the coming biennium. The dedication of that revenue to education programs is critical to our continued efforts to strengthen Ohio's education system. Increased lottery revenues allow the state to dedicate scarce general revenue funds to critical programs benefiting the health, safety and welfare of Ohio's citizens, avoiding devastating cuts to those programs.
3. **Implementation of VLTs Should Only Be Undertaken With Strong Legal Footing.** The Ohio Constitution authorizes the General Assembly to establish an agency of the State to manage lottery games to support education programs. The General Assembly has established the Ohio Lottery as that agency and has enacted various statutes authorizing the lottery to conduct and operate lottery games in accordance with the Constitution. The General Assembly has indicated to me its intent to pass legislation which would expressly acknowledge that the Ohio Lottery has the authority to implement VLTs under the existing laws of the State of Ohio and that the implementation of VLTs does not violate any provision of Ohio's separate prohibitions on gambling activity.
4. **The Lottery Director Should Immediately Take Steps to Implement VLTs.** With an express acknowledgement of the General Assembly that the Ohio Lottery has the authority to implement VLTs, I believe that the Ohio Lottery can, and I direct the Lottery Director to, adopt rules regarding the implementation of VLTs and immediately take steps to implement VLTs in accordance with the following requirements unless and until they are modified or rejected by the General Assembly:

- a. **VLTs Should Only Operate At Licensed Racetrack Facilities.**
So as to limit the proliferation of gambling activity to locations in which the local community has expressed its support for such activity, the Lottery Director should assure that licenses to operate VLTs are issued only to those who will operate the VLTs at facilities operated by those already licensed to offer pari-mutuel betting.
 - b. **VLTs Should Operate at Only Seven Racetrack Facilities at Any One Time.** Again, in order to limit the proliferation of gambling in the state, the Lottery Director should assure that only seven licenses to operate VLTs are issued at any one time.
 - c. **VLTs Licenses Shall Be Granted for a Minimum of Ten Years.**
To assure effective regulatory oversight regarding those licensed to operate VLTs, licenses should be granted for a minimum of ten years and should be transferred only in accordance with strictly established guidelines.
 - d. **Strict Background Checks of Prospective VLT Licensees Shall Be Undertaken.** Strict criminal and financial background checks of all prospective VLT licensees shall be undertaken prior to the issuance of any such licenses and only those meeting clearly articulated standards shall be granted such licenses.
 - e. **VLTs Should Be Implemented Quickly, But Contracts Should Follow All Standard Bidding Requirements.** The Lottery should use any existing contracts it has which would permit the rapid implementation of VLTs, but any Lottery Commission contract for services associated with the implementation of VLTs must be awarded by competitive bidding unless competitive bidding requirements are waived by the Controlling Board.
 - f. **All VLT Profits Should Benefit Education Programs in Ohio.**
In order to comply with the constitutional requirement regarding the use of lottery net proceeds, all VLT net proceeds shall be deposited and utilized to benefit education programs in Ohio in the same manner as all other lottery net proceeds.
5. **Absence of Implementing Legislation.** If the implementing legislation described in Paragraph 3 is not enacted into law as part of or prior to the FY10-11 biennial budget law and such law is not signed into law by me within five days of the issuance of this Directive, the Directive shall then be deemed immediately null and void.

Ted Strickland, Governor