

Record prize boosts lottery

Yunich, Rob

SYRACUSE - One number probably caught Central New Yorkers off-guard: \$50 million. It wasn't the center of a scandal, the subject of a bribe, or even an amount long overdue to the Internal Revenue Service.

No, \$50 million was the prize (for 26 annuity payments) in a New York Lottery drawing April 19. That prize gave the New York Lottery the largest jackpot in the nation.

The big jackpot shows that the New York Lottery, through investments, can afford to pay big prizes. It also confirms that New York residents continue to buy tickets in the hopes of taking home a winning ticket.

Lottery sales for fiscal year 2002-03 totaled \$5.4 billion. In the same fiscal year, the lottery paid \$3.1 billion in prizes, \$1.8 billion towards education, \$300 million for retailer commissions, and \$200 million in administrative costs. By comparison, lottery sales for fiscal year 1992-93 totaled \$2.3 billion (generating \$1 billion for education).

In fiscal year 2001-02, the lottery sold \$4.8 billion worth of tickets, compared to \$4.2 billion in fiscal year 2000-01. There was a gross profit on ticket sales of \$1.7 billion in 2001-02 and \$1.5 billion the previous year. The lottery's income from operations totaled \$1.6 billion in 2001-02 and \$1.4 billion in 2000-01.

Schools in Onondaga County have received approximately \$351 million since 1976 from the New York Lottery, including \$50.4 million for the 2001-02 fiscal year. (The numbers for 2002-03 were not available at press time.) The Syracuse school district received the most in 2001-02 (\$17.5 million), followed by North Syracuse (\$6.6 million) and Liverpool (\$5.5 million).

For the week of May 11-17, 2003, the New York Lottery paid nearly \$3.1 million in prizes to people in Cayuga, Cortland, Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, and Oswego Counties. That included approximately \$2.3 million from instant games - the most popular of which were Cashword, Casino Fortune, and Mother's Day.

Long-term investments

In a down economy, the lottery is using money invested long ago to fund large payouts. According to Carolyn Hapeman, the lottery's director of communications, all of the available funds for lotto jackpots are fully invested in United States guaranteed treasury securities. The lottery purchases these securities the business day following the drawing, if the winner chose the annuity option at the time the winning ticket was purchased. The lottery's purchase of the treasury securities is the result of a formal bidding process with several brokerages in New York State, Hapeman says.

In the event the player chose the cash option, the lottery pays the winner the cash value of the jackpot based upon the market value of securities the lottery would have purchased for an annuity winner over the next 26 years.

A custodian bank (which Hapeman did not name) holds securities in the New York Lottery's name until the appropriate maturity date.

"The custodian then, based upon our approval, cashes the securities and the lottery forwards the funds to its accounts for paying prizes," she says.

Taxes are withheld from prizes over \$5,000 or over \$600 when the winner does not present a social-security number. Jackpots for the lotto are set based on projected sales, historic trends, weather, competing jackpots, and "the amount to which potential players are distracted by current events," according to the lottery's Web site (nylottery.org).

Multi-state games

The Empire State also benefits from games other than lotto. New York is part of a group of states that partakes in Mega Millions, previously called the Big Game. The contest, similar to Powerball, can be played in Georgia, Illinois, Maryland, Massachusetts,

Michigan, New Jersey, New York, Ohio, Virginia and Washington. New York began offering Mega Millions in May 2002.

Jackpots for Mega Millions, like the New York Lotto, are based on projected sales. However, since it is a partnership of 10 states, finance personnel from each state work together to determine the jackpot using the same factors New York uses to determine its jackpot. The May 20 drawing, for example, had a jackpot of \$36 million.

New York only pays out on its percentage of sales for Mega Millions. Players of the game may only cash a Mega Millions ticket in the state where it was purchased. As for a bonus, the New York Lottery recognizes retailers who sell a jackpotwinning Mega Millions ticket with a bonus worth \$10,000.

Not surprisingly, the popularity of New York's instant game tickets has mushroomed in recent years.

"This is due, in large part to the state's decision to raise the payout percentage to 65 percent - which in turn allows us to pay out more prizes on more games more often," Hapeman says. "A great deal of the instant game success also can be attributed to the lottery's adherence to its strategic marketing plan which, among other things, calls for introducing two new games every three weeks."

The lottery works with Pollard Banknote, which prints the tickets, in developing themes for instant game tickets, according to Hapeman.