



Tennessee Education Lottery

Estimates for Net Lottery Proceeds & After-School Funding

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November 13, 2015



Historical Results

	<i>FY11-12</i>	<i>FY12-13</i>	<i>FY13-14</i>	<i>FY14-15</i>
<i>Total Net Revenue</i>	\$1,221,573,973	\$1,280,366,277	\$1,323,572,632	\$1,372,982,180
<i>Prize Expense</i>	\$770,568,219	\$812,547,301	\$850,790,713	\$881,103,549
<i>Retailer Commissions</i>	\$85,525,965	\$89,258,881	\$92,492,072	\$96,338,232
<i>Operating Expense</i>	\$17,212,674	\$16,916,511	\$17,313,853	\$18,493,366
<i>Other Expenses</i>	\$37,917,640	\$40,101,263	\$38,994,473	\$41,109,343
<i>Total Expenses</i>	\$911,224,498	\$958,823,956	\$1,000,591,111	\$1,037,044,490
<i>Net Lottery Proceeds</i>	\$310,349,475	\$321,542,321	\$322,981,521	\$335,937,690
<i>After-School Funding</i>	\$13,089,186	\$18,170,504	\$14,290,845	\$11,847,864
<i>Total State Proceeds</i>	\$323,438,661	\$339,712,825	\$337,272,366	\$347,785,554

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Actual Growth in FY14-15

	<u>FY13-14</u>	<u>FY14-15</u>	<u>Growth</u>
Total Net Revenue	\$1,323,572,632	\$1,372,982,180	3.73%
Total Expenses	\$1,000,691,111	\$1,037,044,490	3.64%
NET LOTTERY PROCEEDS	<u>\$322,981,621</u>	<u>\$335,937,690</u>	<u>4.01%</u>
After-School Proceeds	\$14,290,845	\$11,847,864	-17.09%
TOTAL STATE PROCEEDS	<u>\$337,272,366</u>	<u>\$347,785,554</u>	<u>3.12%</u>

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Instant Game Growth in FY14-15

Price Point	Percent of Instant Game Sales	FY13-14 Gross Sales (Millions)	FY14-15 Gross Sales (Millions)	Percent Sales Growth	Dollar Growth (Millions)
\$1	7.7%	\$91.7	\$94.5	3.1%	\$2.8
\$2	17.7%	\$230.9	\$216.4	-6.3%	-\$14.5
\$3	7.5%	\$88.4	\$91.1	3.1%	\$2.7
\$5	23.0%	\$262.1	\$280.7	7.1%	\$18.6
\$10	18.5%	\$193.7	\$225.4	16.4%	\$31.7
\$20	13.6%	\$173.7	\$166.2	-4.3%	-\$7.5
\$25	11.9%	\$108.7	\$145.7	34.0%	\$37.0
Total	100.0%	\$1,149.2	\$1,220.0	6.2%	\$70.8

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Growth in Numbers Games – FY14-15

- **CASH 3:**
 - *FY13-14 sales: \$57,673,163*
 - *FY14-15 sales: \$58,877,821*
 - *FY14-15 dollar growth: + \$1,204,658*
 - *FY14-15 percent growth: + 2.1%*
- **CASH 4:**
 - *FY13-14 sales: \$30,815,666*
 - *FY14-15 sales: \$33,359,486*
 - *FY14-15 dollar growth: + \$2,543,820*
 - *FY14-15 percent growth: + 8.3%*



Hot Lotto Growth in FY14-15

- *FY13-14 sales: \$13,115,294*
- *FY14-15 sales: \$15,349,247*
- *FY14-15 dollar growth: + \$2,233,953*
- *FY14-15 percent growth: + 17.0%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$5,000,000 or More</i>	<i>Jackpot Winners</i>
FY13-14	\$3,895,192	\$8,410,000	37	2
FY14-15	\$5,657,788	\$11,710,000	56	1





Tennessee Cash Growth in FY14-15

- *FY13-14 sales: \$18,342,570*
- *FY14-15 sales: \$19,594,124*
- *FY14-15 dollar growth: + \$1,251,554*
- *FY14-15 percent growth: + 6.8%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$1,000,000 or More</i>	<i>Jackpot Winners</i>
FY13-14	\$385,764	\$1,240,000	5	13
FY14-15	\$650,000	\$1,690,000	16	8

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Powerball Growth in FY14-15

- *FY13-14 sales: \$100,950,615*
- *FY14-15 sales: \$87,824,273*
- *FY14-15 dollar growth: - \$13,126,342*
- *FY14-15 percent growth: - 13.0%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$250.0 Million or More</i>	<i>Jackpot Winners</i>
FY13-14	\$118,090,385	\$448,400,000	9	11
FY14-15	\$104,878,846	\$500,000,000	5	14

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Mega Millions Growth in FY14-15

- *FY13-14 sales: \$47,042,505*
- *FY14-15 sales: \$39,201,166*
- *FY14-15 dollar growth: - \$7,841,339*
- *FY14-15 percent growth: - 16.7%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$250.0 Million or More</i>	<i>Jackpot Winners</i>
FY13-14	\$98,201,923	\$636,000,000	9	12
FY14-15	\$93,761,905	\$321,000,000	5	6

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All Jackpot Games in FY14-15

- *Includes Powerball, Mega Millions, Hot Lotto, and Tennessee Cash*
- *FY13-14 combined sales: \$179,450,984*
- *FY14-15 combined sales: \$161,968,810*
- *FY14-15 net dollar growth: -17,482,174*
- *FY14-15 percent growth: -9.7%*

<i>Game</i>	<i>FY13-14</i>	<i>FY14-15</i>	<i>Difference</i>	<i>Percent Change</i>
Powerball	\$100,950,615	\$87,824,273	(\$13,126,342)	-13.0%
Mega Millions	\$47,042,505	\$39,201,166	(\$7,841,339)	-16.7%
Hot Lotto	\$13,115,294	\$15,349,247	\$2,233,953	17.0%
TN Cash	\$18,342,570	\$19,594,124	\$1,251,554	6.8%
Total	\$179,450,984	\$161,968,810	(\$17,482,174)	-9.7%

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Recap for FY14-15

- Total net revenue: \$1,372,982,180; + 3.73% growth*
- Net lottery proceeds: \$335,937,690; + 4.01% growth*
- Majority of growth from instant game products (\$5, \$10 and \$25 price points) – 83% of sales*
- Moderate growth in numbers games (Cash 3 and Cash 4) - 6% of sales*
- Net negative growth in jackpot based games (Powerball, Mega Millions, Hot Lotto, Tennessee Cash) – 11% of sales*



Recent changes for TELC

- Matrix change to Powerball occurred following the October 3rd drawing.*
- Hopefully jackpot cycles for Powerball will be conducive for generating incremental sales and proceeds.*
- Cash 4 Life – new drawing style game introduced November 1st - will generate some new sales; but cannibalization of sales in other games is anticipated (probably Mega Millions, Hot Lotto, and Tennessee Cash).*





FY15-16: Year-to-Date

- Total Revenue: + 6.0% (as of 10/31/2015)**
 - *Instant Games: + 6.9%*
 - *Cash 3 and Cash 4: + 6.1%*
 - *Multi-Jurisdictional (PB, MM, HL): 0.9%*
 - *Tennessee Cash: -12.6%*
- Total Expenses: + 4.8% (as of 9/30/2015)**
 - *Prize Expense: + 5.1%*
 - *Total Expenses / Total Net Revenue: 74.8%*
- Net Lottery Proceeds (NLP): + 10.8% (as of 9/30/2015)**
 - *Net Lottery Proceeds / Total Net Revenue: 25.2%*



Assumptions for FY15-16

- *No additional changes to Powerball*
- *No changes to MM, Hot Lotto, or TN-Cash*
- *No changes to Cash 3 or Cash 4*
- *Introduction of Cash 4 Life on Nov. 1, 2015*
- *Launch of one spotlight instant game in Jan/Feb. 2016*
- *Two more PB jackpot cycles above \$350 million*
- *Two more MM jackpot cycles above \$250 million*
- *No extraordinary changes to the retailer base*
- *No legislative changes*
- *Total Expenses = 75.7% of Total Net Revenue*
- *Net Lottery Proceeds = 24.3% of Total Net Revenue*





FY15-16 Estimates

	Low	Median	Upper
Instant Games (Net)	\$1,147,000,000	\$1,160,000,000	\$1,173,000,000
Cash 3 and Cash 4	\$94,700,000	\$95,500,000	\$96,300,000
PB, MM, Hot Lotto, & Cash 4 Life	\$140,000,000	\$145,000,000	\$150,000,000
Tennessee Cash	\$18,500,000	\$19,000,000	\$19,500,000
Misc. Revenue	\$4,000,000	\$4,100,000	\$4,200,000
Total Net Revenue	\$1,404,200,000	\$1,423,600,000	\$1,443,000,000
Total Expenses (75.7%)	\$1,063,000,000	\$1,077,700,000	\$1,092,400,000
NET LOTTERY PROCEEDS (24.3%)	\$341,200,000	\$345,900,000	\$350,600,000
After-School Funding	\$11,000,000	\$12,000,000	\$13,000,000
TOTAL STATE PROCEEDS	\$352,200,000	\$357,900,000	\$363,600,000
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Assumptions for FY16-17

- *No changes to PB, MM, Hot Lotto, or Cash 4 Life*
- *No changes to Cash 3, Cash 4, or TN Cash*
- *No new TN-exclusive online games*
- *Launch of one spotlight instant game Jan/Feb 2017*
- *At least 2 PB jackpot cycles above \$350 million*
- *At least 2 MM jackpot cycles above \$250 million*
- *No extraordinary changes to the retailer base*
- *No legislative changes*
- *Total Expenses = 75.9% of Total Net Revenue*
- *Net Lottery Proceeds = 24.1% of Total Net Revenue*

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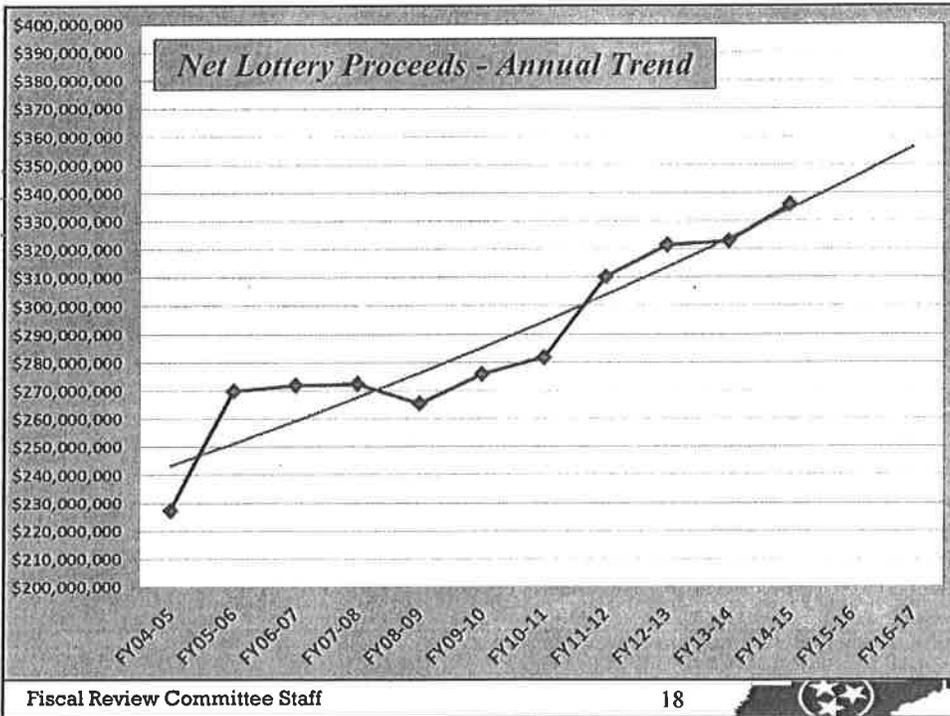


FY16-17 Estimates

	Low	Median	Upper
Instant Games (Net)	\$1,180,000,000	\$1,210,000,000	\$1,230,000,000
Cash 3 and Cash 4	\$95,000,000	\$96,000,000	\$97,000,000
PB, MM, Hot Lotto, and Cash 4 Life	\$139,000,000	\$146,000,000	\$153,000,000
Tennessee Cash	\$18,000,000	\$18,500,000	\$19,000,000
Misc. Revenue	\$4,000,000	\$4,100,000	\$4,200,000
Total Net Revenue	\$1,446,000,000	\$1,474,600,000	\$1,503,200,000
Total Expenses (75.9%)	\$1,097,500,000	\$1,119,200,000	\$1,140,900,000
NET LOTTERY PROCEEDS (24.1%)	\$348,500,000	<u>\$355,400,000</u>	\$362,300,000
After-School Funding	\$11,000,000	\$12,000,000	\$13,000,000
TOTAL STATE PROCEEDS	\$359,500,000	<u>\$367,400,000</u>	\$375,300,000

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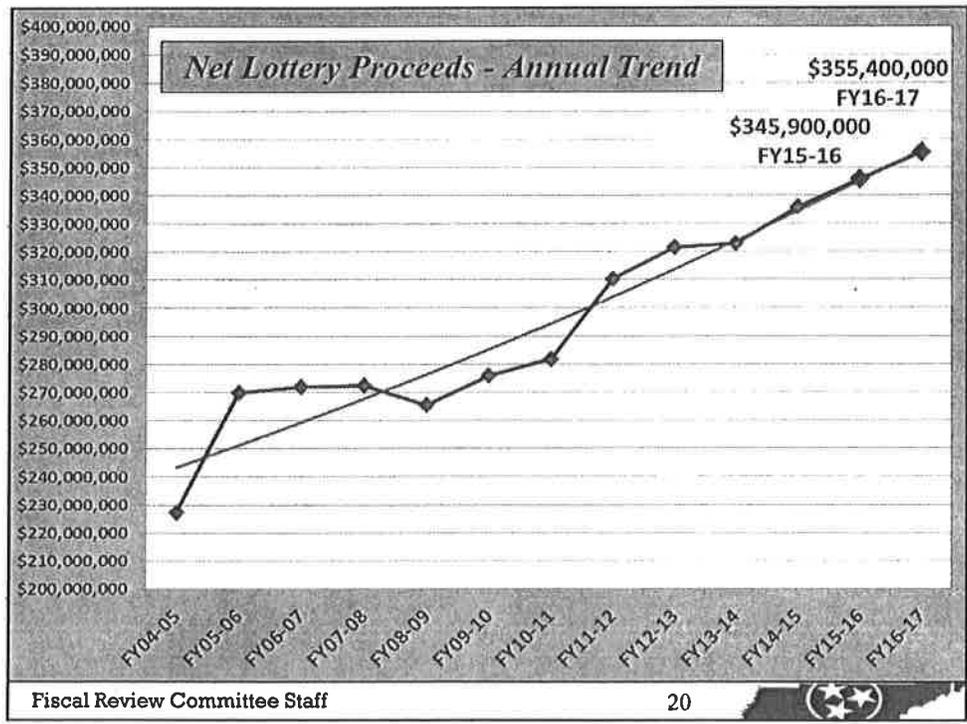
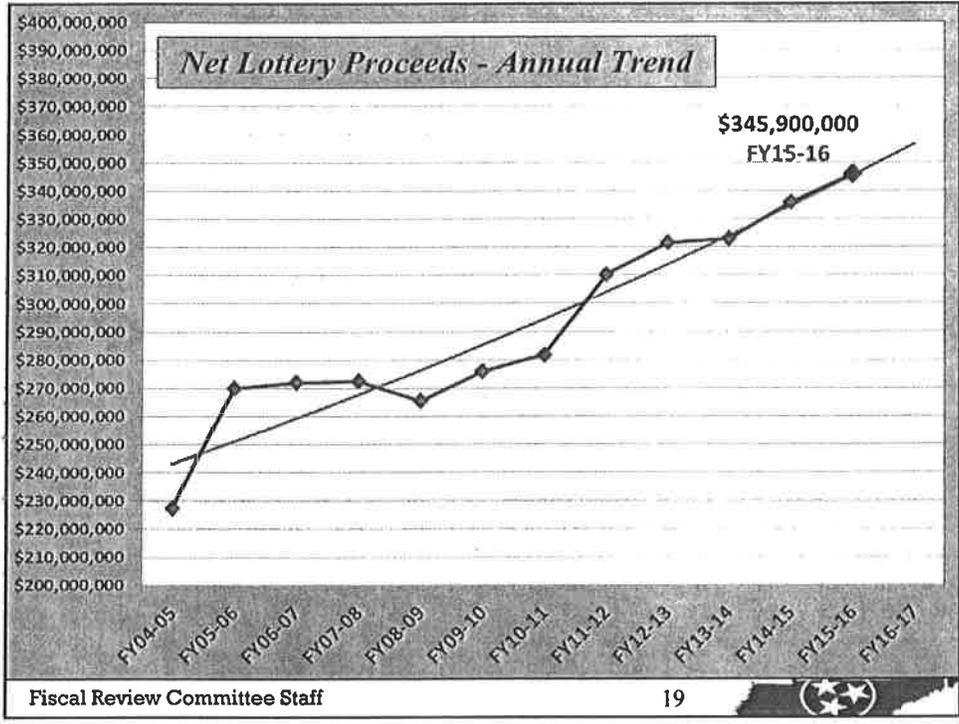
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Subsequent Years

- Growth beyond FY16-17 is difficult to forecast due to a number of unknown factors such as:
 - Changes to payout ratios
 - Matrix changes to jackpot based games
 - Structure changes to pari-mutuel and online games
 - Legislative action
 - Varying jackpot cycles
 - New and discontinued games
 - Changes to retailer base
 - Changes in advertising
 - Changes in economy
 - Changes in gas prices....



FY17-18, FY18-19, and FY19-20

- Industry Average for Revenue Growth: 4.0% per year
- Industry Average for Proceeds Growth: 1.0% per year
- FRC has assumed 4.0% and 1.3% respectively

	FY17-18	FY18-19	FY19-20
Total Net Revenue	\$1,533,584,000	\$1,594,927,000	\$1,658,724,000
Total Expenses	\$1,173,564,000	\$1,230,227,000	\$1,289,283,000
Net Lottery Proceeds	\$360,020,000	\$364,700,000	\$369,441,000
After-School Funding	\$12,500,000	\$12,500,000	\$12,500,000
Total State Proceeds	\$372,520,000	\$377,200,000	\$381,941,000



