

**Governor Corbett is exploring a private management agreement for the Pennsylvania Lottery to provide more reliable and predictable revenue to ensure the continued strength and viability of programs supporting older Pennsylvanians.**

**Challenges:** Funding for programs to support older Pennsylvanians such as property tax and rent rebates; low-cost prescription drugs (PACE, PACENET and PACE-Plus Medicare); free transit and reduced-fare shared rides; long-term living services; and social, recreational and educational services provided by 52 area agencies on aging and hundreds of senior centers across Pennsylvania all depend on the financial performance of the Pennsylvania Lottery.

- Given increasing competition for the entertainment dollar and economic volatility, over the last five years, Lottery net profits have grown an average of just 0.3 percent per year, and annual growth rates have ranged from -2.2 percent to 4.9 percent.
  - Lottery net revenue is projected to grow about 1 percent, on average, per year through fiscal year 2014-15, which is not likely to keep pace with cost increases and demand for current programs.
  - Pennsylvania has one of the oldest populations in the U. S., with the population aged 65 and older projected to increase by over 50 percent by 2030.
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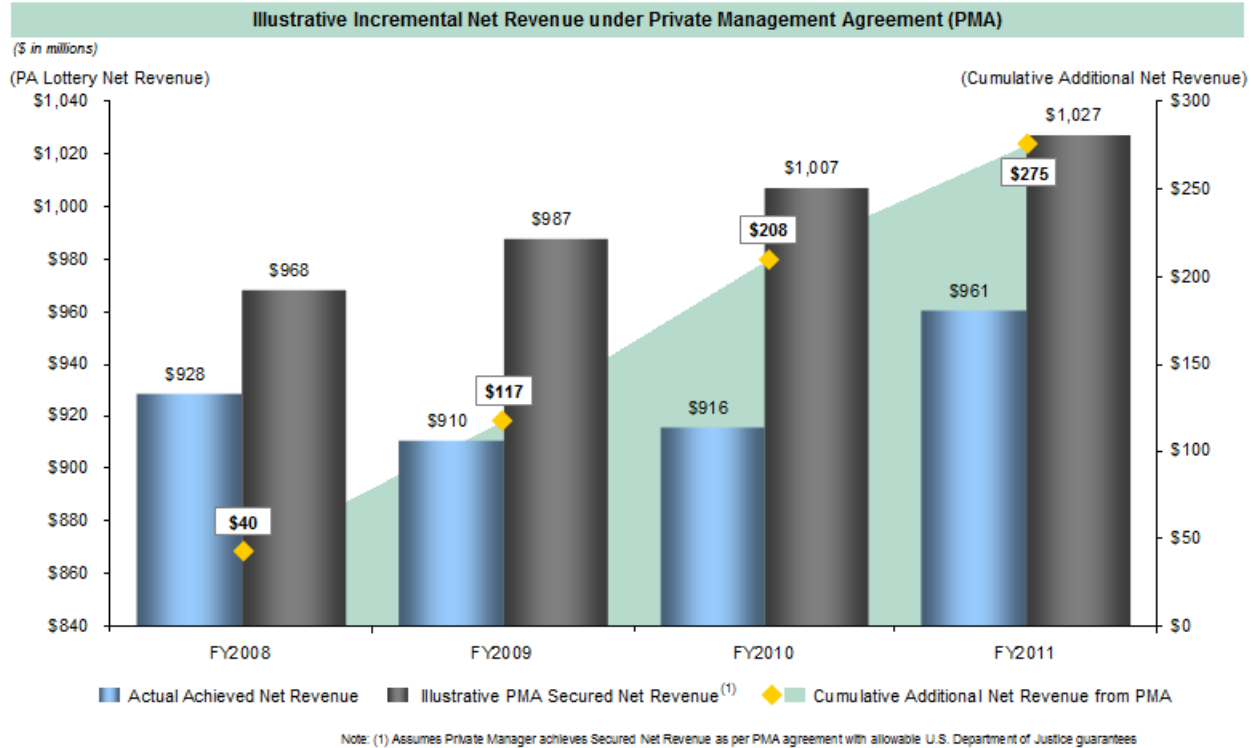
**Concept:** Explore a private management agreement for the operation of the Pennsylvania Lottery to preserve and sustain the established integrity, value and success of the Lottery while maximizing net revenue to support programs for older Pennsylvanians.

- A private operator would be held accountable for revenue growth targets as defined in a contract to increase Lottery net revenue and enhance programs.
  - A private management agreement would minimize the risk of the Lottery missing its budget (as has occurred in recent years), negatively impacting programs.
  - The agreement would establish a strategically important relationship that would enable Pennsylvania to benefit from lottery best practices and growth while transferring economic and operating risk to the private sector.
  - The Commonwealth would **retain ownership of and actual control over the Lottery** and all significant business decisions.
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**Process:** Any Lottery management procurement will be in accordance with the Commonwealth's Procurement Code and Handbook. This procurement would occur in phases, the first being the release of a Request for Qualifications (RFQ) to identify potential bidders. Once a pool of qualified bidders is established, the second phase would be a multi-step sealed bidding process known as an Invitation for Bid (IFB). The IFB process would include due diligence, which will enable the Commonwealth to assess the capabilities of prospective bidders as well as to develop a private management agreement that preserves and sustains the integrity, value, and success of the Lottery while maximizing revenues for the benefit of older Pennsylvanians.

Qualified bidders would then be asked to offer priced bids based on the private management agreement. The Commonwealth may award the contract to the responsive bidder that proposes the highest responsible commitments for maximizing revenue for programs that support older Pennsylvanians. A multi-agency team of the Commonwealth, in consultation with financial and legal advisors, will explore the feasibility of a private management agreement for Lottery services and decide whether to proceed and select a private manager.

## A Lottery PMA could have created ~ \$275 million of incremental funding for older Pennsylvanians from FY08-FY11



## The proposed PMA will be structured to ensure the Commonwealth will be equal or better off in each year

PMA would secure future net revenue for 10 to 30 years with significant upside to the Commonwealth

