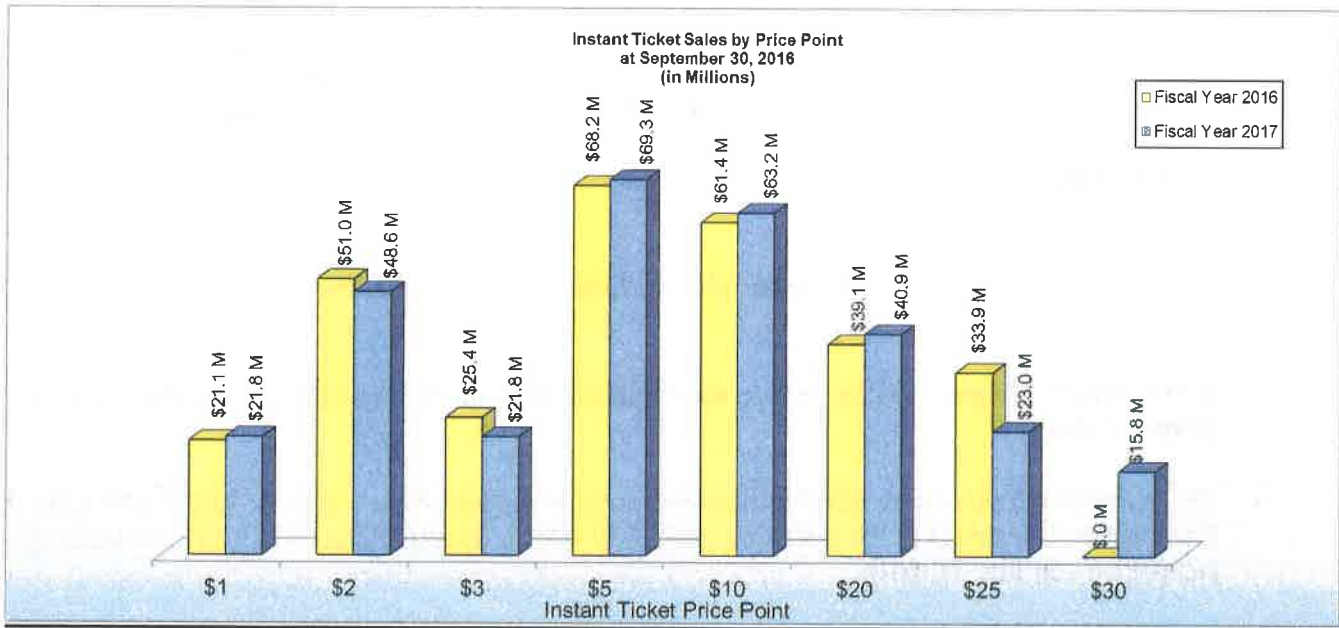


**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**Governor's Hearing**  
**November 8, 2016**

**ESTIMATION OF**  
**TOTAL AND NET LOTTERY PROCEEDS**  
**FOR FISCAL YEARS ENDING**  
**JUNE 30, 2017, 2018, 2019, 2020 AND 2021**

**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

	<b>As of 9/30/2016 (in millions)</b>	<b>FY 2017 Projected Sales Range (in millions)</b>
<b>INSTANT GAMES</b>	\$ 304.4	\$1,305 - \$1,331

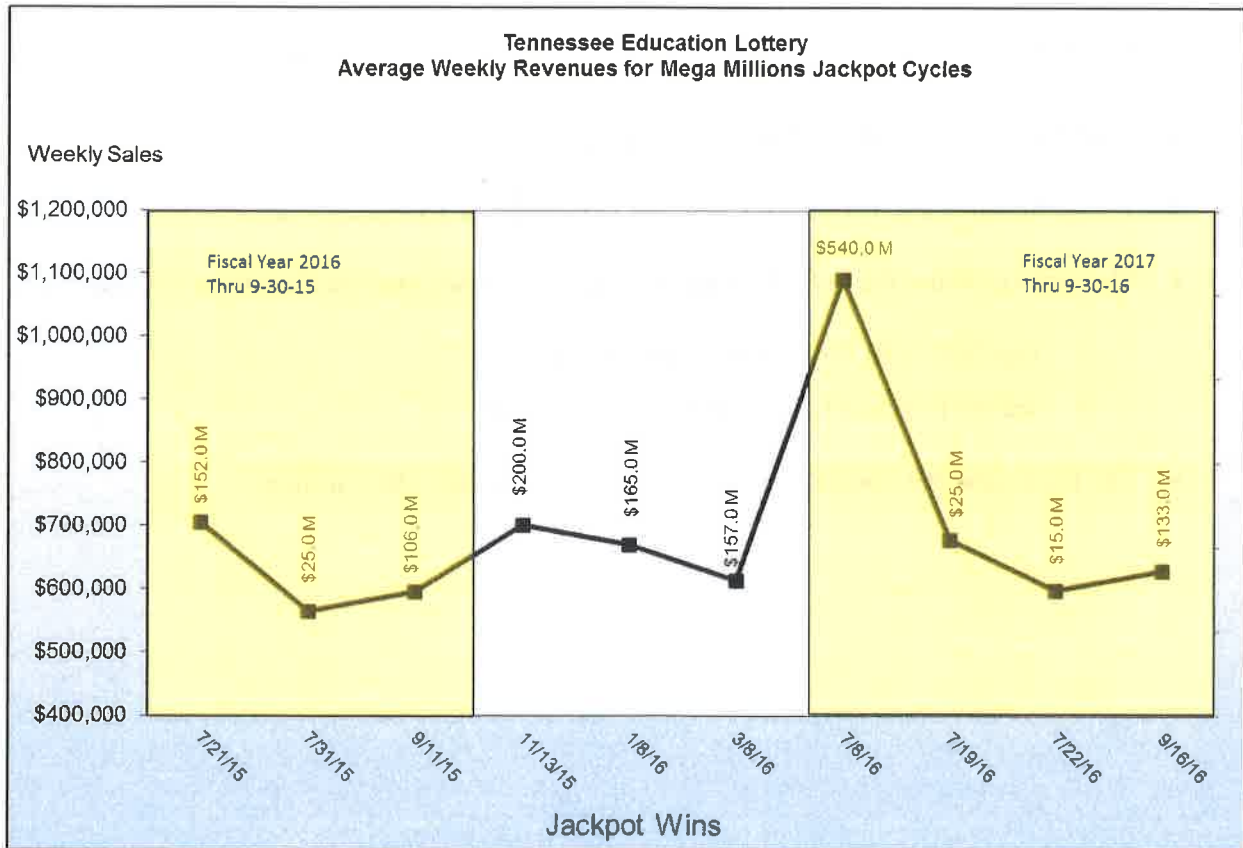


- *Instant tickets* are 80.3% of our product mix at September 30, 2016.
- *Instant ticket sales* were \$304.4 million or \$23.2 million per week thru September 30, 2016 compared to \$300 million or \$22.8 million per week the prior year, representing a 1.5% increase in instant ticket sales year over year.
- The current percentage of sales of TEL's *Instant ticket* products are primarily related to player preferences. In February 2016, TEL launched a \$30 price point ticket, Ultimate Millions which continues to be a favorite of players and driving first quarter sales. We have seen a slight increase in the \$5 and \$10 price points related to increased sales of the Jumbo Bucks games at these price points.
- Fiscal year 2017 *Instant tickets* are projected at \$1.305 billion to \$1.331 billion.
- TEL anticipates launching approximately 51 games in fiscal year 2017. The launch schedule will include similar themed games and families of games to maximize marketing and promotion efforts, including up to four special prints that will enhance visibility and playability options for these games.
- *Instant ticket* prize expense is projected at 67.4% to 67.8% for fiscal year 2017.

**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

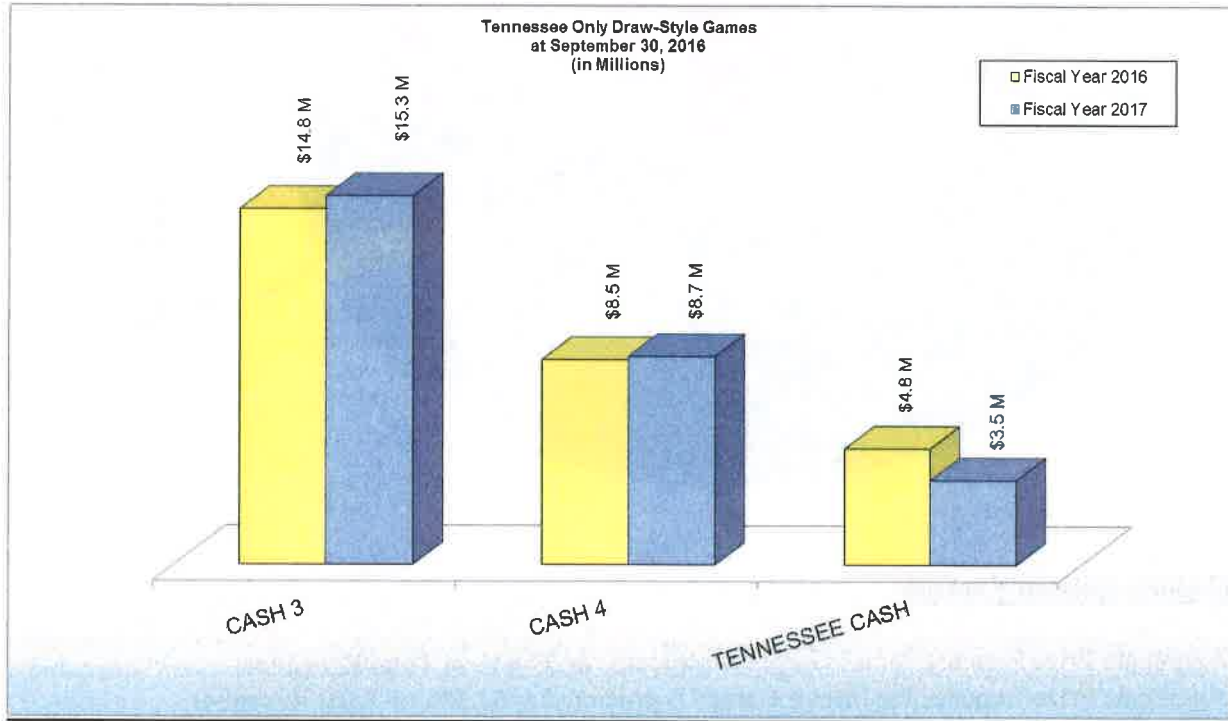
	<b>As of 9/30/2016 (in millions)</b>	<b>FY 2017 Projected Sales Range (in millions)</b>
<b>MEGA MILLIONS</b>	\$13.2	\$37 - \$40

- *Mega Millions* is currently sold in 44 states, plus the District of Columbia and U.S. Virgin Islands.
- *Mega Millions* sales are up 59% at September 30, 2016. On July 8, 2016, *Mega Millions* experienced a jackpot cycle reaching \$540 million. This jackpot cycle drove the increased sales in the first quarter.
- *Mega Millions* weekly sales are projected at \$640 thousand for the full fiscal year 2017 consistent with prior year sales trends.
- TEL projects the *Mega Millions* product to generate one or two jackpots of at least \$250 million to help reach the \$37 to \$40 million fiscal year 2017 sales range.



**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

	<b>As of 9/30/2016 (in millions)</b>	<b>FY 2017 Projected Sales Range (in millions)</b>
<b>TENNESSEE ONLY DRAWING-STYLE GAMES</b>	\$27.5	\$113 -\$118



At September 30, 2016, sales for this product category were \$27.5 million compared to the prior period's \$28.1 million, down primarily due to the lack of jackpots related to Tennessee Cash.

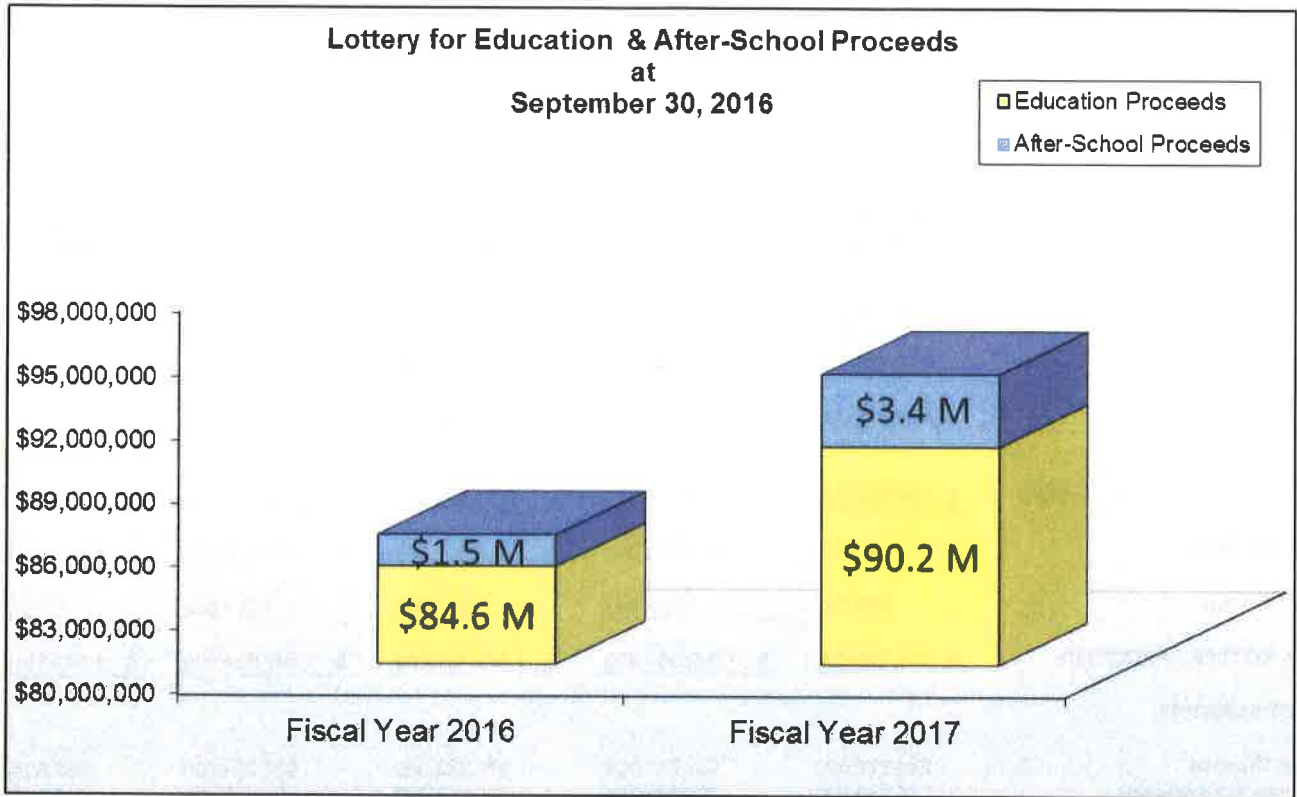
**Cash 3 and Cash 4**

- *Cash 3* and *Cash 4* games are drawn three (3) times daily, six (6) days a week, and once on Sunday.
- In the first quarter of fiscal year 2017, TEL has seen a net increase of 2.9% for the *Cash 3* and *Cash 4* products.
- TEL is projecting sales in the range of \$98 and \$101 million for the full fiscal year.

**Tennessee Cash**

- *Tennessee Cash* is a drawing-style cash jackpot game available only in Tennessee.
- Sales are driven primarily by the cash jackpots, with an average jackpot cycle of \$600 to \$700 thousand.
- TEL projects sales in fiscal year 2017 to be between \$15 and \$17 million.

**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**



**Lottery for Education Proceeds**

- \$90.2 million as of 9/30/2016
- \$84.6 million as of 9/30/2015

**Projected Fiscal Year 2017**

\$356 million - \$366 million

**After-School Program Proceeds**

- \$3.4 million as of 9/30/2016
- \$1.4 million as of 9/30/2015
- Represents actual/realized unclaimed monies
- Significantly impacted by:
  - 1) timing of instant games' closings
  - 2) large drawing-style game prizes not claimed

**Projected Fiscal Year 2017**

\$12- 13 million

**TENNESSEE EDUCATION LOTTERY CORPORATION  
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**

**FISCAL YEARS ENDING JUNE 30, 2017, 2018, 2019 and 2020**

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Total Lottery Proceeds	\$1,600- \$1,636 Million	\$1,636- \$1,663 Million	\$1,663- \$1,700 Million	\$1,687- \$1,725 Million
Lottery for Education Proceeds	\$355-\$366 Million	\$362-\$375 Million	\$369-\$384 Million	\$376-\$391 Million
After-School Programs	\$14 - \$15 Million	\$14 - \$15 Million	\$15 - \$16 Million	\$15 - \$16 Million

**Lottery for Education Proceeds**

Over the last five (5) fiscal years, TEL's average annual Lottery for Education Proceeds growth was 3.2 % compared to the lottery industry's beneficiary funding growth of 1.1%, adjusted for fiscal year anomalies.

We currently project Lottery for Education Proceeds growth in Fiscal Years 2018, 2019, 2020 and 2021 to average between 2% and 2.5% annually.

**After-School Programs Proceeds**

After-School Programs Proceeds are projected based on the five-year historical unclaimed prize experience of slightly less than 1.6% of prize expense, excluding the highest and lowest growth years to adjust for anomalies.

**Lottery-Funded Education Programs  
Comparison of Appropriation Requirements and State Revenues  
Fiscal Years 2015-2016 Through 2020-2021**

	Actual 2015-2016	Estimated 2016-2017	Base 2017-2018	Projected	
				2018-2019	2019 - 2020 2020-21
<b>I. Appropriation Requirements</b>					
Higher Education Scholarships Base	\$ 311,290,300	\$ 322,500,000	\$ 325,800,000	\$ 329,000,000	\$ 332,300,000
Reconnect for Community Colleges	-	-	-	-	-
Tenn. Higher Education Commission	3,208,200	1,352,400	1,352,400	1,352,400	1,352,400
Tennessee Student Assistance Corporation (TSAC)	1,620,700	2,437,400	2,437,400	2,437,400	2,437,400
Tennessee Student Assistance Awards	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000
Education - Lottery Scholarship Day	-	23,000	23,000	23,000	23,000
Rounding / Reconciling	-	(12,800)	(12,800)	(12,800)	(12,800)
<b>Sub-Total Lottery for Education Acct.</b>	<b>\$ 322,919,200</b>	<b>\$ 333,100,000</b>	<b>\$ 336,400,000</b>	<b>\$ 339,600,000</b>	<b>\$ 342,900,000</b>
After-School Programs	13,415,100	13,500,000	13,500,000	13,500,000	13,500,000
<b>Total Appropriation Requirements</b>	<b>\$ 336,334,300</b>	<b>\$ 346,600,000</b>	<b>\$ 349,900,000</b>	<b>\$ 353,100,000</b>	<b>\$ 356,400,000</b>
<b>II. Available Revenues and Reserves</b>					
Net Education Lottery Proceeds	\$ 382,462,000	\$ 357,600,000	\$ 365,800,000	\$ 373,100,000	\$ 380,600,000
Lottery for Education Account - Interest	203,000	75,000	75,000	75,000	75,000
Unrealized Net/Gain Loss	-	-	-	-	-
Unclaimed Prizes (After-School Programs)	11,586,000	13,500,000	13,500,000	13,500,000	13,500,000
After-School Programs - Interest Earnings	48,700	100,000	100,000	100,000	100,000
Interaccount Transfer	-	-	-	-	-
General Shortfall Reserve at prior June 30	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Lottery for Education Account at prior June 30	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Unclaimed Prizes at prior June 30	25,113,600	23,333,200	23,433,200	23,533,200	23,733,200
<b>Total Available Revenues and Reserves</b>	<b>\$ 529,413,300</b>	<b>\$ 504,608,200</b>	<b>\$ 512,908,200</b>	<b>\$ 520,308,200</b>	<b>\$ 528,008,200</b>
<b>III. Available Funds at June 30</b>					
General Shortfall Reserve	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Lottery for Education Account Reserve	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
After-School Programs Reserve	23,333,200	23,433,200	23,533,200	23,633,200	23,833,200
Available to Transfer to Tennessee Promise Scholarships	59,745,800	24,575,000	29,475,000	33,575,000	37,775,000
<b>Total Available Funds at June 30</b>	<b>\$ 193,079,000</b>	<b>\$ 158,008,200</b>	<b>\$ 163,008,200</b>	<b>\$ 167,208,200</b>	<b>\$ 171,608,200</b>