



News for Immediate Release

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Pennsylvania Determines Key Terms of Potential Lottery Private Management Agreement

Commonwealth Evaluates Bidders' Management Proposals, Begins Material Dialogue with Union

Harrisburg – After months of due diligence, during which commonwealth representatives interacted with potential bidders to inform them of Pennsylvania Lottery operations and learn industry ideas for growing Lottery profits, the Corbett administration has determined key terms for a potential Private Management Agreement (PMA) for the Pennsylvania Lottery.

Key terms include the following:

- Annual profit commitments for two decades to grow funding for programs benefiting older Pennsylvanians;
- Ownership and control of the Lottery to be retained by the commonwealth along with specific business responsibilities, while other responsibilities are to be transitioned to the private manager;
- \$150 million up-front cash collateral to be provided by the private manager;
- 20-year base contract term, plus performance-based extensions that could increase the term to 30 years;
- Private manager compensation;
- Personnel plans and employee transition strategy; and
- Implementation of industry best practices for responsible sales growth including monitor-based games and Internet products.

Now that the scope and terms of a PMA contract have been materially determined, the multi-agency team exploring private management as an option to increase future funding for Lottery-funded senior programs is evaluating bidders' business plans. The business plans will provide each qualified bidder's proposal for managing the Lottery, including details regarding organizational structure, tactics for growing the customer base, measures of operational transparency, projected income statements, innovative ideas for growing profit, plans addressing social responsibility and information regarding subcontracts.

"First we had to understand and decide upon exactly what we'd require and expect from a private manager, and now that we have that basis, we can start to evaluate how qualified bidders react to the proposal and plan to improve Lottery operations," said Revenue Secretary Dan Meuser. "This is a careful, iterative process where each decision impacts the next step, and there are a number of 'next steps' to consider in coming weeks, including contractually mandated dialogue with the union representing Lottery employees, before we can determine if a PMA is in the best interest of the Lottery and the seniors who benefit from Lottery-funded programs and services."

A decision whether or not to execute a Lottery PMA will be made after the commonwealth reviews bidders' business plans for acceptability and to determine if priced bids are warranted; determines if priced bids provide significant value to the commonwealth and justify executing a PMA with the highest bidder; and evaluates any alternate plan the union may propose.

The commonwealth began exploring a PMA for the Pennsylvania Lottery earlier this year as a way to maximize Lottery revenue and ensure secure, predictable funding for programs benefitting a dramatically growing senior population.

"The Pennsylvania Lottery provides funding for critical services and supports for older Pennsylvanians," said Secretary of Aging Brian Duke. "The Pennsylvania Department of Aging supports the exploration of options that will help us continue to provide vital programs and services to the increasing number of older residents in the commonwealth."

The Pennsylvania Lottery was created in 1971 to generate funds for programs benefitting older adults. Since 1972, when its first game went on sale, the Pennsylvania Lottery has contributed nearly \$22.6 billion to programs that include property tax and rent rebates; free transit and reduced-fare shared rides; the low-cost prescription drug programs PACE and PACENET; long-term living services; and the 52 Area Agencies on Aging, including hundreds of full- and part-time senior centers throughout the state. The Pennsylvania Lottery remains the only U.S. Lottery that exclusively designates all proceeds to programs benefitting older residents. Learn more at www.palottery.com.

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Editor's note: A summary of the Lottery PMA terms and conditions is available at www.revenue.state.pa.us/LotteryPMA.

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