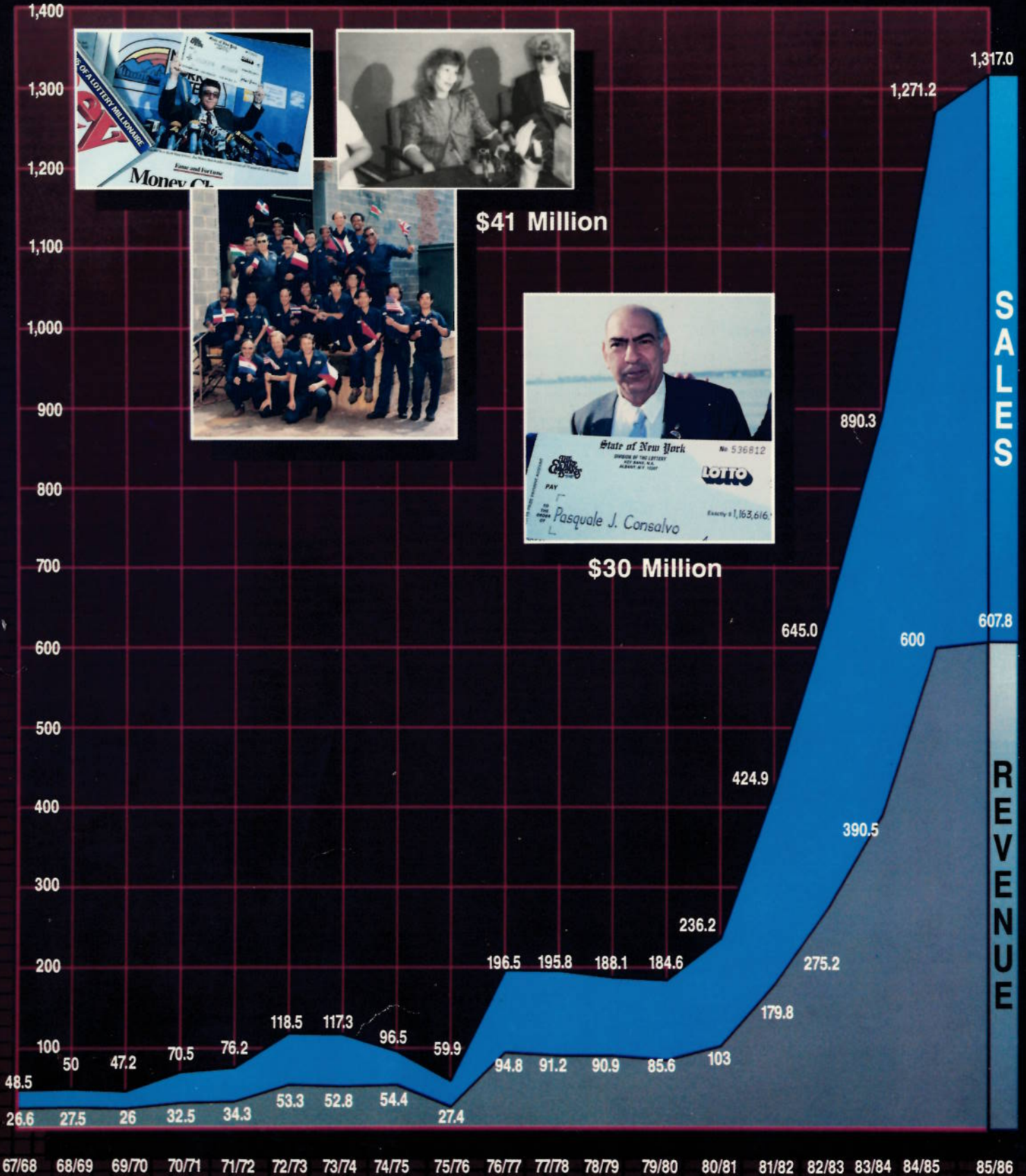




Annual Report 1985-86



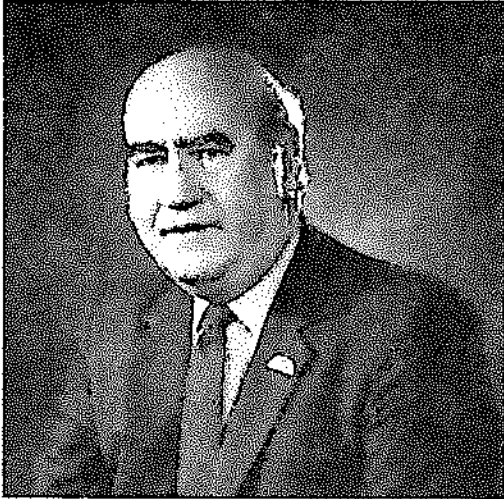
\$41 Million



\$30 Million

SALES

REVENUE



Director John D. Quinn



THE NEW YORK STATE LOTTERY
SWAN STREET BUILDING
EMPIRE STATE PLAZA
ALBANY, NEW YORK 12223

November 10, 1986

JOHN D. QUINN
DIRECTOR

The Honorable Roderick Chu
Commissioner
New York State Department of Taxation and Finance
State Campus
Tax and Finance Building
Albany, New York 12227

Dear Commissioner Chu:

In accordance with the provisions of subdivision c of section 1604 of the law, I am pleased to submit herewith a copy of the annual report of the Division of the Lottery for fiscal year 1985-86.

The information in this report will provide the "summary of lottery revenues, prize disbursements and other expenses," for fiscal year 1985-86 required in your report to the Governor and Legislature as specified in the above statute.

Sincerely,

John D. Quinn
John D. Quinn
Director

The Lottery 1976-1986



For the sixth successive year, New York Lottery sales and revenues rose to historic highs in Fiscal 1985-86.

It marked the second successive year earnings, which benefit education, had reached or exceeded \$600 million—a figure nearly six and a half times greater than first year earnings of \$94.8 million in Fiscal 1976-77.

It marked the second successive year that sales had passed the billion dollar mark, more than six times greater than the \$196.5 million of the first year it had returned to the marketplace, in 1976-77.

This is the ten-year record of the New York State Lottery:

SALES

Fiscal years 1976-85	\$4,232,516,000
Fiscal year 1985-86	1,317,011,000
TOTAL	\$5,549,527,000

REVENUES EARNED FOR THE STATE

Fiscal years 1976-85	\$1,910,985,000
Fiscal year 1985-86	607,854,000
TOTAL	\$2,518,839,000

Ten years ago, in April of 1976, legislation reorganizing the New York State Lottery was enacted and signed into law.

The Lottery's mission:

To raise money for education, to provide funds that will help the State provide financial assistance to the local elementary and secondary schools.

In the ten years since it returned to the marketplace, the Lottery has met its mission well.

At the end of the 1985-86 fiscal year—ten years after legislation reestablishing the Lottery had been enacted and signed into law—the Lottery is able to report:

- \$5.549 billion in sales, from September 8, 1976, through March 31, 1986.
- \$2.518 billion earned for New York State.
- Prizes valued at \$3.07 billion awarded.

- 434 winners of one million dollars or more.
- A \$41 million prize, the largest ever awarded on the North American Continent.
- A \$30 million prize, the largest ever awarded in New York State to a single winner.
- \$334.2 million in commissions to ticket sellers.

For the 1985-86 Fiscal Year alone:

- Sales of \$1.317 billion, the second successive year sales surpassed the One Billion Dollar mark.
- Revenues for education of \$607.8 million—providing more than ten cents of every State dollar of financial assistance to local schools.
- Commissions to ticket sellers of \$79 million, a return that has meant economic survival and success for many of the State's small businesses.
- In Fiscal 1985-86, the number of prize winners in New York's Lottery since it started in September, 1976, had passed the 246 million mark.

Along the way to the milestone, in Fiscal 1985-86, New York's Lottery set new records for individual prizes.

The \$41 million LOTTO 48 jackpot it offered in its August 21, 1985, drawing was the largest Lottery prize ever offered on the North American Continent. Three winning tickets were sold on that historic prize, including one held by a group which called itself the "Lucky 21". They were a group of Mount Vernon, New York, factory workers, most of whom were immigrants.

The \$30 million LOTTO 48 prize won by Pasquale Consalvo, a Staten Island mason, on January 18, 1986, was the largest prize ever won by an individual in the New York State Lottery.

By the end of the fiscal year, March 31, 1986, a total of 434 persons had won prizes of a million dollars or more.

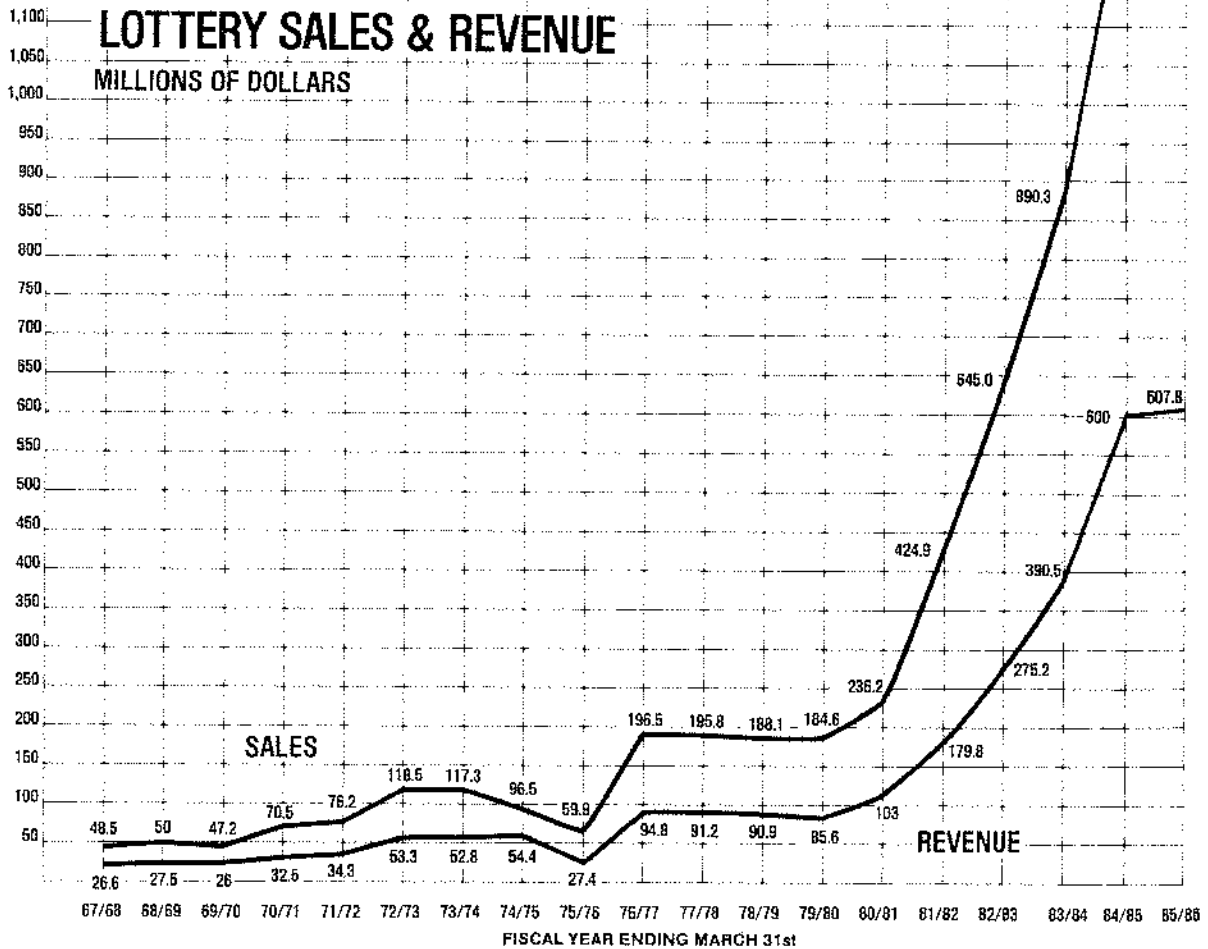
SALES/REVENUE BY FISCAL YEAR

(MILLIONS OF DOLLARS)

YEAR	SALES	% OF PREVIOUS YEAR	REVENUE	% OF PREVIOUS YEAR	CUM SALES	CUM REVENUE
76-77	196.5	—	94.8	—	196.5	94.8
77-78	195.8	-3%	92.1	-3.8%	392.3	186
78-79	188.1	-3.9%	90.9	-3%	580.4	276.9
79-80	184.6	-1.8%	85.6	-5.8%	765	362.5
80-81	236.2	+27.9%	103	+20.3%	1001.2	465.5
81-82	424.9	+79.8%	179.8	+74.6%	1426.1	645.3
82-83	645	+51.8%	275.2	+53.1%	2071.1	920.5
83-84	890.3	+38%	390.5	+41.9%	2961.4	1311
84-85	1271.2	+43%	600	+54%	4232.6	1911
85-86	1317	+4%	607.8	+1.3%	5549.6	2518.8

LOTTERY SALES & REVENUE

MILLIONS OF DOLLARS



Lotto Remains Sales Pacemaker



In its first weekly drawing in November, 1978, LOTTO offered a \$250,000 jackpot. For the first week, sales were \$350,000.

In Fiscal 1985-86, LOTTO jackpots were regularly in the millions of dollars—reaching historic highs of \$41 million and \$30 million—and the weekly sales, achieved by an extensive on-line computerized system, averaged more than \$14 million a week.

New York State introduced LOTTO to the United States in 1978. Since then, it has become the bellwether of Lottery games, outpacing all others in sales and prizes awarded. It has been adopted by most other states.

LOTTO's first full year of sales in 1979-80 totaled \$49.2 million.

LOTTO sales in Fiscal 1985-86 totaled \$738.8 million—more than 56 percent of all Lottery sales recorded during the year.

New York State, continuing to pioneer in LOTTO, introduced LOTTO 48 in Fiscal 1985-86.

To meet the diversified tastes of Lottery players, three LOTTO games were offered for the first time in May, 1985.

LOTTO 40, much like the first Lotto game introduced to the United States by New York in 1978, returned. This time it offered a smaller first prize or jackpot and allocated a greater share of the prize money pool to make for higher second and third prizes. LOTTO 40 drawings were conducted on Mondays, beginning May 6, 1985.

LOTTO 44, which had been responsible for creating "LOTTO fever", was continued. Its drawings were conducted on Wednesdays.

LOTTO 48, which responded to the players' preference for bigger jackpots, was introduced. The first of its Saturday drawings was conducted on May 11.

A decision, however, that "three games were one too many games" led to the discontinuance of LOTTO 44 and the offering of LOTTO 48 twice a week, Wednesdays and Saturdays, starting June 15, 1985.

		ACTUAL SALES BY GAME						
		(% OF TOTAL)				MILLIONS OF DOLLARS		
YEAR	INSTANT	WEEKLY	OLYMPIC	NUMBERS	WIN-4	LOTTO	TOTAL	
76 77	186.9 (85%)	9.6 (5%)					196.5	
77 78	155.4 (75%)	40.4 (21%)					195.8	
78 79	155.7 (83%)	10.9 (6%)	15.1 (8%)			6.4 (3%)	188.1	
79 80	118.2 (64%)	4.4 (2%)	12.8 (7%)			49.2 (27%)	184.6	
80 81	92.9 (39%)			65.4 (28%)		77.9 (33%)	236.2	
81 82	93.1 (22%)			168.8 (40%)	13.7 (3%)	149.3 (35%)	424.9	
82 83	87.1 (13.5%)			237.0 (36.7%)	41.6 (6.5%)	279.3 (43.3%)	645	
83 84	85.2 (9.6%)			276.6 (31.1%)	68.5 (7.7%)	460 (51.7%)	890.3	
84 85	98.4 (8%)			330.7 (26%)	73.3 (5%)	768.8 (60%)	1271.2	
85 86	76.7 (5.8%)			379.4 (28.8)	122.1 (9.3)	738.8 (56.1%)	1317	
TOTAL	1149.6 (20.7%)	65.3 (1.1%)	27.9 (1.5%)	1457.4 (28.3%)	319.2 (5.8%)	2529.7 (45.8%)	5549.6	



LOTTO jackpots attract media attention across the nation. This media crush captures the magic moment when the "Lucky 21", a group of Mount Vernon factory workers, claimed their \$13.6 million share of the record-setting \$41 million jackpot of August 21, 1986.

Aid to Education

Education continued to be the big winner in the New York State Lottery.

Earnings of \$607.8 million contributed more than ten cents of every one dollar the State provided in financial assistance to the local elementary and secondary schools.

Earnings for education have been called the most definitive measure of the Lottery's success, the bottom line of its reason for being.

In the ten years the Lottery has been selling tickets, its earnings, most of which benefit education, have totaled \$2.518 billion.

While Lottery earnings on behalf of education do not supplement State assistance, they do relieve the burden of reducing services elsewhere or of raising this money from other tax sources. It is money provided voluntarily.

Forty-five cents of every LOTTO and Instant Lottery games sales dollar and 35 cents of every

Numbers and Win-4 sales dollar goes to education, the amount realized increasing day-to-day.

Lottery aid to local school districts is based on the formula used by the State Education Department to allocate regular State assistance. The formula includes such factors as local school district pupil population, grade levels of the pupils, special student needs and full property valuation within the district. It is paid to the school districts in three installments in early September, October and November. The balance of the State's aid payments for these months is paid to the district by the 15th of the month. This procedure was developed to assist local school districts with their cash flow needs at the beginning of the school year.

Lottery aid payments made in 1985-86 are listed by county at the right. A complete list of the Lottery payments made to the more than 700 individual school districts within these counties is available on request from the Lottery. Mail requests should be addressed to The New York Lottery Public Relations Unit, Empire State Plaza, Albany, New York 12223.

DISTRIBUTION OF NEW YORK LOTTERY REVENUES

	Lotto/Instant	Daily Numbers/Win-4
Education	45%	35%
Prizes	40%	50%
Administration	15%	15%
	<u>100%</u>	<u>100%</u>

COUNTY	DISTRIBUTION	CUMULATIVE
	FY 1985-86	DISTRIBUTION
	APRIL 1, 1985—MARCH 31, 1986	APRIL 1, 1977—MARCH 31, 1986
ALBANY	\$7,542,016.78	\$28,567,573.00
ALLEGANY	3,642,280.34	12,426,106.75
BROOME	10,690,299.59	40,201,810.09
CATTARAUGUS	6,633,348.93	23,146,133.88
CAYUGA	4,880,880.55	16,973,032.19
CHATAUQUA	8,532,727.82	30,278,554.98
CHEMUNG	5,098,800.84	18,355,098.34
CHENANGO	4,314,265.57	14,836,491.35
CLINTON	5,185,255.43	18,451,271.16
COLUMBIA	2,691,080.46	9,456,019.22
CORTLAND	3,179,306.04	10,560,308.87
DELAWARE	2,348,808.33	8,213,705.67
DUTCHESS	11,166,932.46	40,676,744.78
ERIE	43,449,459.97	160,265,035.87
ESSEX	1,130,203.11	4,268,953.29
FRANKLIN	3,139,829.57	11,378,784.69
FULTON	3,658,278.02	12,794,291.30
GENESEE	3,867,759.02	13,608,876.94
GREENE	1,395,639.18	5,133,238.98
HAMILTON	4,095.00	40,720.00
HERKIMER	4,676,664.44	16,272,060.32
JEFFERSON	5,904,507.42	20,584,389.83
LEWIS	1,915,618.84	6,859,785.90
LIVINGSTON	3,449,788.94	11,886,833.27
MADISON	4,808,424.63	16,987,151.02
MONROE	27,928,722.08	101,553,158.62
MONTGOMERY	2,982,044.33	10,322,326.54
NASSAU	35,481,699.84	136,917,121.48
NEW YORK CITY	254,201,686.68	803,389,783.46
NIAGARA	11,416,887.11	42,889,678.43
ONEIDA	14,671,995.79	53,248,198.00
ONONDAGA	23,071,069.18	83,016,269.52
ONTARIO	5,222,598.65	18,179,332.44
ORANGE	16,741,079.75	56,805,754.02
ORLEANS	3,207,641.16	11,081,157.04
OSWEGO	8,150,182.85	27,228,893.54
OTSEGO	3,018,362.14	10,364,690.59
PUTNAM	3,567,464.31	13,173,040.80
RENSSELAER	8,577,496.07	30,224,366.22
ROCKLAND	9,031,782.83	35,490,913.99
SARATOGA	11,085,741.12	39,047,236.92
SCHENECTADY	5,999,518.83	21,778,369.16
SCHOHARIE	1,806,055.32	6,282,083.99
SCHUYLER	1,107,734.45	3,811,065.95
SENECA	1,929,718.86	6,955,638.87
ST. LAWRENCE	7,962,887.02	28,083,446.27
STEUBEN	7,505,148.46	25,946,633.28
SUFFOLK	80,616,072.41	287,304,433.22
SULLIVAN	1,810,871.27	6,177,468.88
TIOGA	3,989,153.41	13,932,068.68
TOMPKINS	3,494,643.91	12,327,317.03
ULSTER	6,352,123.03	23,353,365.44
WARREN	2,835,666.02	10,085,180.37
WASHINGTON	4,406,206.47	15,516,335.13
WAYNE	6,717,556.92	23,148,951.58
WESTCHESTER	13,890,640.28	60,062,618.30
WYOMING	2,114,214.51	7,482,432.12
YATES	775,590.83	2,906,656.13

NATIONAL EDITION
DAILY NEWS
HE WON IT ALL
 S.I. laborer retired by his family;
 they rip up his working clothes



New York State's biggest Lotto winner, one, construction worker P. L. ...
 ...ripped up his working clothes



The frenzy spread through every city, town and hamlet in the State, across state lines and even across the nation.

The prospect of winning a \$41 million LOTTO prize had caught the fancy of millions and once again had ignited "LOTTO FEVER"—that delirium of dreaming about winning the biggest Lottery prize ever offered on the North American Continent.

Newspaper headlines screamed the announcement that the LOTTO jackpot had soared to its historic highs; and the electronic media was caught up with on-the-scene reports from every place and every where that people were talking about and buying tickets on the August 21, 1985, drawing.

And when the drawing was over, and three winning tickets were reported as sold, the rush to bring the news of the winners was on.

News headlines told the story of the shareholders in the \$41 million, each to collect \$13,666,666:

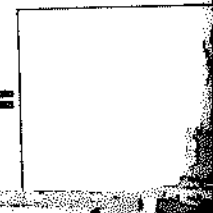
- Twenty-one factory workers from Mt. Vernon, who were quickly to be dubbed the "Lucky 21", because most of them were new to the United States and its many opportunities.
- A bachelor from Brooklyn;
- An Upstate housewife who worked part-time as a waitress and tending bar.

National Edition
DAILY NEWS
3 WINNERS!
 21 share one ticket worth 13.6M



Prez docs removed
NEW YORK
 SATURDAY, JANUARY 18, 1986

LOTTO
 Jackpot zooms



Stat
 TO THE ORDER OF
 Pasquale
 L

TURN A DOLLAR
 National Edition
DAILY NEWS

\$41.00
 Lotto jackpot



JUBILANT DENNY'S
NEW YORK

Barmaid wins 3d share



more growths: P.2

POST FINAL ***
35 cents
TV Edition P. 21-28

ANIA!
o \$30 million
PAGE FIVE



New York
LOTTERY
A
2207

No 536812

LOTTO 29.7
213

Exactly \$1,163,616.00

John A. ...

25 GRAND
Late Racing
Evening Night 21:00

,000
hes record



ON BALLOT: P. 5
POST FINAL ***

IM jackpot, then:
Queens man shows Post reporter 'winning' ticket then goes into hiding . . .

200 million? ...
SQUARES ON PAGE THREE

NEW YORK POST
Tuesday, January 21, 1986
35 cents
METRO EDITION
TV Edition P. 83

'V' - AS IN \$30M

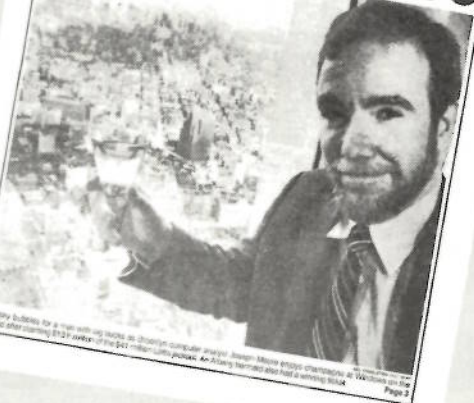


Lotto baron wants all that money can buy
PAGE 3

City KO's \$22.4M PVB deal linked to top Dem
PAGE 7

Farrell on ballot again and Carol won't fight it
DAILY NEWS
NEW YORK'S PICTURE NEWSPAPER

MR. MONEYBAGS



The picture on Page One of the big city newspaper showed his family happily tossing his work clothes in the garbage can, a symbolic farewell to his day-in, and day-out toil as a mason.

His family wanted Pasquale Consalvo to "enjoy" the kind of life that years and years of every-day work as a mason and as holder of a lucky LOTTO 48 ticket worth \$30 million could bring him.

The celebration was contagious. It captured the imagination of the entire State and even made the nation stop and listen to the news that the richest prize ever won in the New York State Lottery was captured by "one of their own—a working man".

Headlines and photographs, whirring television cameras and radio microphones all joined to record the historic event on January 18, 1986.

Lottery Prizes Reach Historic Highs

Fiscal 1985-86 saw the awarding of the biggest Lottery prizes ever seen on the North American Continent and in New York State.

Never before had a prize in a Lottery been greater than the \$41 million jackpot awarded in the August 21, 1985, LOTTO 48 drawing. It was the largest recorded Lottery prize ever on the North American Continent.

Never before had a single person in New York State won a Lottery prize of the size of the \$30 million jackpot awarded in the January 18, 1986 LOTTO 48 drawing.

Both touched off what has come to be known as "LOTTO FEVER" as long lines of ticket buyers queued up at business places across the State which offered Lotto tickets for sale. Lotto ticket sales sites near state borders were swamped, as were those in the smallest hamlets and biggest cities.

The \$41 million record jackpot was

shared by three winners, including a group of factory workers, most of whom were immigrants.

Elated, the group converged en masse on the Lottery's regional office in New York City, trekking from their Mount Vernon place of employment, to claim their \$13.6 million share of the record prize in the name of the "Lucky 21"—a phrase that was to epitomize the achievement of the American dream.

A Staten Island mason, Pasquale Consalvo, became the winner of the biggest individual prize in New York State Lottery history—a \$30 million jackpot on January 18, 1986—a prize that pays him annual installments in excess of \$1.4 million before taxes.

Consalvo and the three shareholders of the \$41 million jackpot were among 91 winners of prizes of a million or more in Fiscal 1985-86.



MILLIONAIRES ALL... New York's posh Waldorf Astoria provides the appropriate setting for the "annual meeting" of the New York Lottery's MILLIONAIRES CLUB, shown above. By the end of the 1985-86 Fiscal Year, 434 persons had won a prize of one million dollars or more in the New York State Lottery.

NEW YORK LOTTERY PRIZES AWARDED

YEAR	INSTANT*	WEEKLY	OLYMPIC	NUMBERS	WIN-4	LOTTO	TOTAL
76 - 3/31/85	\$527,881,335	\$27,841,388	\$18,873,254	\$511,315,896	\$91,873,900	\$1,131,277,319	\$2,309,063,092
4/85 - 3/31/86	\$42,567,229	---	---	\$165,293,862	\$57,156,600	\$476,044,181	\$761,062,072
TOTAL	\$570,448,564	\$27,841,388	\$18,873,254	\$676,609,758	\$149,030,700	\$1,607,321,500	\$3,070,125,164

A Spin of the Wheel Wins \$5.9 Million

Everybody dreams of that fraction of a second when fate smiles broadly on them and bestows good fortune.

A Harrison, New York, woman experienced that tiny moment when her life moved from the shadows into the sunlight on February 6, 1986.

In the second that it took for the New York Lottery's Instant Lottery wheel to stop on "Jackpot", Mrs. Caroline Forte, 34, became the winner of the biggest Instant Lottery prize offered in New York State...\$5.9 million.

In Fiscal 1985-86, the Lottery introduced the concept of a progressive jackpot to its Instant Game.

New York's Instant Lottery players were offered the chance to spin the Instant Lottery Jackpot Wheel by mailing in tickets which matched three stars or three wheels.

From the weekly mailed-in entries, ten finalists were chosen to spin the Jackpot Wheel. The spinning of the wheel was conducted once a week, first at local shopping malls and sites across the State, later to be seen on television stations across the State.

The first of these weekly spins was conducted on July 23, 1985, with a \$250,000 jackpot.

Each week the jackpot was not hit, the amount of the top prize was raised, based on sales.

For 28 weeks, no one hit the jackpot, until the fateful day, February 6, 1986 when Mrs. Forte captured a \$5.9 million prize.

In addition to the opportunity to become Instant Lottery Jackpot Wheel finalists, Instant Game players had the chance to win entry into the

Million Dollar Drawing by collecting stubs which completed the phrase I/LOVE/NEW/YORK.

Three persons won \$1 million prizes in these grand drawings:

KENDALL ALDRICH, Fillmore (Allegany County)

TOM ISZKIEWICZ, Cuba (Allegany County)

ROBERT AQUINO, Batavia (Genesee County)

Since the Lottery put its tickets on sale on September 8, 1976, prizes valued at \$3 billion have been won by more than 246 million people.



**Deloitte
Haskins
Sells**

100 South Park Drive
New York, New York 10048-0001
(212) 664-1000
International Telex 422712

AUDITORS' OPINION

The New York State Lottery:

We have examined the statements of assets and liabilities of New York State Lottery as of March 31, 1986 and 1985 and the related statements of revenue and revenue allocations for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the assets and liabilities of the Lottery at March 31, 1986 and 1985 and the revenue and revenue allocations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells
August 11, 1986

Auditor's Report

STATEMENTS OF REVENUE AND REVENUE ALLOCATIONS FOR THE YEARS ENDED MARCH 31, 1986 AND 1985 (In Thousands)

	NOTES	1986	1985
REVENUE:			
Ticket sales	1, 4	\$1,317,011	\$1,271,167
Less:			
Vendor and distributor commissions	7	(80,416)	(78,850)
Contractor fees	7	(31,907)	(23,865)
Net revenue from ticket sales		1,204,688	1,168,452
Interest income	2	40,639	26,347
Other		12	1,605
NET REVENUE		\$1,245,339	\$1,196,404
REVENUE ALLOCATIONS:			
Prizes	1		
Education	3, 5	\$ 598,562	\$ 560,567
Administration	6	607,854	599,945
	7	38,923	35,892
TOTAL REVENUE ALLOCATIONS		\$1,245,339	\$1,196,404

STATEMENTS OF ASSETS AND LIABILITIES MARCH 31, 1986 AND 1985 (In Thousands)

	NOTES	1986	1985
ASSETS:			
Cash (including short-term cash investments)	2	\$ 75,383	\$ 90,574
Accounts receivable	8	24,085	27,282
Investments:			
U.S. Government-backed obligations (maturity value, \$857,183 in 1986 and \$533,053 in 1985 less unamortized discount of \$494,963 in 1986 and \$318,197 in 1985)	2	362,220	214,856
Long-term cash investments (maturity value, \$10,015 in 1986 and \$8,090 in 1985 plus unamortized premium of \$6 in 1986 and less unamortized discount of \$111 in 1985)		10,021	7,979
TOTAL		\$471,709	\$340,691
LIABILITIES:			
Prizes:			
Allocation of accrued revenue		\$ 3,820	\$ 11,192
Unclaimed and future prizes	10	72,794	69,887
Long-term prize obligation of \$862,409 in 1986 and \$537,243 in 1985 less unamortized discount of \$491,608 in 1986 and \$315,464 in 1985	3, 10	370,801	221,779
		447,415	302,858
Education:			
Allocation of accrued revenue		12,324	10,547
Allocation of cash revenue payable	10	3,224	13,441
		15,548	23,988
Administration:			
Allocation of accrued revenue	1,787	1,756	
Allocation of cash revenue payable	10	3,684	2,747
		5,471	4,503
Deferred revenue for unclaimed free tickets on open games and other payables		3,275	9,342
TOTAL		\$471,709	\$340,691

COMPOSITION OF REVENUE AND REVENUE ALLOCATIONS (In Thousands)

The following table presents the composition of revenue and revenue allocations from September 8, 1976, the start of current lottery operations, to March 31, 1986:

	9/8/76 to 3/31/85	4/1/85 to 3/31/86	9/8/76 to 3/31/86
Revenue:			
Instant games sales	\$1,073,101	\$ 76,704	\$1,149,805
Lotto games sales	1,790,831	738,843	2,529,674
Daily Numbers/Win-Four games sales	1,275,416	501,464	1,776,880
Other games sales	93,168	—	93,168
Lottery ticket sales	4,232,516	1,317,011	5,549,527
Interest income	60,448	40,639	101,087
Old lottery interest (1976-77)	2,560	—	2,560
Other	1,717	12	1,729
Total revenue	\$4,297,241	\$1,357,662	\$5,654,903
Revenue Allocated to Prizes:			
Instant games (40%)	\$ 429,240	\$ 30,682	\$ 459,922
Lotto games (40%)	716,333	295,537	1,011,870
Daily Numbers/Win-Four games (50%)	637,707	250,732	888,439
Other games (40%)	37,267	—	37,267
Allocation of Lottery ticket sales	1,820,547	576,951	2,397,498
Interest income	39,013	38,812	77,825
Unclaimed prizes	(27,626)	(17,201)	(44,827)
Unclaimed free tickets	(1,828)	—	(1,828)
Total revenue allocated to prizes	1,830,106	598,562	2,428,668
Lottery prizes paid	(1,527,248)	(454,005)	(1,981,253)
Balance	302,858	144,557	447,415
Current year accrual (included above)	(11,192)	(3,820)	(3,820)
Prior year accrual	—	11,192	—
Prizes to be paid	\$ 291,666	\$ 151,929	\$ 443,595
Allocation of prizes to be paid:			
Unclaimed and future prizes	\$ 69,887	\$ 2,907	\$ 72,794
Long-term prize obligations	221,779	149,022	370,801
	\$ 291,666	\$ 151,929	\$ 443,595
Revenue Allocated to Education:			
Instant games (45%)	\$ 482,895	\$ 34,517	\$ 517,412
Lotto games (45%)	805,875	332,479	1,138,354
Daily Numbers/Win-Four games (35%)	446,394	175,512	621,906
Other games (45%)	41,926	—	41,926
Allocation of Lottery ticket sales	1,777,090	542,508	2,319,598
Interest income	14,715	146	14,861
Old Lottery interest (1976-77)	2,560	—	2,560
Unclaimed prizes	27,626	17,201	44,827
Administration surplus	88,962	47,999	136,961
Other	32	—	32
Total revenue allocated to Education	1,910,985	607,854	2,518,839
Revenue transferred for Education	(1,886,998)	(616,293)	(2,503,291)
Balance	23,987	(8,439)	15,548
Current year accrual (included above)	(10,547)	(12,324)	(12,324)
Prior year accrual	—	10,547	—
Allocation of cash revenue payable (overpaid)	-\$ 13,440	\$ (10,216)	\$ 3,224
Revenue Allocated to Administration:			
Instant games (15%)	\$ 160,965	\$ 11,506	\$ 172,471
Lotto games (15%)	268,625	110,826	379,451
Daily Numbers/Win-Four games (15%)	191,313	75,220	266,533
Other games (15%)	13,975	—	13,975
Allocation of Lottery ticket sales	634,878	197,552	832,430
Interest income	6,720	1,681	8,401
Unclaimed free tickets	1,828	—	1,828
Other	1,685	12	1,697
Administration surplus	(88,962)	(47,999)	(136,961)
Total revenue allocated to administration	556,149	151,246	707,395
Vendor and distributor commissions and contractor fees	(392,259)	(112,323)	(504,582)
Net revenue allocated to administration	163,890	38,923	202,813
Amount transferred for administrative expenses	(159,387)	(37,955)	(197,342)
Balance	4,503	968	5,471
Current year accrual (included above)	(1,756)	(1,787)	(1,787)
Prior year accrual	—	1,756	—
Allocation of cash revenue payable	\$ 2,747	\$ 937	\$ 3,684

(Notes to financial statement are available for review upon request)

Agents Earn \$79 Million

Fiscal 1985-86 was the best year ever in the amount of commissions agents earned for selling New York State Lottery tickets.

The almost 11,000 ticket agents—ranging in size from the neighborhood “mom and pop” stores to the chain supermarket—earned more than \$79 million in commissions in Fiscal 1985-86.

This brought to \$334.2 million the commissions ticket sellers have earned since they first went on sale in September 1976.

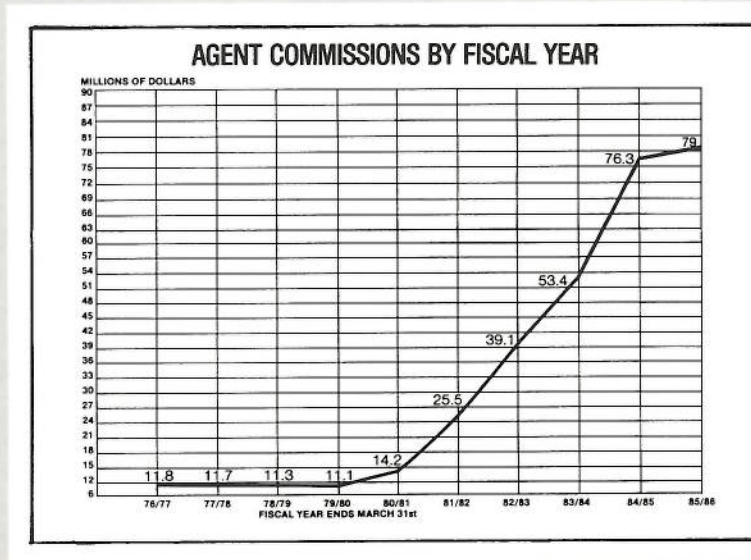
More than 3,900 of these agents

had automated terminals handling LOTTO, NUMBERS and WIN-4 tickets and many of them earned \$60,000 and more over the 12 months.

Lottery commissions continue to be the “salvation” of many small stores, providing an economic support that has made it possible to stay in business or to expand businesses.

Food stores, newsstands and stationery stores top the list of Lottery ticket sellers.

Here’s how the ticket sellers’ commissions on Lottery sales have grown over the years:



The Lottery is Good for Business

By the end of Fiscal 1985-86, the New York State Lottery had pumped more than a half billion dollars into businesses, big and small.

From Fiscal Year 1976-77 through Fiscal Year 1985-86, the New York Lottery has paid a total of more than \$504 million to its agents, contractors and distributors. And as a result, the Lottery's success has been translated into the creation of hundreds of jobs in the private sector.

The benefits of the Lottery have been spread across the entire business spectrum, from the small neighborhood store selling Lottery tickets to the contractors providing the sophisticated technology for a vast network of automated terminals.

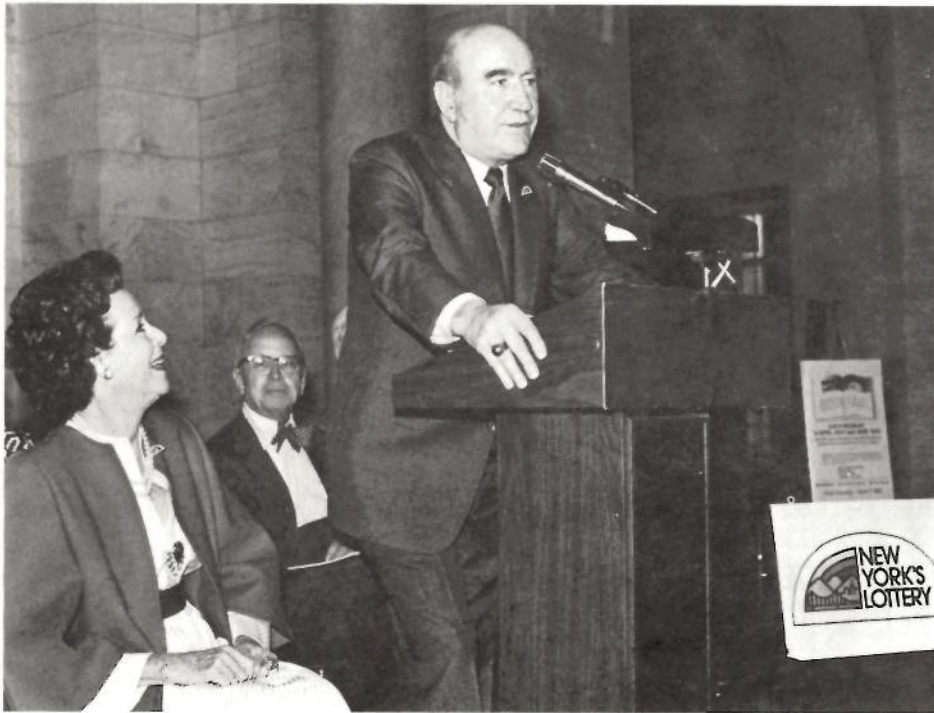
These are the shareholders in the Lottery's success:

TICKET SELLERS	\$334.2 million
DISTRIBUTORS AND BANKS	23.0 million
CONTRACTORS' FEES	147.4 million
TOTAL	\$504.6 million

THE LOTTERY IS GOOD FOR BUSINESS	
FEES AND COMMISSIONS	
SEPT 76-MAR 86	
<small>(MILLIONS OF DOLLARS)</small>	
COMMISSIONS TO SALES AGENTS ..	\$334.2
DISTRIBUTION FEES TO BANKS AND DISTRIBUTORS	\$23
CONTRACTORS FEES	\$147.4
TOTAL	\$504.6



Lottery Activities



(UPPER LEFT)

Mike Abbate, right, director of the New York City regional office of the Lottery, helps present 1,027 Instant Lottery tickets to Lorraine Sposato of Brooklyn, center, as part of a joint promotion with WNEW-FM radio in New York City.

(CENTER LEFT)

The Lottery's unofficial ambassadors of good will, Lou Eisenberg, left, and Curtis Sharp, right, join New York City radio host Ted Brown of WNEW for a morning drive time show.

(UPPER RIGHT)

Pam Laursen, left, American Dairy Princess from Yates County, selected the winner of a new car and ten winners of 50 Instant Lottery tickets each at the 1985 New York State Fair in Syracuse. Lottery official, Mary-Jayne Engel, right, calls the names of the winners.

(LOWER LEFT)

Lottery Director John D. Quinn introduced the 1985 Book Fair in the fitting surroundings of the New York City Public Library. Helping get the Book Fair off to an auspicious start in its second year were Kitty Carlisle Hart, chairman of the New York State Council on the Arts, left, and Pulitzer Prize winning author and historian, Arthur Schlesinger, seated center, rear. There were 3,900 prizes of \$25 each for the purchase of books awarded to winners who sent in their entries consisting of non-winning Lottery tickets. A total of \$97,500 was awarded by the final drawing of June 24, 1985. Winners received \$25 checks made out to them and the bookstore they named in their entries.