

**Revenue Estimating Conference
Lottery Impact Conference Results**

Updated Through 09/21/2022

Chapter Law	Tax Source	Date	Issue	Bill Number(s)	2022-23							
					General Revenue		State Trust		Local/Other		Total	
					Cash	Recurr	Cash	Recurr	Cash	Recurr	Cash	Recurr
2022-156	Lottery-EETF	9/21/2022	500 Additional Full-Service Vending Machines	2022 GAA - Line 2759R	0.0	0.0	3.2	3.2	0.0	0.0	3.2	3.2

REVENUE ESTIMATING CONFERENCE

Issue: 500 Additional Full-Service Vending Machines

Bill Number(s):2022 GAA

Entire Bill

Partial Bill: Line 2759R

Sponsor(s):

Month/Year Impact Begins:

Date of Analysis: September 12, 2022

Section 1: Narrative

a. Current Law:

Currently IGT provides 2500 Full-Service Vending Machines (FSVM) along with other goods and services, including the Lottery's gaming system, at a vendor fee rate of 0.7384% of total sales.

b. Proposed Change:

With the addition of 500 FSVM, the vendor fee rate is expected to increase by 0.0148%, to 0.7532% of total sales.

Section 2: Description of Data and Sources

Internal Department of Lottery sales data and studies. Please see attached documentation.

Section 3: Methodology (Include Assumptions and Attach Details)

Absent any increase in ticket sales over and above the levels forecasted by the July 27, 2022 Lottery Conference, the 0.0148% vendor fee increase would result in a recurring EETF transfer decrease of \$1.4m annually. To fully compensate for that loss, ticket sales would need to increase by an average of \$5.1m annually over the next 6 years, ranging between \$4.4m in FY27/28 and \$6.4m in FY25/26. Deployment of the additional 500 FSVMs is projected to affect ticket sales as follows:

Draw Games

Based on an analysis of sales observed in locations that converted from Scratch-Off only vending machines to FSVMs (Draw game availability) on July 16, 2020, draw game ticket sales in the locations selected to receive the additional 500 FSVMs are expected to increase by \$10.8m annually. The analysis assumes that new draw sales activity is likely to mirror activity in similar corporate and chain stores that currently have FSVMs and reduces that activity by 20% in the highest performing corporate locations.

Instant Games

An analysis of the ticket sales for the six months before and after the removal of a vending machine at 167 locations between November 2018 and February 2020 indicated a decrease in ticket sales of an average 6.6% compared to a statewide ticket sales increase of 3.4%, suggesting the machine removal caused a 10.0% loss. Focusing on only those 121 locations that experienced a decline in ticket sales, their average decrease of 14% compared to a statewide increase of 1.25%, suggests a 15.2% relative decline. Consequently, the removal of a vending machine appears to trigger a loss in ticket sales of between 10% and 15% at that location.

An analysis of ticket sales in locations within a 5 mile radius of each of the 30 locations from which an FSVM was removed during 2021, indicated a decrease of 3.3% for the six month period following the FSMV removal as compared to the immediately preceding six months. Statewide, ticket sales for the same period decreased by 6.5%, suggesting a shift of a portion of sales from the locations experiencing an FSVM removal to the surrounding locations. Our assumption is that one half of the reduced sales caused by the FSVM removal is absorbed by the surrounding stores while the other half is "lost" altogether, i.e. is no longer taking place.

Based on the above observations, the installation of an FSVM at a new location is expected to result in an increase to ticket sales by attracting new players. While one half of the 10% to 15% ticket sale loss associated with the removal of an FSVM is assumed to have been "lost," the portion expected to be regained by the installation of a new FSVM is assumed to be only 50% of that "loss." Consequently, instant ticket sales at locations receiving a new FSVM are expected to increase by 3.4%.

Error Correction

An error in the current EETF transfer calculations related to the terminal vendor fee rate was identified in the adopted REC packet and adjusted to reflect the current contracted vendor fee rate. For this analysis, the current contracted rate was used to calculate the impact of the proposed additional 500 FSVM's. To generate the EETF transfer amount for the additional machines, the calculated increase in sales based on store location data for both scratch-off sales and draw game sales is added to the adopted REC sales forecast resulting in a new EETF transfer amount. To calculate the new EETF transfer impact from the additional 500 machines, the adopted REC forecast for the EETF transfer that was adjusted with the current contracted vendor fee rate, is subtracted from the new projected EETF transfer based on the additional sales.

REVENUE ESTIMATING CONFERENCE

Issue: 500 Additional Full-Service Vending Machines

Bill Number(s):2022 GAA

Section 4: Proposed Fiscal Impact

List of affected Trust Funds: Educational Enhancement Trust Fund

Impact from Project	High		Middle		Low	
	Increase in Draw and Instant Sales		Increase in Draw Sales		No Change in Sales	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-2023	5.4	5.4	3.0	3.0	(1.3)	(1.3)
2023-2024	5.6	5.6	3.2	3.2	(1.4)	(1.4)
2024-2025	5.6	5.6	3.2	3.2	(1.4)	(1.4)
2025-2026	5.7	5.7	3.2	3.2	(1.4)	(1.4)
2026-2027	5.7	5.7	3.2	3.2	(1.4)	(1.4)
2027-2028	5.8	5.8	3.3	3.3	(1.4)	(1.4)

Impact from Error Correction	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-2023	.02	.02	.02	.02	.02	.02
2023-2024	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
2024-2025	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
2025-2026	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
2026-2027	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
2027-2028	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)

Total	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-2023	5.6	5.6	3.2	3.2	(1.1)	(1.1)
2023-2024	5.1	5.1	2.6	2.6	(1.9)	(1.9)
2024-2025	4.4	4.4	1.9	1.9	(2.6)	(2.6)
2025-2026	3.9	3.9	1.4	1.4	(3.2)	(3.2)
2026-2027	3.4	3.4	0.9	0.9	(3.7)	(3.7)
2027-2028	3.0	3.0	0.5	0.5	(4.2)	(4.2)

Section 5: Consensus Estimate (Adopted: 9/21/2022): The conference adopted the middle estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2022-23	0.0	0.0	3.2	3.2	0.0	0.0	3.2	3.2
2023-24	0.0	0.0	2.6	2.6	0.0	0.0	2.6	2.6
2024-25	0.0	0.0	1.9	1.9	0.0	0.0	1.9	1.9
2025-26	0.0	0.0	1.4	1.4	0.0	0.0	1.4	1.4
2026-27	0.0	0.0	0.9	0.9	0.0	0.0	0.9	0.9

High Tier
500 Additional FSVM's
Increase in Lottery Scratch and Draw Sales

Adopted (old vendor rate):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.4	2233.3	2256.6	2277.7	2297.6	2316.4
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.4)	(49.0)	(55.6)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.4	49.0	55.6
Due to EETF from Lottery Receipts	2392.6	2215.0	2260.1	2250.6	2272.0	2291.1	2304.9
	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.5	2252.6	2243.1	2264.5	2283.6	2297.4

EETF Impact (new Total Sales, new proposed rate):		
	Difference vs adopted	Difference vs adjusted numbers
2022-23	5.6	5.4
2023-24	5.1	5.6
2024-25	4.4	5.6
2025-26	3.9	5.7
2026-27	3.4	5.7
2027-28	3.0	5.8

Adjusted Calculation (current vendor rate .7384%):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.6	2232.8	2255.4	2275.9	2295.3	2313.6
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.3)	(49.0)	(55.5)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.3	49.0	55.5
Due to EETF from Lottery Receipts	2392.6	2215.2	2259.6	2249.4	2270.2	2288.8	2302.1
	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for estimated true-up payment in next fiscal year							
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.7	2252.1	2241.9	2262.7	2281.3	2294.6

Total Impact of Adding 500 FSVM's							
	Change in scratch	Change in draw	Change in total sales	Additional payments to vendor	Change in EETF	Calculation error	Impact vs adopted
2022-23	12.5	10.8	23.2	1.5	5.4	0.2	5.6
2023-24	12.5	10.8	23.2	1.5	5.6	-0.6	5.1
2024-25	12.6	10.9	23.5	1.6	5.6	-1.2	4.4
2025-26	12.8	11.0	23.8	1.6	5.7	-1.8	3.9
2026-27	12.9	11.1	23.9	1.6	5.7	-2.3	3.4
2027-28	13.0	11.3	24.3	1.6	5.8	-2.8	3.0

Calculation Error	0.0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
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Impact (new total sales, proposed new rate .7532%):							
Lottery	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	7005.1	7044.0	7149.7	7242.6	7329.4	7410.0
Terminal Game Sales	2288.5	2251.8	2231.9	2236.4	2241.8	2247.4	2253.4
EETF transfer due from current year ticket sales and other income	2327.6	2224.2	2238.3	2261.0	2281.6	2301.1	2319.5
less collection lag loss	(60.7)	(64.3)	(37.4)	(43.4)	(49.1)	(55.7)	(67.2)
plus collection lag gain from prior year	125.7	60.7	64.3	37.4	43.4	49.1	55.7
Due to EETF from Lottery Receipts	2392.6	2220.6	2265.2	2255.0	2275.9	2294.5	2307.9
	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for estimated true-up payment in next fiscal year							
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2213.1	2257.7	2247.5	2268.4	2287.0	2300.4

Total EETF Impact	0.0	5.4	5.6	5.6	5.7	5.7	5.8
Calculation Error	0.0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
Net Impact to EETF	0.0	5.6	5.1	4.4	3.9	3.4	3.0

**Middle Tier
500 Additional FSVM's
Increase in Draw Sales Only**

Adopted (old vendor rate):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.4	2233.3	2256.6	2277.7	2297.6	2316.4
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.4)	(49.0)	(55.6)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.4	49.0	55.6
Due to EETF from Lottery Receipts	2392.6	2215.0	2260.1	2250.6	2272.0	2291.1	2304.9
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.5	2252.6	2243.1	2264.5	2283.6	2297.4

EETF Impact (new draw Sales, new proposed vendor rate):		
	Difference vs adopted	Difference vs adjusted numbers
2022-23	3.2	3.0
2023-24	2.6	3.2
2024-25	1.9	3.2
2025-26	1.4	3.2
2026-27	0.9	3.2
2027-28	0.5	3.3

Adjusted Calculation (current vendor rate .7384%):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.6	2232.8	2255.4	2275.9	2295.3	2313.6
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.3)	(49.0)	(55.5)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.3	49.0	55.5
Due to EETF from Lottery Receipts	2392.6	2215.2	2259.6	2249.4	2270.2	2288.8	2302.1
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.7	2252.1	2241.9	2262.7	2281.3	2294.6

Total Impact of Adding 500 FSVM's							
	Change in scratch	Change in draw	Change in total sales	Additional Payments to vendor	Change in EETF	Calculation error	Impact vs adopted
2022-23	0.0	10.8	10.8	1.4	3.0	0.2	3.2
2023-24	0.0	10.8	10.8	1.5	3.2	-0.6	2.6
2024-25	0.0	10.9	10.9	1.5	3.2	-1.2	1.9
2025-26	0.0	11.0	11.0	1.5	3.2	-1.8	1.4
2026-27	0.0	11.1	11.1	1.5	3.2	-2.3	0.9
2027-28	0.0	11.3	11.3	1.5	3.3	-2.8	0.5

Calculation Error	0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
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Impact (new draw sales only ,proposed new rate .7532%):							
Lottery	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2251.8	2231.9	2236.4	2241.8	2247.4	2253.4
EETF transfer due from current year ticket sales and other income	2327.6	2221.8	2235.9	2258.5	2279.1	2298.5	2316.9
less collection lag loss	(60.7)	(64.2)	(37.4)	(43.4)	(49.0)	(55.6)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.2	37.4	43.4	49.0	55.6
Due to EETF from Lottery Receipts	2392.6	2218.2	2262.7	2252.5	2273.4	2292.0	2305.4
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2210.7	2255.2	2245.0	2265.9	2284.5	2297.9

Total EETF Impact	0.0	3.0	3.2	3.2	3.2	3.2	3.3
Calculation Error	0.0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
Net Impact to EETF	0.0	3.2	2.6	1.9	1.4	0.9	0.5

**Low Tier
500 Additional FSVM's
No Increase in Sales**

Adopted (old vendor rate):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.4	2233.3	2256.6	2277.7	2297.6	2316.4
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.4)	(49.0)	(55.6)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.4	49.0	55.6
Due to EETF from Lottery Receipts	2392.6	2215.0	2260.1	2250.6	2272.0	2291.1	2304.9
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.5	2252.6	2243.1	2264.5	2283.6	2297.4

Adjusted Calculation (current vendor rate .7384%):							
July 2022 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2218.6	2232.8	2255.4	2275.9	2295.3	2313.6
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.3)	(49.0)	(55.5)	(67.1)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.3	49.0	55.5
Due to EETF from Lottery Receipts	2392.6	2215.2	2259.6	2249.4	2270.2	2288.8	2302.1
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2207.7	2252.1	2241.9	2262.7	2281.3	2294.6

Calculation Error	0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
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Impact (No change to sales, proposed new rate .7532%):							
Lottery	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Instant Game Sales (Scratch + Fast Play)	7036.1	6992.6	7031.5	7137.0	7229.8	7316.6	7397.0
Terminal Game Sales	2288.5	2241.1	2221.1	2225.5	2230.8	2236.3	2242.2
EETF transfer due from current year ticket sales and other income	2327.6	2217.3	2231.4	2254.0	2274.5	2293.9	2312.2
less collection lag loss	(60.7)	(64.1)	(37.3)	(43.3)	(49.0)	(55.5)	(67.0)
plus collection lag gain from prior year	125.7	60.7	64.1	37.3	43.3	49.0	55.5
Due to EETF from Lottery Receipts	2392.6	2213.9	2258.2	2248.0	2268.8	2287.3	2300.7
adjustment for estimated true-up payment in next fiscal year	(10.6)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)	(7.5)
adjustment for delayed June transfer*							
Distribution to EETF from Lottery Receipts	2382.0	2206.4	2250.7	2240.5	2261.3	2279.8	2293.2

Total EETF Impact	0.0	-1.3	-1.4	-1.4	-1.4	-1.4	-1.4
Calculation Error	0.0	0.2	-0.6	-1.2	-1.8	-2.3	-2.8
Net Impact to EETF	0.0	-1.1	-1.9	-2.6	-3.2	-3.7	-4.2

EETF Impact (no change to sales, new proposed vendor rate):		
	Difference vs adopted	Difference vs adjusted numbers
2022-23	-1.1	-1.3
2023-24	-1.9	-1.4
2024-25	-2.6	-1.4
2025-26	-3.2	-1.4
2026-27	-3.7	-1.4
2027-28	-4.2	-1.4

Total Impact of Adding 500 FSVM's							
	Change in scratch	Change in draw	Change in total sales	Additional Payments to vendor	Change in EETF	Calculation error	Impact vs adopted
2022-23	0.0	0.0	0.0	1.3	-1.3	0.2	-1.1
2023-24	0.0	0.0	0.0	1.4	-1.4	-0.6	-1.9
2024-25	0.0	0.0	0.0	1.4	-1.4	-1.2	-2.6
2025-26	0.0	0.0	0.0	1.4	-1.4	-1.8	-3.2
2026-27	0.0	0.0	0.0	1.4	-1.4	-2.3	-3.7
2027-28	0.0	0.0	0.0	1.4	-1.4	-2.8	-4.2