

## REVENUE ESTIMATING CONFERENCE

**Revenue Source:** Lottery - EETF

**Issue:** Lottery Retailer Compensation

**Bill Number(s):** SB 2502 – 2023-24 Implementing Bill

**Entire Bill**

**Partial Bill:** Sections 46 and 47

**Sponsor(s):** N/A

**Month/Year Impact Begins:** July 2023

**Date(s) Conference Reviewed:** July 13, 2023

### Section 1: Narrative

#### a. Current Law

##### Retailer Compensation Structure

**Prior to FY 2022 – 23**, Lottery retailers earned a 5% sales commission on the sale of all lottery tickets and a 1% cashing bonus commission on prizes paid by the retailer (under \$600) at their retail location. Retailers were also eligible for retailer incentive promotions that are provided to retailers as bonus commissions or promotional prizes. These types of commissions are funded through a specific retailer incentive appropriation category found in the Lottery's approved budget. For REC purposes the department uses a blended rate of 5.6% to calculate the retailer commission projections.

**FY 2022 – 23**, pursuant to amendments to chapter 24, F.S., and rule 53ER22-30, F.A.C, the sales commission rate earned by Lottery retailers was increased from 5% to 5.75% on the sale of all lottery tickets. The amendments eliminated the Lottery's ability to provide retailers the 1% cashing bonus commission by restricting all other retailer compensation with the exception of the Florida Lottery Retailer Bonus Commission program which includes retailer incentive promotions that are provided to retailers as bonus commissions or promotional prizes.

#### b. Proposed Change

##### **FY 2023-24 Implementing Bill (SB 2502)**

Section 46: (9) Adopt rules governing the establishment and operation of the state lottery, including:

(i) The manner and amount of compensation of retailers, except for the 2023-2024 fiscal year only, effective July 1, 2023, the commission for lottery ticket sales shall be 6 percent of the purchase price of each ticket sold or issued as a prize by a retailer. Any additional retailer compensation is limited to the Florida Lottery Retailer Bonus Commission program appropriated in Specific Appropriation 2820 of the 2023-2024 General Appropriations Act. This change removes the 1% cashing bonus that was in place prior to FY 2022-23.

Section 47. The amendment to s. 24.105(9)(i), Florida Statutes, made by this act expires July 1, 2024, and the text of that paragraph shall revert to that in existence on June 30, 2022, except that any amendments to such text enacted other than by this act shall be preserved and continue to operate to the extent that such amendments are not dependent upon the portions of text which expire pursuant to this section.

##### **FY 2023-24 Lottery Rule 53ER23-30 Retailer Compensation.**

(1) Sales Commission. Retailers shall be paid a sales commission of 6.00 percent on the purchase price of each Scratch-Off game (also known as an instant game) and each online terminal game ticket sold by them or issued as a prize or free ticket. The number of Scratch-Off tickets sold or issued as prizes will be determined by full or partial book settlements.

(2) Cashing Commissions. There are no cashing commissions.

(3) Sales commissions, including bonus commissions, paid to retailers for Scratch-Off ticket sales shall be subject to recoupment by the Florida Lottery if settled tickets are subsequently returned to the Lottery.

The effective date of this emergency rule is July 1, 2023.

### Section 2: Description of Data and Sources

The Lottery currently contracts with over 13,400 retailers around the state to sell draw and scratch-off tickets. Pursuant to section 46 of the FY 2023-24 Implementing Bill (SB 2502), retailers will receive a flat 6.0% commission on all sales. There is no cap on the amount of sales commission a retailer can receive – the more a retailer sells, the more the retailer receives in commissions.



Florida Lottery  
Retailer Commission Impact Analysis  
Based on February 2023 REC Adopted  
Sales and EETF Transfers

February 2023 REC Adopted Forecast- Retailer Sales Commission				2023-24	2024-25	2025-26	2026-27	2027-28
				5.6%	5.6%	5.6%	5.6%	5.6%
Instant Game Sales (Scratch + Fast Play)				7,201.03	7,241.09	7,349.71	7,445.25	7,534.59
Terminal Game Sales				2,246.48	2,251.14	2,256.66	2,262.43	2,268.41
EETF transfer due from current year ticket sales and other income				2,306.97	2,316.96	2,340.82	2,362.20	2,382.46
less collection lag loss				-38.60	-44.52	-50.38	-57.16	-69.07
plus collection lag gain from prior year				72.34	38.60	44.52	50.38	57.16
Due to EETF from Lottery Receipts				2,340.71	2,311.03	2,334.96	2,355.42	2,370.56
adjustment for estimated true-up payment in next fiscal year				-7.50	-7.50	-7.50	-7.50	-7.50
Distribution to EETF from Lottery Receipts				2,333.21	2,303.53	2,327.46	2,347.92	2,363.06
EETF Impact - Change in Retailer Sales Commission for FY2023-24				2023-24	2024-25	2025-26	2026-27	2027-28
				6.00%	5.6%	5.6%	5.6%	5.6%
Instant Game Sales (Scratch + Fast Play)				7,201.03	7,241.09	7,349.71	7,445.25	7,534.59
Terminal Game Sales				2,246.48	2,251.14	2,256.66	2,262.43	2,268.41
EETF transfer due from current year ticket sales and other income				2,269.18	2,316.96	2,340.82	2,362.20	2,382.46
less collection lag loss				-37.93	-44.52	-50.38	-57.16	-69.07
plus collection lag gain from prior year				72.34	37.93	44.52	50.38	57.16
Due to EETF from Lottery Receipts				2,303.59	2,310.36	2,334.96	2,355.42	2,370.56
adjustment for estimated true-up payment in next fiscal year				-7.50	-7.50	-7.50	-7.50	-7.50
Distribution to EETF from Lottery Receipts				2,296.09	2,302.86	2,327.46	2,347.92	2,363.06
<b>Impact - Increase/Decrease</b>				<b>-37.12</b>	<b>-0.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>