

Revenue Estimating Conference
Lottery Sales
February 19, 2007
Executive Summary

The Revenue Estimating Conference met concerning Lottery revenues on February 19, 2007. The conference increased expected distributions to the Educational Enhancement Trust Fund (EETF) from current projections by \$3.1 million in 2006-07 and by \$5.2 million in 2007-08. These figures translate into growth rates of .6% in 2006-07 and 1.8% in 2007-08. Initial projections were also done for the next three fiscal years, with distributions to EETF increasing by .8% in 2008-09, and by 2.0% in both 2009-10 and 2010-11. Distributions from scratch-off sales have been reduced from the prior estimate, while distributions from on-line sales have been increased. There were also slight increases in expected transfers from unclaimed prizes, while other income remained unchanged.

**LOTTERY ESTIMATING CONFERENCE, FEBRUARY 2007
 LOTTERY SALES PROJECTIONS
 SUMMARY**

Total Income

	Oct-06	Feb-07	Diff.
1987-88	659.5	659.5	0.0
1988-89	1832.0	1832.0	0.0
1989-90	2054.8	2054.8	0.0
1990-91	2160.3	2160.3	0.0
1991-92	2191.0	2191.0	0.0
1992-93	2133.0	2133.0	0.0
1993-94	2162.6	2162.6	0.0
1994-95	2251.1	2251.1	0.0
1995-96	2074.2	2074.2	0.0
1996-97	2085.2	2085.2	0.0
1997-98	2065.5	2065.5	0.0
1998-99	2113.0	2113.0	0.0
1999-00	2266.5	2266.5	0.0
2000-01	2297.9	2297.9	0.0
2001-02	2346.8	2346.8	0.0
2002-03	2883.5	2883.5	0.0
2003-04	3086.4	3086.4	0.0
2004-05	3487.5	3487.5	0.0
2005-06	3946.6	3946.6	0.0
2006-07	4168.7	4129.1	-39.6
2007-08	4252.1	4255.4	3.3
2008-09		4300.1	
2009-10		4391.9	
2010-11		4479.1	

To EETF *

	Oct-06	Feb-07	Diff.
1987-88	230.4	230.4	0.0
1988-89	641.2	641.2	0.0
1989-90	770.4	770.4	0.0
1990-91	820.8	820.8	0.0
1991-92	832.5	832.5	0.0
1992-93	810.5	810.5	0.0
1993-94	821.7	821.7	0.0
1994-95	855.4	855.4	0.0
1995-96	789.0	789.0	0.0
1996-97	792.3	792.3	0.0
1997-98	785.2	785.2	0.0
1998-99	802.9	802.9	0.0
1999-00	861.2	861.2	0.0
2000-01	873.1	873.1	0.0
2001-02	891.7	891.7	0.0
2002-03	966.3	966.3	0.0
2003-04	970.7	970.7	0.0
2004-05	1028.6	1028.6	0.0
2005-06	1224.6	1224.6	0.0
2006-07	1232.0	1235.1	3.1
2007-08	1254.2	1259.4	5.2
2008-09		1269.6	
2009-10		1295.5	
2010-11		1321.1	

In 2003-04 does not include the large Lotto unclaimed prize

SCRATCH-OFF

	Total Sales		Transfers to EETF	
	Oct-06	Feb-2007	Oct-2006	Feb-2007
1987-88	533.1	533.1		
1988-89	365.0	365.0		
1989-90	409.2	409.2		
1990-91	367.3	367.3		
1991-92	405.4	405.4		
1992-93	442.1	442.1		
1993-94	513.8	513.8		
1994-95	527.6	527.6		
1995-96	551.5	551.5		
1996-97	616.2	616.2		
1997-98	583.4	583.4		
1998-99	593.7	593.7		
1999-00	568.4	568.4		
2000-01	639.2	639.2		
2001-02	662.6	662.6	251.8	251.8
2002-03	1073.9	1073.9	279.3	279.3
2003-04	1358.1	1358.1	326.9	326.9
2004-05	1844.6	1844.6	387.9	387.9
2005-06	2100.1	2100.1	409.0	409.0
2006-07	2351.3	2280.7	458.2	443.4
2007-08	2402.0	2400.0	467.1	466.3
2008-09		2452.0		477.9

Per Capita Sales

	Oct-2006	Feb-2007
1987-88	43.5	43.5
1988-89	29.0	29.0
1989-90	31.8	31.8
1990-91	27.9	27.9
1991-92	30.2	30.2
1992-93	32.3	32.3
1993-94	36.8	36.8
1994-95	37.0	37.0
1995-96	37.9	37.9
1996-97	41.5	41.5
1997-98	38.5	38.5
1998-99	38.3	38.3
1999-00	35.8	35.8
2000-01	39.3	39.3
2001-02	39.9	39.9
2002-03	63.3	56.6
2003-04	78.0	78.0
2004-05	103.5	103.5
2005-06	115.3	115.1
2006-07	126.2	122.4
2007-08	126.2	126.1
2008-09		126.0

Average Weekly Sales

	Oct-2006	Feb-2007
1987-88	22.2	22.2
1988-89	7.0	7.0
1989-90	7.9	7.9
1990-91	7.1	7.1
1991-92	7.8	7.8
1992-93	8.5	8.5
1993-94	9.9	9.9
1994-95	10.1	10.1
1995-96	10.6	10.6
1996-97	11.9	11.9
1997-98	11.2	11.2
1998-99	11.4	11.4
1999-00	10.9	10.9
2000-01	12.3	12.3
2001-02	12.7	12.7
2002-03	20.7	20.7
2003-04	26.1	26.1
2004-05	35.5	35.5
2005-06	40.4	40.4
2006-07	45.2	43.9
2007-08	46.2	46.2
2008-09		47.2

LOTTO

Ticket Sales

	<u>Oct-06</u>	<u>Feb-07</u>
1987-88	64.9	64.9
1988-89	1046.5	1046.5
1989-90	846.2	846.2
1990-91	971.3	971.3
1991-92	998.7	998.7
1992-93	857.9	857.9
1993-94	781.5	781.5
1994-95	911.6	911.6
1995-96	738.9	738.9
1996-97	721.1	721.1
1997-98	711.3	711.3
1998-99	737.7	737.7
1999-00	865.0	865.0
2000-01	845.4	845.4
2001-02	802.0	802.0
2002-03	925.5	925.5
2003-04	785.4	785.4
2004-05	689.8	689.8
2005-06	835.0	835.0
2006-07	738.0	737.0
2007-08	757.3	754.3
2008-09		754.3

Per Capita Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88	5.3	5.3
1988-89	83.2	83.2
1989-90	65.8	65.8
1990-91	73.7	73.7
1991-92	74.3	74.3
1992-93	62.8	62.8
1993-94	56.0	56.0
1994-95	63.9	63.9
1995-96	50.8	50.8
1996-97	48.5	48.5
1997-98	46.9	46.9
1998-99	47.6	47.6
1999-00	54.5	54.5
2000-01	52.0	52.0
2001-02	48.4	48.4
2002-03	54.5	48.8
2003-04	45.1	45.1
2004-05	38.7	38.7
2005-06	45.8	45.8
2006-07	39.6	39.5
2007-08	39.8	39.6
2008-09		38.8

Average Weekly Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88	2.7	2.7
1988-89	20.1	20.1
1989-90	16.3	16.3
1990-91	18.7	18.7
1991-92	19.2	19.2
1992-93	16.5	16.5
1993-94	15.0	15.0
1994-95	17.5	17.5
1995-96	14.2	14.2
1996-97	13.9	13.9
1997-98	13.7	13.7
1998-99	14.2	14.2
1999-00	16.6	16.6
2000-01	16.3	16.3
2001-02	15.4	15.4
2002-03	17.8	17.8
2003-04	15.1	15.1
2004-05	13.3	13.3
2005-06	16.1	16.1
2006-07	14.2	14.2
2007-08		14.5
2008-09		14.5

**FANTASY FIVE
Ticket Sales**

	<u>Oct-06</u>	<u>Feb-07</u>
1987-88		
1988-89	98.2	98.2
1989-90	462.3	462.3
1990-91	453.0	453.0
1991-92	350.1	350.1
1992-93	381.4	381.4
1993-94	420.7	420.7
1994-95	346.7	346.7
1995-96	296.7	296.7
1996-97	272.3	272.3
1997-98	245.7	245.7
1998-99	241.8	241.8
1999-00	216.3	216.3
2000-01	191.6	191.6
2001-02	292.9	292.9
2002-03	260.0	260.0
2003-04	259.7	259.7
2004-05	252.5	252.5
2005-06	306.7	306.7
2006-07	336.8	326.1
2007-08	329.5	323.5
2008-09		321.2

Per Capita Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89	7.8	7.8
1989-90	35.9	35.9
1990-91	34.4	34.4
1991-92	26.0	26.0
1992-93	27.9	27.9
1993-94	30.1	30.1
1994-95	24.3	24.3
1995-96	20.4	20.4
1996-97	18.3	18.3
1997-98	16.2	16.2
1998-99	15.6	15.6
1999-00	13.6	13.6
2000-01	11.8	11.8
2001-02	17.7	17.7
2002-03	15.3	13.7
2003-04	14.9	14.9
2004-05	14.2	14.2
2005-06	16.8	16.8
2006-07	18.1	17.5
2007-08	17.3	17.0
2008-09		16.5

Average Weekly Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89	1.9	1.9
1989-90	8.9	8.9
1990-91	8.7	8.7
1991-92	6.7	6.7
1992-93	7.3	7.3
1993-94	8.1	8.1
1994-95	6.7	6.7
1995-96	5.7	5.7
1996-97	5.2	5.2
1997-98	4.7	4.7
1998-99	4.6	4.6
1999-00	4.2	4.2
2000-01	3.7	3.7
2001-02	5.6	5.6
2002-03	5.0	5.0
2003-04	5.0	5.0
2004-05	4.9	4.9
2005-06	5.9	5.9
2006-07	6.5	6.3
2007-08	6.3	6.2
2008-09		6.2

PLAY FOUR

Ticket Sales		
	<u>Oct-06</u>	<u>Feb-07</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92	140.8	140.8
1992-93	142.3	142.3
1993-94	140.0	140.0
1994-95	145.2	145.2
1995-96	154.9	154.9
1996-97	151.1	151.1
1997-98	159.6	159.6
1998-99	169.4	169.4
1999-00	158.6	158.6
2000-01	163.2	163.2
2001-02	170.7	170.7
2002-03	182.7	182.7
2003-04	192.6	192.6
2004-05	207.0	207.0
2005-06	215.5	215.5
2006-07	225.3	230.0
2007-08	233.6	240.4
2008-09		248.8

Per Capita Sales		
	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92	10.5	10.5
1992-93	10.4	10.4
1993-94	10.0	10.0
1994-95	10.2	10.2
1995-96	10.6	10.6
1996-97	10.2	10.2
1997-98	10.5	10.5
1998-99	10.9	10.9
1999-00	10.0	10.0
2000-01	10.0	10.0
2001-02	10.3	10.3
2002-03	10.8	9.6
2003-04	11.1	11.1
2004-05	11.6	11.6
2005-06	11.8	11.8
2006-07	12.1	12.3
2007-08	12.3	12.6
2008-09		12.8

Average Weekly Sales		
	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92	2.7	2.7
1992-93	2.7	2.7
1993-94	2.7	2.7
1994-95	2.8	2.8
1995-96	3.0	3.0
1996-97	2.9	2.9
1997-98	3.1	3.1
1998-99	3.3	3.3
1999-00	3.1	3.1
2000-01	3.1	3.1
2001-02	3.3	3.3
2002-03	3.5	3.5
2003-04	3.7	3.7
2004-05	4.0	4.0
2005-06	4.1	4.1
2006-07	4.3	4.4
2007-08	4.5	4.6
2008-09		4.8

CASH THREE

Ticket Sales

	<u>Oct-06</u>	<u>Feb-07</u>
1987-88	55.6	55.6
1988-89	305.2	305.2
1989-90	313.9	313.9
1990-91	347.4	347.4
1991-92	279.6	279.6
1992-93	298.1	298.1
1993-94	296.5	296.5
1994-95	307.0	307.0
1995-96	319.5	319.5
1996-97	309.4	309.4
1997-98	313.9	313.9
1998-99	339.3	339.3
1999-00	319.0	319.0
2000-01	326.5	326.5
2001-02	329.8	329.8
2002-03	330.0	330.0
2003-04	349.2	349.2
2004-05	345.6	345.6
2005-06	343.2	343.2
2006-07	349.6	352.6
2007-08	359.1	357.0
2008-09		360.6

Per Capita Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88	4.5	4.5
1988-89	24.3	24.3
1989-90	24.4	24.4
1990-91	26.4	26.4
1991-92	20.8	20.8
1992-93	21.8	21.8
1993-94	21.2	21.2
1994-95	21.5	21.5
1995-96	22.0	22.0
1996-97	20.8	20.8
1997-98	20.7	20.7
1998-99	21.9	21.9
1999-00	20.1	20.1
2000-01	20.1	20.1
2001-02	19.9	19.9
2002-03	19.4	17.4
2003-04	20.1	20.1
2004-05	19.4	19.4
2005-06	18.8	18.8
2006-07	18.8	18.9
2007-08	18.9	18.8
2008-09		18.5

Average Weekly Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88	2.3	2.3
1988-89	5.9	5.9
1989-90	6.0	6.0
1990-91	6.7	6.7
1991-92	5.4	5.4
1992-93	5.7	5.7
1993-94	5.7	5.7
1994-95	5.9	5.9
1995-96	6.1	6.1
1996-97	6.0	6.0
1997-98	6.0	6.0
1998-99	6.5	6.5
1999-00	6.1	6.1
2000-01	6.3	6.3
2001-02	6.3	6.3
2002-03	6.3	6.3
2003-04	6.7	6.7
2004-05	6.6	6.6
2005-06	6.6	6.6
2006-07	6.7	6.8
2007-08	6.9	6.9
2008-09		6.9

MEGA MONEY

Ticket Sales

	<u>Oct-06</u>	<u>Feb-07</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98	36.0	36.0
1998-99	14.9	14.9
1999-00	121.3	121.3
2000-01	108.8	108.8
2001-02	98.3	98.3
2002-03	95.9	95.9
2003-04	125.9	125.9
2004-05	131.2	131.2
2005-06	128.5	128.5
2006-07	126.7	126.7
2007-08	130.1	124.7
2008-09		122.7

Per Capita Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98	2.4	2.4
1998-99	1.0	1.0
1999-00	7.6	7.6
2000-01	6.7	6.7
2001-02	5.9	5.9
2002-03	5.7	5.1
2003-04	7.2	7.2
2004-05	7.4	7.4
2005-06	7.1	7.0
2006-07	6.8	6.8
2007-08	6.8	6.6
2008-09		6.3

Average Weekly Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98	0.7	0.7
1998-99	0.3	0.3
1999-00	2.3	2.3
2000-01	2.1	2.1
2001-02	1.9	1.9
2002-03	1.8	1.8
2003-04	2.4	2.4
2004-05	2.5	2.5
2005-06	2.5	2.5
2006-07	2.4	2.4
2007-08	2.5	2.4
2008-09		2.4

Millionaire Raffle

Ticket Sales

	<u>Oct-06</u>	<u>Feb-07</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98		
1998-99		
1999-00		
2000-01		
2001-02		
2002-03		
2003-04		
2004-05		
2005-06		
2006-07	25.0	60.0
2007-08	25.0	40.0
2008-09		25.0

Per Capita Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98		
1998-99		
1999-00		
2000-01		
2001-02		
2002-03		
2003-04		
2004-05		
2005-06		
2006-07	1.3	3.2
2007-08	1.3	2.1
2008-09		1.3

Average Weekly Sales

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88		
1988-89		
1989-90		
1990-91		
1991-92		
1992-93		
1993-94		
1994-95		
1995-96		
1996-97		
1997-98		
1998-99		
1999-00		
2000-01		
2001-02		
2002-03		
2003-04		
2004-05		
2005-06		
2006-07	0.5	1.2
2007-08	0.5	0.8
2008-09		0.5

ON-LINE SALES

	Total Sales		Transfers to EETF	
	Oct-06	Feb-2007	Oct-2006	Feb-2007
1987-88	120.5	120.5		
1988-89	1449.9	1449.9		
1989-90	1622.4	1622.4		
1990-91	1771.7	1771.7		
1991-92	1769.2	1769.2		
1992-93	1679.7	1679.7		
1993-94	1638.7	1638.7		
1994-95	1710.5	1710.5		
1995-96	1510.0	1510.0		
1996-97	1453.9	1453.9		
1997-98	1466.6	1466.6		
1998-99	1503.0	1503.0		
1999-00	1680.1	1680.1		
2000-01	1635.5	1635.5		
2001-02	1693.8	1693.8		
2002-03	1794.1	1794.1		
2003-04	1712.9	1712.9		
2004-05	1626.1	1626.1		
2005-06	1828.9	1828.9	755.9	755.9
2006-07	1801.4	1832.4	721.0	733.3
2007-08	1834.6	1839.9	733.2	736.0
2008-09		1832.6		733.0

Per Capita Sales

	Oct-2006	Feb-2007
1987-88	9.8	9.8
1988-89	115.3	115.3
1989-90	126.1	126.1
1990-91	134.4	134.4
1991-92	131.6	131.6
1992-93	122.9	122.9
1993-94	117.4	117.4
1994-95	119.9	119.9
1995-96	103.8	103.8
1996-97	97.8	97.8
1997-98	96.8	96.8
1998-99	97.0	97.0
1999-00	105.8	105.8
2000-01	100.7	100.7
2001-02	102.1	102.1
2002-03	105.7	94.6
2003-04	98.4	98.4
2004-05	91.3	91.3
2005-06	100.4	100.3
2006-07	96.7	98.3
2007-08	96.4	96.7
2008-09		94.2

Average Weekly Sales

	Oct-2006	Feb-2007
1987-88	5.0	5.0
1988-89	27.9	27.9
1989-90	31.2	31.2
1990-91	34.1	34.1
1991-92	34.0	34.0
1992-93	32.3	32.3
1993-94	31.5	31.5
1994-95	32.9	32.9
1995-96	29.0	29.0
1996-97	28.0	28.0
1997-98	28.2	28.2
1998-99	28.9	28.9
1999-00	32.3	32.3
2000-01	31.5	31.5
2001-02	32.6	32.6
2002-03	34.5	34.5
2003-04	32.9	32.9
2004-05	31.3	31.3
2005-06	35.2	35.2
2006-07	34.6	35.2
2007-08	35.3	35.4
2008-09		35.2

TOTAL TICKET SALES

	Ticket Sales	
	Oct-06	Feb-07
1987-88	653.6	653.6
1988-89	1814.9	1814.9
1989-90	2031.6	2031.6
1990-91	2139.0	2139.0
1991-92	2174.6	2174.6
1992-93	2121.9	2121.9
1993-94	2152.5	2152.5
1994-95	2238.1	2238.1
1995-96	2061.5	2061.5
1996-97	2070.1	2070.1
1997-98	2050.0	2050.0
1998-99	2096.7	2096.7
1999-00	2248.5	2248.5
2000-01	2274.7	2274.7
2001-02	2356.4	2356.4
2002-03	2868.0	2868.0
2003-04	3071.0	3071.0
2004-05	3470.7	3470.7
2005-06	3929.0	3929.0
2006-07	4152.7	4113.1
2007-08	4236.6	4239.9
2008-09		4284.6

Per Capita Sales

	Per Capita Sales	
	Oct-2006	Feb-2007
1987-88	53.4	53.4
1988-89	144.4	144.4
1989-90	157.9	157.9
1990-91	162.3	162.3
1991-92	161.8	161.8
1992-93	155.2	155.2
1993-94	154.2	154.2
1994-95	156.9	156.9
1995-96	141.7	141.7
1996-97	139.3	139.3
1997-98	135.3	135.3
1998-99	135.4	135.4
1999-00	141.6	141.6
2000-01	140.0	140.0
2001-02	142.1	142.1
2002-03	169.0	151.2
2003-04	176.4	176.4
2004-05	194.8	194.8
2005-06	215.6	215.4
2006-07	222.8	220.7
2007-08	222.5	222.8
2008-09		220.2

Average Weekly Sales

	Average Weekly Sales	
	Oct-2006	Feb-2007
1987-88	27.2	27.2
1988-89	34.9	34.9
1989-90	39.1	39.1
1990-91	41.1	41.1
1991-92	41.8	41.8
1992-93	40.8	40.8
1993-94	41.4	41.4
1994-95	43.0	43.0
1995-96	39.6	39.6
1996-97	39.8	39.8
1997-98	39.4	39.4
1998-99	40.3	40.3
1999-00	43.2	43.2
2000-01	43.7	43.7
2001-02	45.3	45.3
2002-03	55.2	55.2
2003-04	59.1	59.1
2004-05	66.7	66.7
2005-06	75.6	75.6
2006-07	79.9	79.1
2007-08	81.5	81.5
2008-09		82.4

Other Income
(Security Lending, Interest Earnings,
On-Line Communication Fees,
Retailer Fees)

	<u>Oct-2006</u>	<u>Feb-2007</u>
1987-88	3.7	3.7
1988-89	17.4	17.4
1989-90	23.0	23.0
1990-91	21.3	21.3
1991-92	16.4	16.4
1992-93	11.0	11.0
1993-94	10.0	10.0
1994-95	13.0	13.0
1995-96	15.0	15.0
1996-97	15.2	15.2
1997-98	15.4	15.4
1998-99	16.3	16.3
1999-00	18.1	18.1
2000-01	23.2	23.2
2001-02	16.5	16.5
2002-03	15.5	15.5
2003-04	15.6	15.6
2004-05	16.7	16.7
2005-06	17.6	17.6
2006-07	16.0	16.0
2007-08	15.5	15.5
2008-09		15.5

80% Unclaimed Prizes for Transfer

	<u>Oct-2006</u>	<u>Feb-2007</u>
2005-06	41.9	41.9
2006-07	36.8	42.4
2007-08	38.4	41.6
2008-09		43.2

Long Term Transfer calculations

Assumptions:

	Scratch-off Growth Rate	On-Line Growth Rate	Scratch-off Transfer %	On-Line Transfer %	Unclaimed Prizes 80%	Other Income
2006-07			19.44%	40.02%	42.4	16.0
2007-08			19.43%	40.00%	41.6	15.5
2008-09			19.49%	40.00%	43.2	15.5
2009-10	2.14%	2.14%	19.49%	40.00%	43.2	15.5
2010-11	1.99%	1.99%	19.49%	40.00%	44.0	15.5

Sales and Transfers:

	Scratch-off Dollars	On-Line Dollars	Scratch-off Transfers	On-Line Transfers	Total Transfers
2006-07	2280.7	1832.4	443.4	733.3	1235.1
2007-08	2400.0	1839.9	466.3	736.0	1259.4
2008-09	2452.0	1832.6	477.9	733.0	1269.6
2009-10	2504.5	1871.8	488.1	748.7	1295.5
2010-11	2554.4	1909.2	497.9	763.7	1321.1

EDUCATIONAL ENHANCEMENT (LOTTERY) TRUST FUND
 CONSENSUS REVENUE ESTIMATING CONFERENCE
 RETROSPECT
 FY 2004-05 and FY 2005-06
 (\$ MILLIONS)

19-Feb-2007

	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
FUNDS AVAILABLE 2004-05			
Balance forward from 2003-04	0.0	123.4	123.4
Miscellaneous adjustments	0.0	0.3	0.3
Refunds	0.0	0.2	0.2
Revenues from ticket sales	1,028.6	0.0	1,028.6
Midyear reversions	0.0	1.5	1.5
Transfer from Lottery Admin TF (#2602A, 2004 GAA)	0.0	38.3	38.3
Unencumbered DOL balance from 03-04	0.0	12.5	12.5
Interest earnings	1.5	0.0	1.5
Total 2003-04 funds available	<u>1,030.1</u>	<u>176.2</u>	<u>1,206.3</u>
EXPENDITURES 2004-05			
Public Schools	294.0	143.1	437.1
State University System	128.5	1.3	129.8
Community Colleges	95.2	3.7	98.9
Bright Futures	259.2	9.9	269.1
Transfer to Lottery Capital Outlay TF	180.1	0.0	180.1
Student Financial Assistance	2.5	18.0	20.5
State Board of Education	0.0	5.0	5.0
Total 04-05 expenditures	<u>959.5</u>	<u>181.0</u>	<u>1,140.5</u>
AVAILABLE RESERVES	70.6	(4.8)	65.8
FUNDS AVAILABLE 2005-06			
Balance forward from 2004-05	0.0	65.8	65.8
Revenues from ticket sales	1,218.5	0.0	1,218.5
Transfer from DOL Administrative TF	0.0	60.0	60.0
Unencumbered DOL balance from 04-05	0.0	15.1	15.1
Miscellaneous adjustments	0.0	25.3	25.3
Nonoperating revenue	0.0	3.2	3.2
Interest earnings	1.5	0.0	1.5
Total 2005-06 funds available	<u>1,220.0</u>	<u>169.4</u>	<u>1,389.4</u>
EXPENDITURES 2005-06			
Public Schools	271.9	67.3	339.2
State University System	138.2	6.5	144.7
Community Colleges	99.8	7.0	106.8
Critical Jobs Initiative	0.0	4.7	4.7
Bright Futures	306.7	0.0	306.7
Student Financial Assistance	18.1	0.0	18.1
Debt Service on outstanding bonds	202.9	0.0	202.9
Total 05-06 expenditures	<u>1,037.6</u>	<u>85.5</u>	<u>1,123.1</u>
AVAILABLE RESERVES	182.4	83.9	266.3

**EDUCATIONAL ENHANCEMENT TRUST FUND
FINANCIAL OUTLOOK STATEMENT**

including results of the Revenue Estimating Conference on slot machine revenues of July 2007
FY 2006-07 and FY 2007-08
(\$ MILLIONS)

DATE: 25-Jul-07
TIME: 1:30 PM

	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
FUNDS AVAILABLE 2006-07			
Balance forward from 2005-06	0.0	266.3	266.3
Revenues from Lottery ticket sales	1,235.1	0.0	1,235.1
Impact of slot machine activity on ticket sales	(10.0)	7.2	(2.8)
Revenues from slot machine activity	172.9	(124.7)	48.2
Transfer from DOL Administrative TF	0.0	10.1	10.1
Interest earnings	6.3	0.0	6.3
Miscellaneous revenue	0.0	0.6	0.6
FCO reversions	0.0	1.0	1.0
Total 2006-07 funds available	<u>1,404.3</u>	<u>160.5</u>	<u>1,564.8</u>
ESTIMATED EXPENDITURES 2006-07			
Public Schools	330.9	0.0	330.9
State University System	166.9	10.1	177.0
State University System/challenge grants	0.0	120.2	120.2
Community Colleges	115.9	24.1	140.0
Community Colleges/facilities matching grants	0.0	35.0	35.0
Bright Futures	346.3	0.0	346.3
Student Financial Assistance	21.5	0.0	21.5
SMART Schools/Classrooms First	167.9	0.0	167.9
Class Size Reduction/Debt Service	100.3	0.0	100.3
Total 06-07 estimated expenditures	<u>1,249.7</u>	<u>189.4</u>	<u>1,439.1</u>
AVAILABLE RESERVES	154.6	(28.9)	125.7
FUNDS AVAILABLE 2007-08			
Balance forward from 2006-07	0.0	125.7	125.7
Revenues from Lottery ticket sales	1,256.7	1.6	1,258.3
Impact of slot machine activity on ticket sales	(10.0)	3.4	(6.6)
Unused appropriations (debt service)	0.0	55.0	55.0
Revenues from slot machine activity	172.9	(59.4)	113.5
Transfer from DOL Administrative TF	0.0	3.0	3.0
Interest earnings	3.0	0.0	3.0
Total 2007-08 funds available	<u>1,422.6</u>	<u>129.3</u>	<u>1,551.9</u>
ESTIMATED EXPENDITURES 2007-08			
Public Schools	420.3	0.0	420.3
Public Schools/non-FEFP	20.0	15.0	35.0
State University System	166.9	4.5	171.4
State University System/challenge grants	0.0	74.3	74.3
Community Colleges	117.4	0.0	117.4
Community Colleges/matching grants	0.0	48.7	48.7
Bright Futures	398.4	0.0	398.4
Student Financial Assistance	39.4	0.0	39.4
SMART Schools/Classrooms First	166.9	0.0	166.9
Class Size Reduction/Debt Service	125.3	0.0	125.3
Total 07-08 estimated expenditures	<u>1,454.6</u>	<u>142.5</u>	<u>1,597.1</u>
AVAILABLE RESERVES	(32.0)	(13.2)	(45.2)

**EDUCATIONAL ENHANCEMENT TRUST FUND
FINANCIAL OUTLOOK STATEMENT**

including results of the Revenue Estimating Conference on slot machine revenues of July 2007
FY 2008-09, FY 2009-10, and FY 2010-11
(\$ MILLIONS)

DATE: 25-Jul-07
TIME: 1:30 PM

	<u>RECURRING</u>	<u>NON- RECURRING</u>	<u>TOTAL</u>
FUNDS AVAILABLE 2008-09			
Balance forward from 2007-08	0.0	(45.2)	(45.2)
Revenues from Lottery ticket sales	1,266.9	0.5	1,267.4
Impact of slot machine activity on ticket sales	(10.0)	2.8	(7.2)
Revenues from slot machine activity	172.9	(49.3)	123.6
Interest earnings	3.0	0.0	3.0
Total 2008-09 funds available	<u>1,432.8</u>	<u>(91.2)</u>	<u>1,341.6</u>
 FUNDS AVAILABLE 2009-10			
Balance forward from 2008-09	0.0	0.0	0.0
Revenues from Lottery ticket sales	1,292.8	0.0	1,292.8
Impact of slot machine activity on ticket sales	(10.0)	1.2	(8.8)
Revenues from slot machine activity	172.9	(21.3)	151.6
Interest earnings	3.0	0.0	3.0
Total 2009-10 funds available	<u>1,458.7</u>	<u>(20.1)</u>	<u>1,438.6</u>
 FUNDS AVAILABLE 2010-11			
Balance forward from 2009-10	0.0	0.0	0.0
Revenues from Lottery ticket sales	1,318.2	0.0	1,318.2
Impact of slot machine activity on ticket sales	(10.0)	0.0	(10.0)
Revenues from slot machine activity	172.9	0.0	172.9
Interest earnings	3.0	0.0	3.0
Total 2010-11 funds available	<u>1,484.1</u>	<u>0.0</u>	<u>1,484.1</u>

REVENUE ESTIMATING CONFERENCE

APPROPRIATION: Lottery

ISSUE: Funding for up to 500 Additional Full-service Lottery Terminals

MONTH/YEAR COLLECTION IMPACT BEGINS: October 2007

DATE OF ANALYSIS: July 9, 2007

SECTION 1: NARRATIVE

a. Current Situation: The Lottery's gaming system contract (effective January 31, 2005) included a base number of 12,000 Altura (full-service) terminals to be placed at retailer locations. A legislative budget amendment approved in November 2004 authorized the Lottery to increase its number of terminals to 13,000 during FY 2004-05. In March 2005, the REC assessed the impact of a D-3A issue for FY 2005-06 that included funding a full year of the first 1,000 additional terminals first approved for FY 2004-05 in the legislative budget amendment noted above. At the same time, the REC also considered the impacts of funding a second 1,000 additional terminals in the second half of FY 2005-06. This would have brought the Lottery's terminal base to 14,000.

In 2004, the Lottery embarked upon a strategy of trying to increase the size of its retailer network as a means of generating more sales and contributions to the Educational Enhancement Trust Fund (EETF). As the attached Table A shows, Florida Lottery population-per-retailer figures remain higher than those of eight of the top ten U.S. lotteries in terms of per capita sales.

Progress in recruiting additional retailers has been slower than expected, particularly in terms of getting additional corporations to add Lottery products. The number of active retailers now stands at 13,015 (with the terminals over 13,000 funded level derived from liquidated damages paid by the Lottery's gaming system vendor).

b. Proposed Change: The Lottery intends to increase its retailer base by up to 500 retailers by the end of Fiscal Year 2007-08. At that point, the Lottery retailer network would stand at 13,500 retailers. To gain authorization, the Lottery is seeking a Legislative Budget Amendment to increase its authority to spend funds for 500 additional terminals.

Plan for Use

Based on recent trends, the Lottery can expect to average a net gain of 15-to-20 new retailers per month from normal business growth and recruitment efforts. In addition, a survey of the Lottery's top 10 corporate chains of retailers indicates that 126 new terminals will be needed simply for the additional store locations set to come on board during this fiscal year. The Lottery intends to continue its strategies for trying to recruit retail locations owned by under-represented minorities. These include staging retailer recruitment seminars around the state, advertising in community newspapers and other techniques. Finally, a strategy of allowing greater flexibility in terms of sales equipment is being explored. This opens up the opportunity of reopening discussions with some of the larger Florida retail chains currently not selling lottery tickets.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

1. Florida Lottery historical data regarding retailer sales by terminal type and sales of daily games
2. The additional cost per terminal
3. A model developed for the Lottery by Battelle Memorial Institute to predict sales increases from increased expenditures on retailer density and other "market levers."

REVENUE ESTIMATING CONFERENCE

APPROPRIATION: Lottery

ISSUE: Funding for up to 500 Additional Full-service Lottery Terminals

MONTH/YEAR COLLECTION IMPACT BEGINS: October 2007

DATE OF ANALYSIS: July 9, 2007

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Terminal Cost and Installation Schedule

The Lottery's legislative budget request for up to 500 additional terminals assumes that they will become operational over the final three quarters of FY 2007-08 (October 2007-June 2008). It is assumed that they will be installed at a rate of 55-56 terminals per month over that time frame.

The gaming system contract contains a price schedule for additional terminals with rates increasing with each contract year. Additional terminals ordered prior to January 31, 2008, would have a charge of \$190 per terminal per month. In addition, a gift-card, favorite numbers application capability for each terminal is charged at \$12.10 per terminal, per month.

Data Set and Analysis

The net sales (unaudited) of retailers active in FY 2006-07 provided the basis for analysis. Retailers (actually the terminals of the retailers) were divided into five categories based on the length of their service as Florida Lottery retailers. The attached Table B presents FY 2006-07 sales information for each of those categories, broken out by total and weekly sales and by product line.

The "high" and "middle" sales and Educational Enhancement Trust Fund (EETF) estimates offered here are based on the figures for new retailers activated in FY 2006-07 prior to the final quarter. The focus of this category reflects the belief that it strikes a reasonable balance, i.e., these are new retailers who have had a quarter to get used to selling lottery tickets and to make their customers aware that they sell them.

Sales for retailers activated during the final three months of FY 2006-07 provide the basis for the "low" estimate. Even these figures make it clear that additional terminals provide a net gain for EETF.

Possibility of Sales Shifts to New Retailers

Certainly there will be some shifting of lottery sales from existing to new retailers, and a sales shift factor is included in the estimate calculations. A number of factors greatly complicate the task of finding an answer to this question—Florida Lotto jackpot levels, new prize payout strategies for games, new games and promotions, etc.

A separate analysis suggests that the larger retailer network is a factor in increased sales. The first is the Lottery Business Investment Study done by Battelle Memorial Institute for the Florida Lottery in 2004. Part of that study was to develop a model to be used in estimating the sales impacts in Florida of increases (or decreases) in such "market drivers" as advertising spending, number of retailers, population growth, and number of sales representatives. The model itself was derived from a regression analysis of these factors in Florida and 19 other similar lottery states. Using the model, an increase in the retailer base from 13,000 retailers to 13,500 retailers generates a 1.3% increase in sales. That equates to about a \$55 million sales increase based on the REC forecast for FY 2007-08.

REVENUE ESTIMATING CONFERENCE

APPROPRIATION: Lottery

ISSUE: Funding for up to 500 Additional Full-service Lottery Terminals

MONTH/YEAR COLLECTION IMPACT BEGINS: October 2007

DATE OF ANALYSIS: July 9, 2007

SECTION 4: PROPOSED FISCAL IMPACT

Attached Tables C, D and E present the specific assumptions and calculations for deriving the high, middle and low estimates. Table C is an annualized estimate for FY 2007-08. Table D shows the cash estimate resulting from the phased installation of the new terminals. Table E contains the full-year estimate for FY 2008-09.

State Impact—All Funds	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 Cash
High	\$21.8	\$9.1	\$22.0
Middle	\$14.6	\$6.1	\$14.8
Low	\$6.9	\$2.9	\$7.0

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 7/11/07) The conference agreed that the amount raised for the Educational Enhancement Trust Fund (EETF) would exceed the cost of the new terminals, so that the net impact on EETF would be positive, but indeterminate.

	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 Cash
General Revenue Educational Enhancement Trust Fund Total State Impact	Indeterminate	Indeterminate	Indeterminate
Total Local Impact			
Total Impact	Indeterminate	Indeterminate	Indeterminate

TABLE A
Population per Lottery Retailer: Top Ten Per
Capita Sales Lotteries (FY 2005-06)

Per Capita Sales Ranking	Lottery	Per Capita Sales	Population Per Retailer
1	Massachusetts	699	777
2	District of Columbia	458	1,217
3	New York	336	1,207
4	Georgia	316	1,209
5	Maryland	278	1,524
6	Connecticut	277	1,232
7	New Jersey	276	1,430
8	South Carolina	265	1,219
9	Pennsylvania	247	1,479
10	Rhode Island	244	891
12	Florida	217	1,459

TABLE B

Net Lottery Sales in FY 2006-07: Categorized by Length of Retailer Service

	Date of First Lottery Sales Activity					
	Pre-Conversion (Prior to Jan 31, 05)	Remainder of FY 2004-05	FY 2005-06	FY 2006-07 First Three Quarters	FY 2006-07 Fourth Quarter	Total
Number of Terminals	8,743	900	1,348	1,534	461	12,986
FY 2006-07 Net Sales						
Total	\$ 3,235,863,206	\$ 181,664,308	\$ 303,702,713	\$ 183,519,815	\$ 8,569,992	\$ 3,913,320,034
Online	\$ 1,482,252,493	\$ 74,951,457	\$ 120,469,272	\$ 73,906,464	\$ 3,721,387	\$ 1,755,301,073
Scratch-off	\$ 1,753,610,713	\$ 106,712,851	\$ 183,233,441	\$ 109,613,351	\$ 4,848,605	\$ 2,158,018,961
Weekly Sales/Terminal						
Total						
Average	\$ 7,130	\$ 3,907	\$ 4,347	\$ 3,898	\$ 2,459	\$ 6,072
Median	\$ 5,787	\$ 2,723	\$ 3,213	\$ 2,679	\$ 1,375	\$ 4,813
Online						
Average	\$ 3,266	\$ 1,611	\$ 1,725	\$ 1,584	\$ 1,179	\$ 2,719
Median	\$ 2,401	\$ 1,169	\$ 1,271	\$ 1,118	\$ 729	\$ 1,963
Scratch-off						
Average	\$ 3,864	\$ 2,296	\$ 2,622	\$ 2,314	\$ 1,280	\$ 3,353
Median	\$ 3,386	\$ 1,554	\$ 1,942	\$ 1,561	\$ 646	\$ 2,850

TABLE C

FY 2007-08: Calculations of Estimated Impacts of 500 Additional Lottery Terminals (Full Year)

	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 5,346,561	\$ 4,277,249	\$ 1,212,600	\$ 1,212,600	\$ 0
High Estimate Based on mean of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07.	\$ 101,348,000	\$ 81,078,400	\$ 22,985,726	\$ 1,212,600	\$ 21,773,126
Middle Estimate Based on median of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07.	\$ 69,654,000	\$ 55,723,200	\$ 15,797,527	\$ 1,212,600	\$ 14,584,927
Low Estimate Based on median of average weekly sales of terminals installed during the final quarter of FY 2006-07.	\$ 35,750,000	\$ 28,600,000	\$ 8,108,100	\$ 1,212,600	\$ 6,895,500

Calculation Factors	
Number of Additional Terminals to be Requested	500
Additional Terminal Costs Per Month	
Base Fee	\$ 190.00
Alladin Gift/favorite Numbers Card	\$ 12.10
Total	\$ 202.10
Terminal Costs	
Full-Year Terminal Costs	\$ 1,212,600
Phased-in Over Final Three Quarters	\$ 505,250
Phase-in Factor	100%
EETF Contribution (Blended)	28.35%
Sales Shift Factor	20%

TABLE D

FY 2007-08: Calculations of Estimated Impacts of 500 Additional Lottery Terminals (Partial Year)

	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 2,227,734	\$ 1,782,187	\$ 505,250	\$ 505,250	\$ 0
High Estimate Based on mean of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07, phased in over September-June (42%)	\$ 42,566,160	\$ 34,052,928	\$ 9,654,005	\$ 505,250	\$ 9,148,755
Middle Estimate Based on median of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07, phased in over September-June (42%)	\$ 29,254,680	\$ 23,403,744	\$ 6,634,961	\$ 505,250	\$ 6,129,711
Low Estimate Based on median of average weekly sales of terminals installed during the final quarter of FY 2006-07, phased in over September-June (42%)	\$ 15,015,000	\$ 12,012,000	\$ 3,405,402	\$ 505,250	\$ 2,900,152

Calculation Factors	
<u>Number of Additional Terminals to be Requested</u>	500
<u>Phase-in Factor</u>	42%
<u>Additional Terminal Costs Per Month</u>	
Base Fee	\$ 190.00
Alladin Gift/favorite Numbers Card	\$ 12.10
Total	\$ 202.10
<u>Terminal Costs</u>	
Full-Year Terminal Costs	\$ 1,212,600
Phased-in Over Final Three Quarters	\$ 505,250
<u>EETF Contribution (Blended)</u>	28.35%
<u>Sales Shift Factor</u>	20%

TABLE E

FY 2008-09: Calculations of Estimated Impacts of 500 Additional Lottery Terminals (Full Year)

	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 5,346,561	\$ 4,277,249	\$ 1,212,600	\$ 1,212,600	\$ 0
High Estimate Based on mean of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07. Assumes 1.05% sales growth from FY 2007-08 estimate.	\$ 102,412,154	\$ 81,929,723	\$ 23,227,077	\$ 1,212,600	\$ 22,014,477
Middle Estimate Based on median of average weekly sales of terminals having at least 13 weeks of sales in FY 2006-07. Assumes 1.05% sales growth from FY 2007-08 estimate.	\$ 70,385,367	\$ 56,308,294	\$ 15,963,401	\$ 1,212,600	\$ 14,750,801
Low Estimate Based on median of average weekly sales of terminals installed during the final quarter of FY 2006-07. Assumes 1.05% sales growth from FY 2007-08 estimate.	\$ 36,125,375	\$ 28,900,300	\$ 8,193,235	\$ 1,212,600	\$ 6,980,635

Calculation Factors	
<u>Number of Additional Terminals to be Requested</u>	500
<u>Additional Terminal Costs Per Month</u>	
Base Fee	\$ 190.00
Alladin Gift/favorite Numbers Card	\$ 12.10
Total	\$ 202.10
<u>Terminal Costs</u>	
Full-Year Terminal Costs	\$ 1,212,600
Phased-in Over Final Three Quarters	\$ 505,250
<u>EETF Contribution (Blended)</u>	28.35%
<u>Feb 2007 REC Forecast for Change in Net Sales from FY 2007-08 to FY 2008-09</u>	1.05%
<u>Sales Shift Factor</u>	20%

TAX: LOTTERY

ISSUE: 1000 Instant Ticket Vending Machines

MONTH/YEAR COLLECTION IMPACT BEGINS: September 2007

DATE OF ANALYSIS: July 9, 2007

SECTION 1: NARRATIVE

- a. **Current Situation:** The Florida Lottery is authorized under F.S. 24.105 to utilize player-activated terminals or Instant Ticket Vending Machines (ITVMs) to sell scratch off tickets. The Florida Lottery does not currently own or lease ITVMs.
- b. **Proposed Change:** The Lottery is proposing to lease 1000 ITVMs from GTECH Corporation at \$283.00 per month for each machine.

In order to support the growth of the scratch-off ticket product line, and consumer demand for self-service convenience, many lotteries have looked to provide new products and services that enhance the distribution and sale of these tickets. Currently 29 out of 42 U.S. lotteries utilize ITVMs. In 2006 ITVMs accounted for over 2.3 billion in annual sales with a penetration rate of one ITVM per 8,620 U.S. residents. Sixty-three percent of all ITVMs are located in grocery stores, and account for 68% of all ITVM sales.

La Fluer's 2007 World Lottery Almanac breaks down fiscal year 2006 ITVM sales for the following states utilizing the Interlott ITVM.

State	Pop.	#ITVMs	Ratio	Sales	Per Cap.	Avg. Wkly Sales
California	36.4	3,854	1:9,460	\$687.40	\$19	\$3,430
New York	19.3	2,136	1:9,038	\$681.30	\$35	\$6,134
Texas	23.5	1,316	1:17,155	\$146	\$6	\$2,133
Florida	18.9	1,000	1:18,900	PROPOSED		

ITVMs are much like a typical vending machine. Money is inserted into the machine; a button is pushed for the desired product which is then delivered into the bin at the bottom. However, in order to comply with state statute ITVMs do have some major differences. One such difference is the ability to remotely disable the machines to prevent underage gambling. Another new innovation is the ability for the machine to transmit sales in real-time, allowing for accounting and tracking of tickets. Along with expanding the number of ticket bins, these innovations are fairly recent enhancements.

The Florida Lottery's contract with Interlott (now a GTECH subsidiary) expired in January 2001. One thousand ITVMs were leased at an average of \$235 per month. Recent technological innovations have reduced the labor costs associated with ITVMs making them cost efficient and more attractive to larger corporate retailer chains. These innovations include remote disabling, automated accounting and instant notification when bins become empty.

SECTION 2: DESCRIPTION OF DATA & SOURCES

The Department of the Lottery conducted a thirteen-week pilot study by locating ITVMs in ten stores within two corporate grocery chains. The average weekly sales increase for scratch-off tickets was \$ 1, 862 per retailer, or an average increase of 36 percent. During this same period average weekly sales for the scratch-off product STATEWIDE declined 0.048%.

Pilot Site Average Weekly Sales 13 weeks before pilot Study = \$5215
Pilot Site Average Weekly Sales 13 weeks during pilot Study = \$7077 +36%
Pilot Site Average Weekly Sales 8 weeks after ITVMs removed=\$5303 -25%

An analysis done by GTECH of La Fluer's data for three states implementing an ITVM program found that scratch-off sales per retailer increased anywhere from 15 to 36 percent. One year after installing ITVMs the following percentage increases in scratch off ticket sales were realized in stores located in these states:

TAX: LOTTERY

ISSUE: 1000 Instant Ticket Vending Machines

MONTH/YEAR COLLECTION IMPACT BEGINS: September 2007

DATE OF ANALYSIS: July 9, 2007

	Percent increase 1 yr. After ITVM install	Avg. ITVM Sales as a percent of Scratch*	Wkly ITVM Sales
Arizona	22%	34%	\$2,466
Colorado	15%	16%	\$1,258
Idaho	36%	28%	\$750
Florida Pilot	36%	39%	\$2,896

*retailers maintained counter sales along with ITVMs

SECTION 3: ASSUMPTIONS & RATIONALE

The cost of this proposal for FY 2008 (10 months) would be \$ 2.83 million, and for FY 2009 (12 Months) would be \$3.40 million for 1000 Instants “To-Go” ITVM units. In order for this proposal to pay for itself, the average weekly sales for retailers with ITVMs would need to average \$336 above and beyond counter sales. Each ITVM is leased for \$283 per month.

Currently the Lottery sells between \$40-50 million a week in net scratch off sales from approximately 13,000 retailers providing a weekly average net sales range of \$1,242-\$4,523 depending on the retailer trade style. To estimate the impact of the ITVMs on these sales levels, the results of the Florida Lottery Pilot Test and the experiences of other states were used. Specifically, the net gain in retailer Scratch-off sales in the pilot study was applied to FY 2007 net sales of Florida’s top 1,000 grocery store retailers. to calculate the “high” estimate. Similarly, the percentages of net sales increases recorded by Arizona and Colorado with the installation of ITVMs was used to develop the “middle” and “low” estimates, respectively.

GTECH has assumed an average weekly sales increase of \$2400 per retailer based on sales in other jurisdictions and the pilot study. In a full year, that would equate to a sales increase of nearly \$125 million. Such sales would generate a net EETF increase of \$16.9 million for the first 10 months of FY 08 and \$20.3 for FY 09.

SECTION 4: METHODOLOGY

Attached tables A, B and C present specific assumptions and calculations for deriving the high, middle and low estimates. Table A is an annualized estimate for FY 2007-08. Table B is a ten-month estimate for 2007-08. Table C contains the full-year estimate for FY 2008-09. The impacts shown are expected net proceeds to the Educational Enhancement Trust Fund.

State Impact—All Funds	FY 2007-08 Annualized	FY 2007-08 Cash (10) Months	FY 2008-09 Cash (2%)
High Florida 15%*	\$ 12.1	\$10.1	\$ 12.4
Middle Arizona	\$ 6.1	\$5.1	\$ 6.3
Low Colorado	\$ 3.1	\$2.5	\$ 3.2

*Based on a 15% increase in current counter sales at the top 1000 corporate supermarkets.

TAX: LOTTERY

ISSUE: 1000 Instant Ticket Vending Machines

MONTH/YEAR COLLECTION IMPACT BEGINS: September 2007

DATE OF ANALYSIS: July 9, 2007

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 7 / 11 / 07) The conference agreed that the amount raised for the Educational Enhancement Trust Fund (EETF) would exceed the cost of the ITVMs, so that the net impact on EETF would be positive, but indeterminate.

	FY 2007-08 Annualized	FY 2007-08 Cash	FY 2008-09 Cash
General Revenue Educational Enhancement Trust Fund Total State Impact	Indeterminate	Indeterminate	Indeterminate
Total Local Impact			
Total Impact	Indeterminate	Indeterminate	Indeterminate

TABLE A

FY 2007-08: Calculations of Estimated Impacts of 1000 ITVMs (Full Year)					
	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 21,858,909	\$ 17,487,127	\$ 3,396,000	\$ 3,396,000	\$ -
High Estimate Based on a 36% increase in sales experienced in the 2007 Florida pilot study, applied to FY 2007 net sales.	\$ 99,704,743	\$ 79,763,794	\$ 15,490,129	\$ 3,396,000	\$ 12,094,129
Middle Estimate Based on a 22% increase in sales (Arizona) at the top selling corporate supermarkets (FY 2007 Net).	\$ 60,930,676	\$ 48,744,541	\$ 9,466,190	\$ 3,396,000	\$ 6,070,190
Low Estimate Based on a 15% increase in sales (Colorado) at the top selling corporate supermarkets (FY 2007 NET).	\$ 41,543,643	\$ 33,234,914	\$ 6,454,220	\$ 3,396,000	\$ 3,058,220

Calculation Factors	
<u>Number of ITVMs to be Requested</u>	1000
<u>Additional Costs Per ITVM Per Month</u>	\$ 283.00
<u>ITVM Costs (Full Year)</u>	\$ 3,396,000
<u>EETF Contribution Rate</u>	19.42%
<u>Sales Shift Factor</u>	20%

TABLE B

FY 2007-08: Calculations of Estimated Impacts of 1000 ITVMs (Partial Year)					
	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 18,215,756	\$ 14,572,605	\$ 2,830,000	\$ 2,830,000	\$ -
High Estimate Based on a 36% increase in sales experienced in the 2007 Florida pilot study, applied to FY 2007 net sales.	\$ 83,054,051	\$ 66,443,241	\$ 12,903,277	\$ 2,830,000	\$ 10,073,277
Middle Estimate Based on a 22% increase in sales (Arizona) at the top selling corporate supermarkets (FY 2007 Net).	\$ 50,755,253	\$ 40,604,202	\$ 7,885,336	\$ 2,830,000	\$ 5,055,336
Low Estimate Based on a 15% increase in sales (Colorado) at the top selling corporate supermarkets (FY 2007 Net).	\$ 34,605,855	\$ 27,684,684	\$ 5,376,366	\$ 2,830,000	\$ 2,546,366

Calculation Factors	
<u>Number of Additional ITVMs to be Requested</u>	1000
<u>Additional Cost Per ITVM Per Month</u>	\$ 283.00
<u>ITVM Costs (Partial Year)</u>	\$ 2,830,000
<u>EETF Contribution Rate</u>	19.42%
<u>Sales Shift Factor</u>	20%

TABLE C

FY 2008-09: Calculations of Estimated Impacts of 1000 ITVMs (Full Year)					
	Nominal Gain in Sales	Net Sales Gain	Preliminary Gain in EETF	Less Additional Vendor Fees	Net Gain in EETF
Break-Even Point	\$ 21,858,909	\$ 17,487,127	\$ 3,396,000	\$ 3,396,000	\$ -
High Estimate Based on a 36% increase in sales experienced in the 2007 Florida pilot study, applied to FY 2007 net sales.	\$ 101,868,336	\$ 81,494,669	\$ 15,826,265	\$ 3,396,000	\$ 12,430,265
Middle Estimate Based on a 22% increase in sales (Arizona) at the top selling corporate supermarkets (FY 2007 Net).	\$ 62,252,872	\$ 49,802,297	\$ 9,671,606	\$ 3,396,000	\$ 6,275,606
Low Estimate Based on a 15% increase in sales (Colorado) at the top selling corporate supermarkets (FY 2007 Net).	\$ 42,445,140	\$ 33,956,112	\$ 6,594,277	\$ 3,396,000	\$ 3,198,277

Calculation Factors	
<u>Number of ITVMs to be Requested</u>	1000
<u>Additional Costs Per ITVM Per Month</u>	\$ 283.00
<u>REC Forecast for Scratch-off Sales Growth: FY 2008 to FY 2007</u>	2.17%
<u>ITVM Costs (Full Year)</u>	\$ 3,396,000
<u>EETF Contribution Rate</u>	19.42%
<u>Sales Shift Factor</u>	20%