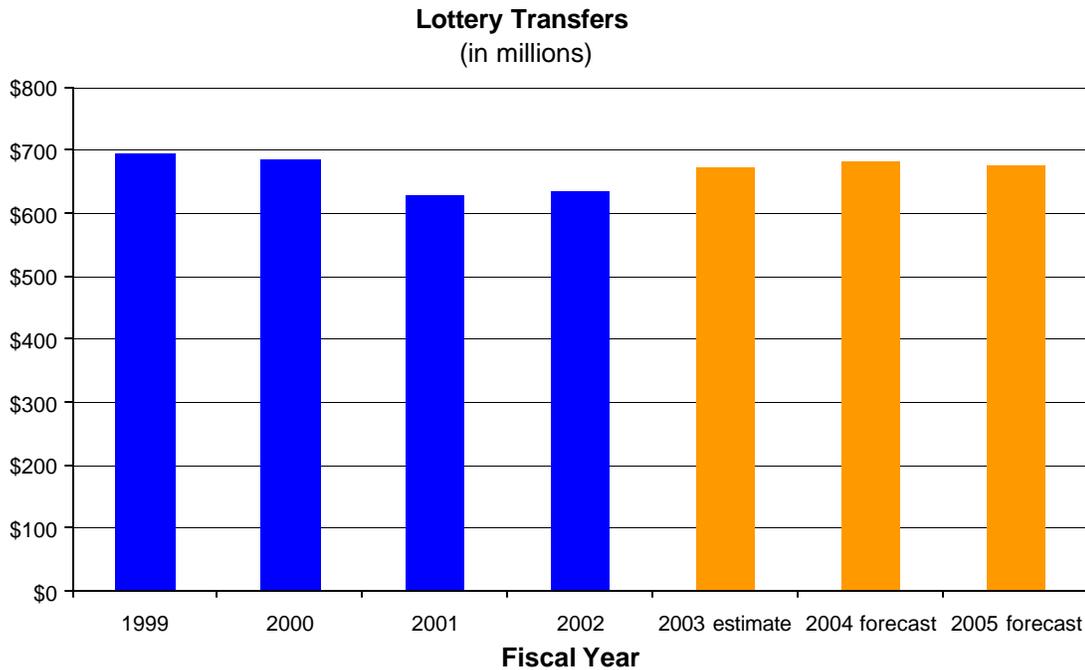


Lottery Transfers



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
Operating Profits	\$671.3	\$661.0	\$604.1	\$610.1	\$637.7	\$648.2	\$641.0
growth	-3.4%	-1.5%	-8.6%	1.0%	4.5%	1.6%	-1.1%
Unclaimed Prizes	\$25.0	\$25.0	\$25.0	\$25.0	\$35.0	\$35.0	\$35.0
growth	-12.9%	0.0%	0.0%	0.0%	40.0%	0.0%	0.0%
Total	\$696.3	\$686.0	\$629.1	\$635.1	\$672.7	\$683.2	\$676.0
growth	-3.8%	-1.5%	-8.3%	1.0%	5.9%	1.6%	-1.1%

The Ohio Lottery Commission operates to create profits to be transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefiting primary, secondary, vocational, and special education in Ohio. The amount transferred comes largely from operating profits with occasional transfers made from the Unclaimed Prize Fund. This forecast assumes that transfers from operations would be about 29.8 percent of ticket

sales⁸ and transfers from the Unclaimed Prize Fund would remain at \$35.0 million per year.⁹

After a peak of \$2.31 billion in sales in FY 1996, Lottery sales declined steadily to \$1.92 billion in FY 2001. Changes to Buckeye 5, the entry into Mega Millions and an improvement in Instant ticket sales increased ticket sales to \$1.98 billion in FY 2002. An increase in ticket sales is expected during the next biennium, primarily from sales of Mega Millions. The forecast assumes that Ohio Lottery will change the mix of Instant games and increase their payout and sales. The improvement in Instant ticket sales and Mega Millions sales are expected to stabilize lottery ticket sales at approximately \$2.1 billion for the next few years. Although incomes continue to grow and attitudes towards gaming remain generally favorable, increased competition in the gaming market (in regular and riverboat casinos, racetracks video lottery terminals, primarily from neighboring states), and Internet gaming may limit any significant future increase in lottery ticket sales. The table below presents a recent history of lottery sales, an estimate of sales for FY 2003, and forecasts of sales for FYs 2004 and 2005.

Lottery Sales: Recent History and Forecast (in millions)							
Fiscal Year	1999	2000	2001	2002	2003	2004	2005
Ticket Sales	\$2,144.7	\$2,150.4	\$1,922.0	\$1,982.5	\$2,084.5	\$2,118.7	\$2,095.3

Ticket sales were estimated on a trend basis for each on-line game and for Instant games. The forecast assumes no significant change in the current mix of games and no substantial increases in advertisement expenditures.

⁸ This is the percentage of ticket sales transferred from operations in the first half of FY 2003 (December 2002). Am. Sub. H.B. 94 removed a provision of law requiring that at least 30 percent of ticket sales be transferred to the Lottery Profit Education Fund and also changed the manner in which the Ohio Lottery transfers profits to LPEF. A target amount for such transfers will be determined for each biennium during the legislative budget process. Thus, actual transfer percentage is likely to be different than the percentage used in this forecast.

⁹ These transfers from non-operating sources, such as transfers from Unclaimed Prize Funds, may or may not occur.