

## REVENUE ESTIMATING CONFERENCE

**Tax:** Education Enhancement Trust Fund (EETF)

**Issue:** Lottery Point-of-Sale Terminals

**Bill Number(s):** SB402

**Entire Bill**

**Partial Bill:**

**Sponsor(s):** Senator Richter

**Month/Year Impact Begins:** July 1, 2016

**Date of Analysis:** November 20, 2015

### Section 1: Narrative

#### a. Current Law:

The Florida Department of Lottery (department or DOL) facilitates the sale of tickets through retailer-assisted terminals as well as player-operated vending machines as defined in s. 24.112(15), F.S. These vending machines may be used to dispense terminal and/or instant lottery tickets. Currently, lottery vending machines are cash only, however, lottery tickets may be purchased from a retailer with a credit card if accompanied by the purchase of other items totaling at least \$20.

#### b. Proposed Change:

This bill authorizes the department to create a program that allows a person (who is at least 18 years old) to purchase a lottery ticket at a point-of-sale terminal. Point-of-sale terminals are operated by a player without retailer assistance.

A point-of-sale terminal MUST:

- Dispense a paper lottery ticket with numbers selected randomly or by the purchaser;
- Recognize a valid driver license to verify age; and
- Process a lottery transaction through a platform approved by the department.

A point-of-sale terminal MAY NOT:

- Reveal winning numbers;
- Include or use video reels or other video depictions of slot machines or casino game themes or titles; or
- Redeem winning tickets.

Both debit cards and credit cards can be used at point-of-sale terminals, but according to the department, credit card transactions would be required to be accompanied by a purchase of other goods totaling \$20 or more, consistent with current law for other methods of buying lottery tickets.

### Section 2: Description of Data and Sources

Senate and DOL bill analyses for SB402

North Carolina Education Lottery 2015 play-at-the-pump ticket sales data

LaFleur's 2015 World Lottery Almanac – NC population and ticket sales data

Indian Gaming Compact and Indian Gaming forecast from August 2015 REC

### Section 3: Methodology (Include Assumptions and Attach Details)

#### *Other States*

There are currently three states (North Carolina, California, and Missouri) with active point-of-sale terminal programs - otherwise known as play-at-the-pump - which allow players to purchase lottery tickets at gas pumps without having to go inside the gas station. Minnesota was the first state to introduce point-of-sale terminals, but the program there ended in the fall of 2015. Pennsylvania and Georgia are currently considering proposals for similar programs. SB 402 would allow the department to create a point-of-sale terminal program in Florida. If the bill passes, it is likely that Florida's program would function similar to those in existing states with restrictions on the games, number of tickets, method of purchase, etc. Florida's program would also need to be in compliance with the Indian Gaming Compact provisions relating to Lottery Vending Machines and ensure that the program would not be considered an expansion of gaming. It is likely that the department would initially implement a pilot program before expanding to more locations as other states have done.

#### North Carolina

The North Carolina Education Lottery implemented a pilot program for gas-pump point-of-sale terminals in 2015, starting with 4 locations in January and gradually increasing to 143 locations statewide as of October 2015. Players can purchase North Carolina's

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three big jackpot games (Powerball, Mega Millions, and NC Cash 5) at gas pumps throughout the state. Only debit cards can be used for purchases and there is a \$70 per week limit. Age is verified via driver’s license, there is a \$1.00 transaction fee with every purchase, and the lottery automatically credits the bank account associated with the debit card or credit card for prizes under \$600. According to the Director of Sales for the NC Education Lottery, this program is designed to capture the occasional player by providing a convenient way to purchase a ticket when large jackpots are advertised, and to attract completely new players that wouldn’t normally go into the gas stations.

California

The California State Lottery expanded their point-of-sale pilot program in August 2015 from a single location to 87 locations in two major cities (Los Angeles and Sacramento). Tickets can be purchased with debit cards or credit cards. Purchases are limited to \$20 per transaction, and \$50 per week. Players can purchase Mega Millions or SuperLotto Plus quick-pick tickets in groups of 5, 10, or 20 tickets and 3, 5, or 10 Powerball quick-picks. Age is verified via driver’s license, there is a \$1.00 transaction fee with every purchase, and the lottery automatically credits the bank account associated with the debit card or credit card for prizes under \$600.

Missouri

The Missouri Lottery started a pilot play-at-the-pump program at 15 gas stations on about 150 individual pumps in the fall of 2013. 100 ATMs were also equipped to sell the tickets. Missouri requires quick pick purchases in denominations of 5, 10, or 20 plays for Mega Millions and 5 or 10 plays for Powerball. A \$1 per transaction fee is charged to secure storage of the player numbers electronically, provide the option of an automatic text message of the player’s numbers and winnings, provide for automatic redemption of winnings, provide a personalized interactive player website and covers all transaction fees associated with the purchase. Missouri opted to permit the use of debit cards only. Upon purchase, the player receives a receipt showing the player’s numbers, the drawing date, and the fee. Missouri limits Play-at-the-Pump purchases to \$100 per week per debit card.

Minnesota

The Minnesota Lottery implemented a pilot point-of-sale system for Powerball and Mega Millions lottery purchases at ATMs and gas pumps in October 2012. Minnesota’s program ended in September of 2015, after legislation was passed prohibiting this type of expansion of Lottery gaming. While the program was active, there were 10 play-at-the-pump locations and 128 active ATM terminals, with plans for expansion of the program. To make purchases, players used a debit card and selected the option to purchase lottery tickets as part of the transaction for purchasing gas or using an ATM. A \$1 fee was charged for each transaction and there was a minimum purchase of three Powerball or five Mega Millions tickets. Minnesota set a weekly purchase limit of \$50 through gas pumps and ATM machines to encourage responsible gaming.

***Indian Gaming Compact***

The Indian Gaming Compact provides a certain extent of gaming exclusivity to the Seminole Tribe while also requiring revenue sharing with the state. There are many provisions within the Compact that describe the negative impacts to the state’s revenue share under various gaming expansion scenarios. The Compact allows Lottery Vending Machines to be placed throughout the state, as long as there are not more than 10 in any one location. (See Part III, Section R. on page 10 of the Compact for complete definition). However, the Compact prohibits “any player-activated or operated machine or device other than a Lottery Vending Machine” (see Part XII, section B.8. on page 43 of the Compact). It is unclear whether or not point-of-sale terminals would fit within the definition of a Lottery Vending Machine. If they do not, they may be considered an expansion of gaming activity, which would cause all revenue sharing to cease. The August 2015 Indian Gaming revenue forecast is provided in the table below.

Indian Gaming Revenues			
	Receipts	Local	General Revenue
2016-17	125.2	6.2	119.0
2017-18	123.3	3.6	119.7
2018-19	125.3	3.7	121.6
2019-20	127.2	3.8	123.5
2020-21	129.2	3.8	125.4

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***Fiscal Impact***

The analysis assumes that Florida’s program would function similar to existing programs in other states and uses ticket sales data at point-of-sale terminals provided by the North Carolina Education Lottery as a basis for the impact estimate. The attached table shows estimated ticket sales, as well as the portion of sales (40.6%) that would be transferred to the EETF.

The Low Impact uses the ticket sales data from North Carolina and factors it up for Florida’s population.

The Middle Impact uses the same ticket sales data but factors it up based on sales because Florida has higher per-capita ticket sales than North Carolina.

The growth in both estimates is based on the number of locations with point-of-sale terminals, assuming the number of locations increases by about 100 per year up to 500 total, which is the number of Full Service Vending Machines (FSVMs) in Florida today. According to the department, all gas pumps will be required to be upgraded with software capable of supporting certain debit card security regulations by January 1, 2016. The gaming systems for the point-of-sale terminals are compatible with this software and would be easily integrated, therefore removing any up-front costs associated with installing point-of-sale terminals.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17			0.5	0.8	0.3	0.5
2017-18			1.5	1.5	1.0	1.0
2018-19			2.2	2.2	1.4	1.4
2019-20			2.8	2.8	1.8	1.8
2020-21			3.2	3.2	2.0	2.0

**List of affected Trust Funds:**

Education Enhancement Trust Fund (EETF)

**Section 5: Consensus Estimate (Adopted: 11/20/2015): The Conference adopted a positive indeterminate impact. The Conference takes no position on the concerns raised by the March 23<sup>rd</sup>, 2015 letter from the Seminole Tribe of Florida.**

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2016-17	0.0	0.0	**	**	0.0	0.0	**	**
2017-18	0.0	0.0	**	**	0.0	0.0	**	**
2018-19	0.0	0.0	**	**	0.0	0.0	**	**
2019-20	0.0	0.0	**	**	0.0	0.0	**	**
2020-21	0.0	0.0	**	**	0.0	0.0	**	**

	North Carolina Base				FL Population-based method		FL sales-based method		
	<u>locations</u>	<u>sales per location</u>	<u>monthly sales</u>	<u>annual sales</u>	<u>annual sales</u>	<u>EETF</u>	<u>pay-at-pump %</u>	<u>annual sales</u>	<u>EETF</u>
FY16-17	132	410	54,086	648,000	1,296,000	526,176	0.26%	2,077,133	843,316
FY17-18	240	410	98,400	1,180,800	2,361,600	958,810	0.46%	3,784,998	1,536,709
FY18-19	340	410	139,400	1,672,800	3,345,600	1,358,314	0.65%	5,362,081	2,177,005
FY19-20	440	410	180,400	2,164,800	4,329,600	1,757,818	0.84%	6,939,163	2,817,300
FY20-21	500	410	205,000	2,460,000	4,920,000	1,997,520	0.95%	7,885,413	3,201,478

FL ticket sales - July REC				
	<u>Powerball</u>	<u>Mega Millions</u>	<u>Lotto</u>	<u>Total</u>
FY16-17	371.2	147.3	292.8	811.3
FY17-18	376.4	149.0	289.9	815.3
FY18-19	381.6	150.9	287.9	820.4
FY19-20	386.6	152.9	285.9	825.4
FY20-21	391.6	154.9	283.8	830.3

<u>2015</u>	<u>Locations</u>	<u>Total Active</u>	<u>Sales Total</u>	<u>Sales per</u>
	<u>Installed</u>	<u>Locations</u>		<u>Location</u>
January	4	4	303.0	75.8
February	3	7	1,217.0	173.9
March	7	14	1,768.0	126.3
April	77	91	7,028.0	77.2
May	23	114	34,443.0	302.1
June	4	118	34,479.0	292.2
July	3	121	46,489.0	384.2
August	5	126	49,539.0	393.2
September	11	137	69,176.0	504.9
October	6	143	51,140.0	357.6
Average Jan-Oct			29,558.2	
Average May-Oct			47,544.3	
Average July-Oct			54,086.0	

annualized sales at \$54,000 per month	648,000
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NC population	9.94
FL population	19.89
	2.00
FL pay-at-pump sales	1.30
EETF (40.6% of sales)	0.53

NC sales PB, MM, Cash 5	253.10
per-capita sales	25.46
pay-at-pump % increase	0.26%
NC pay-at-pump sales	0.648

FL sales PB, MM, Lotto	811.3
per-capita sales	40.79
pay-at-pump % increase	0.26%
FL pay-at-pump sales	2.08
EETF (40.6% of sales)	0.84