The Pennsylvania Lottery and Senior Programs

The General Assembly created the Pennsylvania Lottery through Act 91 of 1971, which also established the Lottery Fund to receive lottery ticket revenue. Lawmakers created the lottery to generate funds for programs benefiting Pennsylvania’s elderly population. Today, the commonwealth continues to dedicate all lottery proceeds to programs that benefit seniors.

Initially, lottery proceeds provided property tax relief for seniors in the form of rebates. Since then, lottery-supported programs have expanded to include rent rebates, transportation services, prescription drug assistance, home and community-based services, caregiver support, and long-term care. Through June 2016, the Pennsylvania Lottery has contributed nearly $27 billion to senior programs.

The Department of Revenue administers and operates the lottery, including the marketing and development of games, promoting sales, licensing agents to sell lottery tickets, and validating winning tickets.

LOTTERY SALES

The Pennsylvania Lottery is the sixth largest state lottery in the country, with annual sales exceeding $4 billion in 2015/16. Its diverse portfolio of games falls into two basic categories: instant games and terminal-based games. Instant games are pre-printed “scratch off” tickets ranging in price from $1 to $30. Terminal-based games are numbers-based games and include The Daily Number and jackpot games such as Cash 5, Match 6, and Treasure Hunt, as well as the two multi-state jackpot games, Powerball and Mega Millions.

Lottery tickets are sold through a statewide network of more than 9,000 retailers. Winning ticket holders may redeem prizes up to $2,500 at any lottery retailer; otherwise, winners receive a check from the Pennsylvania Lottery. Ticket holders who win more than $600 must file a claim form that’s available at any retailer or Pennsylvania Lottery Office.

The bar chart (pg. 2) shows lottery sales from 2002/03 through 2015/16, which nearly doubled during this period (increasing $2 billion or 94 percent). This performance reflects the impact of new games and the expansion of the network of retailers where tickets are sold. The multi-state Powerball game, which Pennsylvania joined in 2002, impacts Lottery revenues like no other game as sales grow exponentially when extremely large jackpots become available.

The lottery has set sales records in each of the past six years. For 2015/16, total lottery ticket sales reached an all-time high of $4.1 billion, an increase of $315 million (or 8.2 percent) above the sales record set in 2014/15.

- Instant game sales hit $2.79 billion in 2015/16, an increase of $201 million (or 7.8 percent) from the prior year.
- Powerball sales were $358 million, an increase of nearly $118 million (or 49 percent) from the prior year. This reflects the impact of the $1.5 billion world record jackpot in January 2016.
- Sales for all other games (Mega Millions and other terminal-based games) totaled $984 million, which was down $4 million (or four tenths of one percent) from 2014/15.
This bar chart also illustrates the growth in consumer demand for instant games. In 2002/03, instant games represented only 37 percent of lottery ticket sales. They now represent more than two-thirds of all lottery ticket sales, accounting for nearly 68 percent of sales in 2014/15 and 2015/16.

**LOTTERY PROFITS**
Lottery-generated revenue is deposited into the Lottery Fund. Profits, after paying for prizes and operating costs, go towards services for seniors.

Current law requires the lottery to pay out at least 40 percent of gross ticket sales to players as prize money and to contribute at least 25 percent of each dollar earned to programs benefitting seniors. Initially, the 1971 Act required the Pennsylvania Lottery to return at least 30 percent in net profits for programs that benefit seniors. The General Assembly temporarily lowered the lottery’s profit rate to 27 percent in 2008 (Act 53) and extended it again in 2011 (Act 23), before permanently lowering the rate to 25 percent in 2014 (Act 201). Reductions in the profit mandate have given Lottery the ability to offer games that maximize profits for senior programs and to engage in long-term planning for introducing new games in the future.

For 2015/16, state lottery revenue was distributed as follows:
- 63.8 percent to players as prize money, representing a record payout of $2.63 billion;
- 27.1 percent to the Lottery Fund to support programs for older Pennsylvanians;
- 7.2 percent to retailers and vendors as commissions; and
- 1.89 percent for lottery administrative costs, including personnel and advertising.

The PA Lottery’s “Economic and Benefit Impact Report” details, by county, the dollar amounts for prizes paid, retailer commissions and funding for senior programs.
The bar chart below shows a history of lottery profits from 2002/03 through 2015/16. Lottery profits have exceeded $1 billion in each of the past five years. A record profit of $1.12 billion was posted in 2015/16.

The table below compares instant game sales and lottery profits for 2002/03 through 2015/16. As instant games consume a greater share of ticket sales, lottery’s profit margin (as a percentage of sales) has declined. Lottery’s instant games return approximately half—the-profit-per-sales-dollar as the terminal-based games because instant games have better odds and pay out more prizes to players.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Instant Games</th>
<th></th>
<th>Lottery Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Millions</td>
<td>% of Sales</td>
<td>$ Millions</td>
<td>% of Sales</td>
</tr>
<tr>
<td>2002/03</td>
<td>$796.6</td>
<td>42.1%</td>
<td>$787.7</td>
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<tr>
<td>2003/04</td>
<td>$989.2</td>
<td>49.2%</td>
<td>$818.7</td>
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<tr>
<td>2004/05</td>
<td>$1,301.8</td>
<td>51.7%</td>
<td>$852.6</td>
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<tr>
<td>2005/06</td>
<td>$1,587.8</td>
<td>55.4%</td>
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<tr>
<td>2006/07</td>
<td>$1,703.5</td>
<td>55.3%</td>
<td>$949.1</td>
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<tr>
<td>2007/08</td>
<td>$1,706.8</td>
<td>56.9%</td>
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<tr>
<td>2008/09</td>
<td>$1,757.7</td>
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<tr>
<td>2009/10</td>
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<tr>
<td>2010/11</td>
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<td>$960.6</td>
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<tr>
<td>2011/12</td>
<td>$2,134.6</td>
<td>62.3%</td>
<td>$1,060.9</td>
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<tr>
<td>2012/13</td>
<td>$2,305.1</td>
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<td>2012/14</td>
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<tr>
<td>2014/15</td>
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<tr>
<td>2015/16</td>
<td>$2,792.7</td>
<td>67.5%</td>
<td>$1,120.0</td>
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SENIOR PROGRAMS

The Lottery Fund supports a number of programs under four state agencies (below is a brief description of the major programs that receive funding in the 2016/17 budget). The programs administered by the departments of Aging and Human Services receive annual appropriations from the Lottery Fund. The programs administered by the departments of Revenue and Transportation receive funding under executive authorizations that do not require the General Assembly’s approval.

Property Tax/Rent Rebate Program. The Department of Revenue administers the Property Tax/Rent Rebate program, which benefits senior citizens over age 65, widowed individuals over age 50, and permanently disabled individuals by providing rebates on property taxes or rent paid by eligible households. Property tax rebates are available to homeowners who have annual household income up to $35,000 and rent rebates are available to renters who have annual household income up to $15,000. The PTRR program only counts 50 percent of Social Security income when determining program eligibility.

Free and Reduced-Fare Transit. PennDOT administers two transit programs for Pennsylvanians over age 65. The Free Transit program offers no-cost rides on local bus routes and rapid-transit lines during all operating times on weekdays, weekends and holidays. The Shared Ride program offers door-to-door specialized transportation services (such as vans and mini buses) at a discounted rate equal to 15 percent of the existing shared ride fare (the Lottery Fund pays the remaining 85 percent of the fare).

Pharmaceutical Assistance. The Department of Aging administers three pharmaceutical assistance programs – PACE, PACENET, and PACE Plus Medicare – that offer prescription drugs to seniors, age 65 or older.

- PACE is available to seniors whose annual income is $14,500 or less for a single person and $17,700 or less for a married couple. PACE participants pay no monthly fees or premiums. Their only costs are co-payments, which are no more than $6 for generic drugs and $9 for brand-name drugs.
- PACENET assists seniors whose annual income is between $14,500 and $23,500 for individuals and between $17,700 and $31,500 for married couples. PACENET has no monthly premium but participants pay a monthly deductible equal to the regional benchmark premium for Medicare Part D ($35.30 for 2016). PACENET participants also pay higher co-payments for prescriptions (up to $8 for generic drugs and up to $15 for brand-name drugs).
- PACE Plus Medicare supplements PACE/PACENET drug coverage with the Medicare Part D drug benefit. Each year, the department enrolls PACE and PACENET cardholders in Medicare Part D plans, where they continue to receive the same PACE/PACENET medications plus other prescriptions covered in the Part D plan. PACE Plus is designed so that out-of-pocket costs for enrollees are the same, or lower, as PACE/PACENET. Enrollees pay the lower of the PACE/PACENET co-payments and the Part D plan co-payments; if the Part D plan has higher co-pays, PACE Plus pays the difference. PACE Plus also pays for drugs not covered by the Part D plan and drugs purchased during the “donut hole.” PACE Plus also pays the monthly premium for PACE cardholders who enroll in a Part D plan and have signed an agreement with the department.

PENNCARE. PENNCARE encompasses all lottery-funded home and community-based service activities of the Department of Aging. The department distributes grants to the 52 area agencies on aging, which use the funds to provide a broad array of services and programs that meet the needs of seniors residing in their geographic area.

- Aging services provide a comprehensive and coordinated system of social services, including: congregate meals, home-delivered meals, personal care, home health, employment services, and recreation/socialization activities at senior community centers.
- Attendant care provides in-home personal care services to people with physical disabilities who “age out” from the attendant care program in the Department of Public Welfare, which serves individuals under age 60.
- Options in-home provides customized supports and services that enable seniors to remain in their homes and avoid relocating to a nursing facility.
- Other services include Medicare managed care education (which provides information and
counseling for health insurance and benefit), elder abuse education and prevention, and ombudsman activities (that investigate and assist in resolving complaints made by older persons receiving long term care).

**Medical Assistance Long-Term Care.** Beginning with the 2006/07 budget, the commonwealth resumed the practice of using a portion of lottery funds to help pay for Medical Assistance long-term care in the Department of Human Services. The appropriated funds reduce the need to spend General Fund revenue on nursing home expenditures in the Medical Assistance program. The Thornburg and Casey administrations used lottery funds for this purpose from 1983/84 through 1993/94.

**Home- and Community-Based Services.** Beginning with the 2013/14 budget, lottery funds are used to help pay for the Aging Waiver program in the Department of Human Services. The waiver is a home- and community-based program that provides personal care, attendant care, home health care, home-delivered meals, transportation, specialized medical equipment, and other services to people age 60 or older who are Medicaid eligible and who would otherwise require nursing facility care. The appropriated lottery funds replace General Fund dollars otherwise required to pay for waiver program expenditures.