

REVENUE ESTIMATING CONFERENCE

Tax: Lottery

Issue: Changes to Lottery Operations

Bill Number(s): HB 5001

☐ **Entire Bill**

☒ **Partial Bill:** Line Item 2693

Sponsor(s): Appropriations Committee

Month/Year Impact Begins: April 1, 2019

Date of Analysis: 5/23/2018

Section 1: Narrative

a: Current Law: Currently, vendor rates for scratch-off and terminal game sales are calculated and paid separately at different rates. Also, the terminal games contract and the instant ticket and draw game vending machines are paid separately, as well as appropriated in separate categories. Additionally, there is a cost for leasing 1,000 Full Service Vending Machines (FSVM) and 1,500 Instant Ticket Vending Machines (ITVM).

b: Proposed Change: The Department of Lottery executed the 2017 Agreement for Lottery Gaming Systems and Related Commodities & Services (agreement) with a start-up date of no earlier than April 1, 2019. Pursuant to the agreement, on or after the date of start-up, the department may have up to 1,000 FSVMs with functionality to sell terminal and instant tickets and 1,500 FSVMs with the functionality to sell only instant tickets. All vending machines currently in the field will be replaced with new Gemini Touch vending machines. The new machines will be ADA compliant, have touch screen capabilities, an increased ability to hold more ticket stock (24 to 28 bins in 2,280 of the machines), and real-time reporting availability.

Under the new agreement, the terminal vendor rate is a fixed rate that applies to both Draw Game and Instant Tickets sales and there will be no additional cost for leasing the machines. These appropriation categories are being merged into one category starting in fiscal year 2018-19.

Benefits of the new Contract – Direct and Indirect Impact on Ticket Sales:

1. **New Technology** - Replacing 12-year-old outdated equipment with new cutting-edge technology.
2. **New Real-Time Reporting** – Currently retailers wait until the end of the day to tabulate ticket stock and assess needs. Reports from the new vending machines will be in real time. This updated reporting will allow both Lottery sales representatives and retailers the ability to keep the machines fully stocked. Retailers won't have to wait until the end of the day to tabulate the stock to assess their needs. This time saving change will directly translate into additional sales.
3. **Redundancy Increases** – The agreement includes additional satellites for servicing retailers. It also includes a dual communication solution instead of the single or shared communication solution that exists for retailers today. This upgrade will decrease downtime which directly impacts sales.
4. **Additional Advertising Opportunities** - An additional 7,150 ESMMs (Electronic Sales Multi-Media) for a total of 13,800 ESMM terminal displays advertising products, new games, promotions, Jackpots, etc. All retailers will have a display. REC's analysis of the effect of advertising on the EETF in 2012, resulted in the conference adopting a Return on Investment of \$0.50 for every \$1.00 spent on advertising. Using that analysis, the additional ESMMs will provide a Return on Investment of \$1.4 million to the EETF. We have included that in our revenue calculations.

Note: Per a November 2014 report, conducted by MGT of America, concerning the Florida Lottery, "regression analysis estimated that one dollar spent in advertisement generated \$11.71 for frequent purchasers and \$15.5 for infrequent purchasers." Consequently, one dollar in advertisement will generate \$xxx in transfers to the EETF.

VENDING MACHINES (Basis for Revenue Calculations):

5. **Upgrade Vending Machines to Touch** – There are three other states which offer comparable data. The other states implementing the same Gemini Touch machines (and are not cashless) shows a range of 7% to 20.3% increase in revenues in vending retailers. The attached worksheets identify a range of projected revenues based on the information collected from these other states.
6. **Increased Bins** – The new Gemini Touch vending machines offer additional ticket bins – from 24 to 28. These additional bins will allow flexibility in the placement of tickets in the machine that can result in additional sales. The bins also have more space for additional stock compared to the machines we currently have. Inventory

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management/real-time in conjunction with the additional bins reduces the risk of running out of inventory and experiencing lost sales.

7. **Strategic Moves** – 220, low profile machines were specifically requested. The low-profile machines will offer 20 ticket bins. The Lottery has a limited number of machines and has to be very strategic and give careful consideration to the placement of machines. We have to look for the right combination that will maximize revenues to the EETF. The new contract provides the opportunity to sell from a different trade style and through a Big Box retailer. Initially, the result is a small net gain with the trickle- down effect of machines being strategically moved from lower selling retailers to higher selling retailers to fulfill this request. We anticipate continued increases in the revenue generated from this retailer with passage of time which provides player awareness and increased store deployment in other geographical areas of the state. We have already seen a 15% increase in annual per bin revenue from our original data based on a 6-month pilot period to the updated per bin revenue based on a year pilot period.

Section 2:

Description of Data and Sources

Lottery Revenue Estimating Conference
Department of Lottery

Section 3: Methodology (Include Assumptions and Attach Details)

Revenue Calculations:

Based on a retailer requests, the Lottery will be strategically moving machines between retailers to maximize sales. Additional revenues related to lines 1 and 2 on the attached worksheets are calculated based on this plan.

Additional revenues in lines 3 and 4 of the attached worksheet were calculated based on the expansion of bins in 2,280 machines from 24 to 28. The revenue data is calculated by using comparable annual revenues per bin amount based on calendar year 2017 sales data because it is the most comparable data used in the January 2018 Revenue Estimating Conference.

Sales increases of 3.5%, 5%, and 7% are then used to calculate a range of potential revenues based on the experiences from three other states surveyed.

The Lottery applied a previously adopted REC cannibalization rate of 80% as previously adopted by other REC conferences. The results are identified in the Revenue table below.

The Lottery used a revenue split of 92% Scratch-Off and 8% draw based on calendar year 2017 FSVM sales data.

EETF Calculations are based on EETF Distribution Rates determined in the January 2018 REC.

Expense calculations:

The expenditures are calculated using the new vendor rate and including the increased recurring appropriation in the General Appropriations Act for the new contract for Fiscal Year 2018-19 and calculated based on % of sales in the out-years. Currently the Terminal vendor fees and vending machine leases are paid separately. The new contract combines these costs into one payment at a fixed rate as applied to total draw game and instant ticket sales. There are no separate lease costs for the vending machines or terminals.

Section 4: Proposed Fiscal Impact

Proposed Revenue Impact:

	High 7%		Middle 5%		Low 3.5%	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	4.8	4.8	4.1	4.1	3.5	3.5
2019-20	19.7	19.7	16.8	16.8	14.7	14.7
2020-21	20.0	20.0	17.1	17.1	14.9	14.9
2021-22	20.3	20.3	17.3	17.3	15.1	15.1
2022-23	20.6	20.6	17.6	17.6	15.3	15.3

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Proposed Cost Impact:

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	5.1	5.1	4.9	4.9	4.8	4.8
2019-20	17.0	17.0	16.7	16.7	16.4	16.4
2020-21	17.6	17.6	17.3	17.3	16.9	16.9
2021-22	18.5	18.5	18.2	18.2	17.8	17.8
2022-23	19.0	19.0	18.7	18.7	18.3	18.3

Proposed Impact to EETF:

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	(0.3)	(0.3)	(0.8)	(0.8)	(1.3)	(1.3)
2019-20	2.7	2.7	0.1	0.1	(1.7)	(1.7)
2020-21	2.4	2.4	(0.2)	(0.2)	(2.0)	(2.0)
2021-22	1.8	1.8	(0.9)	(0.9)	(2.7)	(2.7)
2022-23	1.6	1.6	(1.1)	(1.1)	(3.0)	(3.0)

Section 5: Consensus Estimate (Adopted: 05/23/2018): The Conference modified the estimates brought in by the Florida Lottery. For the increase in cost resulting from the 2017 Agreement for Lottery Gaming Systems and Related Commodities & Service executed by the Florida Lottery in accordance with the proviso associated with Line Item 2693, the Conference used the current official ticket sales forecast and adjusted the vendor rates to reflect the new contract provisions (see attached worksheet). With respect to the impact on ticket sales, the Revenue Estimating Conference agreed that vending machine upgrades and technology changes associated with the Agreement will lead to increased sales and additional transfers to the EETF; however, it determined that the amounts of these additional transfers are indeterminate and may be less, equal, or more than the additional costs.

Difference in Distribution to EETF due to Additional Costs

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	0.0	0.0	(4.5)	(14.7)	0.0	0.0	(4.5)	(14.7)
2019-20	0.0	0.0	(15.2)	(15.2)	0.0	0.0	(15.2)	(15.2)
2020-21	0.0	0.0	(16.0)	(16.0)	0.0	0.0	(16.0)	(16.0)
2021-22	0.0	0.0	(16.8)	(16.8)	0.0	0.0	(16.8)	(16.8)
2022-23	0.0	0.0	(17.3)	(17.3)	0.0	0.0	(17.3)	(17.3)

Difference in Distribution to EETF due to Additional Sales

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2018-19	0.0	0.0	Indeterminate	Indeterminate	0.0	0.0	Indeterminate	Indeterminate
2019-20	0.0	0.0	Indeterminate	Indeterminate	0.0	0.0	Indeterminate	Indeterminate
2020-21	0.0	0.0	Indeterminate	Indeterminate	0.0	0.0	Indeterminate	Indeterminate
2021-22	0.0	0.0	Indeterminate	Indeterminate	0.0	0.0	Indeterminate	Indeterminate
2022-23	0.0	0.0	Indeterminate	Indeterminate	0.0	0.0	Indeterminate	Indeterminate

HB 5001 Lottery Contract Change - Spreadsheet reflecting adopted conference estimates associated with the Agreement for Lottery Gaming Systems as approved by the Legislature

Cost Impact:

Factors Affecting EETF Transfers	2017-18		2018-19		2019-20		2020-21		2021-22		2022-23	
	Jan 2018	New	Jan 2018	New	Jan 2018	New	Jan 2018	New	Jan 2018	New	Jan 2018	New
Prize Percentage Scratch-off	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%	73.04%
Prize Percentage Terminal Games	51.68%	51.68%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%	50.43%
Retailer Commission Rate	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%
Administrative Appropriation	\$81.81	\$81.81	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87	\$80.87
Vendor Rate Scratch-off	1.38%	1.38%	1.38%	1.37%	1.38%	1.29%	1.38%	1.29%	1.37%	1.28%	1.37%	1.28%
Vendor Rate Terminal Games	1.58%	1.58%	1.58%	1.84%	1.58%	2.58%	1.57%	2.59%	1.57%	2.61%	1.56%	2.61%
Unclaimed Prize Rate	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

January 2018 Forecast	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Scratch-Off Sales	4579.8	4751.5	4858.7	4943.8	5030.3	5105.7
Terminal Game Sales	1987.3	1980.6	2002.0	2023.1	2043.4	2063.2
EETF transfer due from current year ticket sales and other income	1717.1	1775.6	1807.3	1834.5	1861.9	1886.4
less collection lag loss	(55.5)	(31.0)	(40.7)	(46.3)	(52.4)	(61.2)
plus collection lag gain from prior year	48.8	55.5	31.0	40.7	46.3	52.4
Due to EETF from Lottery Receipts	1710.3	1800.1	1797.6	1828.9	1855.8	1877.7
adjustment for estimated true-up payment in next fiscal year	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Distribution to EETF from Lottery Receipts	1704.3	1794.1	1791.6	1822.9	1849.8	1871.7

Contract Change	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Scratch-Off Sales	4579.8	4751.5	4858.7	4943.8	5030.3	5105.7
Terminal Game Sales	1987.3	1980.6	2002.0	2023.1	2043.4	2063.2
EETF transfer due from current year ticket sales and other income	1717.1	1771.1	1791.8	1818.5	1845.0	1869.0
less collection lag loss	(55.5)	(30.9)	(40.4)	(45.9)	(52.0)	(60.6)
plus collection lag gain from prior year	48.8	55.5	30.9	40.4	45.9	52.0
Due to EETF from Lottery Receipts	1710.3	1795.7	1782.4	1812.9	1839.0	1860.4
adjustment for estimated true-up payment in next fiscal year	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Distribution to EETF from Lottery Receipts	1704.3	1789.7	1776.4	1806.9	1833.0	1854.4

Adopted Estimates:

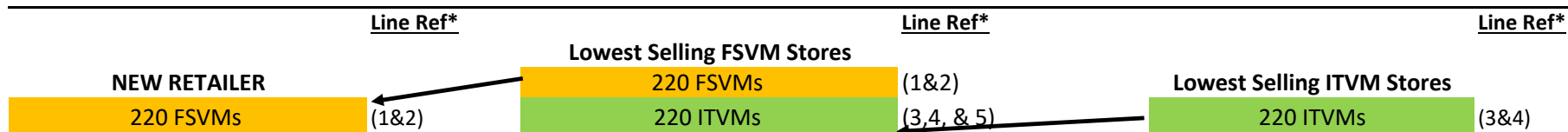
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Difference in distribution to EETF from additional cost	-	-4.5	-15.2	-16.0	-16.8	-17.3
Difference in distribution to EETF from increased sales	-	**	**	**	**	**

REC VENDOR RATE CALCULATION

Attachment 2

OLD	NEW
Terminal Game Vendor Rate:	
1.0699% of DRAW Game Sales	0.7384% of TOTAL Sales (SO + DRAW)
PLUS: Terminal Fees - \$6,436,200 annually	No Separate Terminal Fees
PLUS: FSVMs - \$2,940,000 annually	No Separate FSVM Fees
PLUS: License/Royalty Fees - \$1m annually	License/Royalty Fees - \$1m annually
TOTAL FEES	TOTAL FEES
DIVIDE BY Terminal Game Revenues	DIVIDE BY Terminal Game Revenues
Terminal Game Vendor Rate	Terminal Game Vendor Rate
Scratch-Off Vendor Rate:	
1.245% of SO Sales	1.245% of SO Sales
PLUS: ITVMs - \$5,010,060	No Separate ITVM Fees
PLUS: License/Royalty Fees - \$2m annually	License/Royalty Fees - \$2m annually
TOTAL FEES	TOTAL FEES
DIVIDE BY SO SALES	DIVIDE BY SO SALES
SO Vendor Rate	SO Vendor Rate

Moves Related to the New Retailer



**Line Ref contains the equivalent line number on the New Contract EETF Impact worksheets.*

[illegible]

2018-19 - April 1 - June 30, 2019 (implementation of the new contract - 3 Months)																												
Using 5.0% Growth Rate for New Touch Machines																												
			Machines				Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF			
			ITVM LOC	FSVM LOC			Changes	Old	New	Chg	per Bin	Total Chg		Old	New	Chg	%	Amt	CHG	SCRATCH			DRAW			TOTAL		
			ITVM	ITVM	FSVM	NR															Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		Subtotal
			1,500	-	1,000	-																18.78%			40.92%			
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)			(220)		(220)	24	20	-4	11,984	(47,936)		63.28	52.73	(10.55)	80%	(8.44)	(2.11)	92%	(1.94)	(0.36)	8%	(0.17)	(0.07)	(0.43)		
2		Loss of Per Bin Revenue				220	220	20	20	0	(1,692)	(33,840)			(7.44)	(7.44)	80%	(5.96)	(1.49)	92%	(1.37)	(0.26)	8%	(0.12)	(0.05)	(0.31)		
3	ITVM MOVE	Remove from lowest locations	(220)				(220)	24		-24	2,207	(52,968)		11.65	-	(11.65)	80%	(9.32)	(2.33)	100%	(2.33)	(0.44)	0%	-	-	(0.44)		
4		Relocate to lowest FSVM Location		220			220		24	24	11,984	287,616		-	63.28	63.28	80%	50.62	12.66	100%	12.66	2.38	0%	-	-	2.38		
5		Loss of Draw sales												4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.34)	(0.34)		0.86
			1,280	220	780	220																						
6	FSVM UPGRADE	Upgrade to Touch				780	24	28	4	21,804	87,216		408.17	476.20	68.03	80%	54.42	13.61	92%	12.52	2.35	8%	1.09	0.45	2.80			
7		Incremental Sales										5.00%		20.41	20.41		-	20.41	92%	18.78	3.53	8%	1.63	0.67	4.19		6.99	
8	ITVM UPGRADE	Upgrade to Touch					24	28	4	11,984	47,936		63.28	73.82	10.55	80%	8.44	2.11	100%	2.11	0.40	0%	-	-	0.40			
9		Upgrade to Touch (per bin without bottom 440)					24	28	4	7,761	31,044		238.42	278.15	39.74	80%	31.79	7.95	100%	7.95	1.49	0%	-	-	1.49			
10		Incremental Sales				1,280							5.00%		15.08	15.08		-	15.08	100%	15.08	2.83	0%	-	-	2.83		4.72
11																												
12	TOTAL													788.89	972.23	183.34		118.27	65.06		63.45	11.92		1.61	0.66	12.58	12.58	
13																												
14																												
15																												
16	REC IMPACT OF 500 ED																56.10	80%	44.88	11.22	92%	10.32	1.94	8%	0.90	0.37	2.31	
17																												
18																												
19	COST		TOTAL				SCRATCH					DRAW																
20	REC Sales Forecast		6,732.1				4,751.5					1,980.6																
21	Incremental Sales		65.1				98%	63.4				2%	1.6															
22	Total Sales		6,797.2				4,814.9					1,982.2																
23																												
24	Current Cost		35.6				0.1038%	5.0				1.5433%	30.6															
25	Proposed Cost		39.7				3.9					35.8																
26	Change		\$4.1																									
27																												
28																												
29																												
30	EETF IMPACT SUMMARY	New Incremetal EETF (3 months)	3.1																									
31		Impact of 500 Early Deployed (In Jan 2018 REC)(3 months)	0.6																									
32		Est Revenue to EETF (Machine Impact)	3.7																									
33		Estimated Revenue from Advertising	0.4																									
34		Total Estimated Revenue to EETF	4.1																									
35		New Incremental Cost (3 Months)	(4.1)																									
36		NET Impact to EETF	(0.0)																									
Updated 5/22/18																												

2018-19 - April 1 - June 30, 2019 (implementation of the new contract - 3 Months)																											
Using 7% Growth Rate for New Touch Machines																											
		Machines					Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF		
		ITVM LOC	FSVM LOC			Changes	Old	New	Chg	per Bin	Total Chg	Boost	Old	New	Chg	%	Amt	CHG		SCRATCH			DRAW			TOTAL	
		ITVM	ITVM	FSVM	NR															Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		Subtotal
		1,500	-	1,000	-																						
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)			(220)	(220)	24	20	-4	11,984	(47,936)		63.28	52.73	(10.55)	80%	(8.44)	(2.11)	92%	(1.94)	(0.36)	8%	(0.17)	(0.07)	(0.43)		
2		Loss of Per Bin Revenue			220	220	20	20	0	(1,692)	(33,840)			(7.44)	(7.44)	80%	(5.96)	(1.49)	92%	(1.37)	(0.26)	8%	(0.12)	(0.05)	(0.31)		
3	ITVM MOVE	Remove from lowest locations	(220)			(220)	24		-24	2,207	(52,968)		11.65	-	(11.65)	80%	(9.32)	(2.33)	100%	(2.33)	(0.44)	0%	-	-	(0.44)		
4		Relocate to lowest FSVM Location		220		220		24	24	11,984	287,616		-	63.28	63.28	80%	50.62	12.66	100%	12.66	2.38	0%	-	-	2.38		
5		Loss of Draw sales											4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.34)	(0.34)	0.86	
			1,280	220	780	220																					
6	FSVM UPGRADE	Upgrade to Touch				780	24	28	4	21,804	87,216		408.17	476.20	68.03	80%	54.42	13.61	92%	12.52	2.35	8%	1.09	0.45	2.80		
7		Incremental Sales										7.00%		28.57	28.57		-	28.57	92%	26.29	4.94	8%	2.29	0.94	5.87	8.67	
8	ITVM UPGRADE	Upgrade to Touch				220	24	28	4	11,984	47,936		63.28	73.82	10.55	80%	8.44	2.11	100%	2.11	0.40	0%	-	-	0.40		
9		Upgrade to Touch (per bin without bottom 440)				1,280	24	28	4	7,761	31,044		238.42	278.15	39.74	80%	31.79	7.95	100%	7.95	1.49	0%	-	-	1.49		
10		Incremental Sales										7.00%		21.12	21.12		-	21.12	100%	21.12	3.97	0%	-	-	3.97	5.85	
11																											
12	TOTAL												788.89	986.43	197.53		118.27	79.26		76.99	14.46		2.27	0.93	15.39	15.39	
13																											
14																											
15																											
16	REC IMPACT OF 500 ED																56.10	80%	44.88	11.22	92%	10.32	1.94	8%	0.90	0.37	2.31
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20	REC Sales Forecast		6,732.1			4,751.5					1,980.6																
21	Incremental Sales		79.3			97% 77.0					3% 2.3																
22	Total Sales		6,811.4			4,828.5					1,982.9																
23																											
24	Current Cost		35.6			0.1036% 5.0					1.5433% 30.6																
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32		Est Revenue to EETF (Machine Impact)	4.4																								
33		Estimated Revenue from Advertising	0.4																								
34		Total Estimated Revenue to EETF	4.8																								
35		New Incremental Cost (3 Months)	(4.3)																								
36		NET Impact to EETF	0.5																								

Updated 5/22/18

2019-20 - (implementation of the new contract - Full Year)																											
Using 3.5% Growth Rate for New Touch Machines																											
		Machines					Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF		
		ITVM LOC	FSVM LOC			Changes	Old	New	Chg	per Bin	Total Chg	Boost	Old	New	Chg	%	Amt	CHG	SCRATCH			DRAW			TOTAL		
		ITVM	ITVM	FSVM	NR														Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		Subtotal	
		1,500	-	1,000	-																						
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)											64.48	53.73	(10.75)	80%	(8.60)	(2.15)	92%	(1.98)	(0.37)	8%	(0.17)	(0.07)	(0.44)		
2				(220)		(220)	20	20	0	(1,724)	(34,483)			(7.59)	(7.59)	80%	(6.07)	(1.52)	92%	(1.40)	(0.26)	8%	(0.12)	(0.05)	(0.31)		
3	ITVM MOVE	(220)				(220)	24	-24		2,249	(53,974)		11.87	-	(11.87)	80%	(9.50)	(2.37)	100%	(2.37)	(0.45)	0%	-	-	(0.45)		
4			220			220		24	24	12,212	293,081		-	64.48	64.48	80%	51.58	12.90	100%	12.90	2.44	0%	-	-	2.44		
5													4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.33)	(0.33)	0.90	
		1,280	220	780	220																						
6	FSVM UPGRADE					780	24	28	4	22,218	88,873			415.93	485.25	69.32	80%	55.46	13.86	92%	12.76	2.41	8%	1.11	0.45	2.86	
7												3.50%		14.56	14.56		-	14.56		92%	13.39	2.53	8%	1.16	0.47	3.00	5.85
8	ITVM UPGRADE					220	24	28	4	12,212	48,847		64.48	75.22	10.75	80%	8.60	2.15	100%	2.15	0.41	0%	-	-	0.41		
9						1,280	24	28	4	7,908	31,634		242.95	283.44	40.49	80%	32.39	8.10	100%	8.10	1.53	0%	-	-	1.53		
10												3.50%		10.76	10.76		-	10.76	100%	10.76	2.03	0%	-	-	2.03	3.97	
11																											
12	TOTAL												803.80	979.85	176.05		120.58	55.46		54.30	10.26		1.16	0.47	10.72	10.72	
13																											
14																											
15																											
16	REC IMPACT OF 500 ED															57.17	80%	45.73	11.43	92%	10.52	1.99	8%	0.91	0.37	2.3546	
17																											
18																											
19	COST	TOTAL				SCRATCH				DRAW									INPUT SECTION								
20	REC Sales Forecast	6,860.7				4,858.7				2,002.0									Bins per Machine ¹		Cannibalization Rate ³						
21	Incremental Sales	55.5				98%	54.3			2%	1.2								Current		24						
22	Total Sales	6,916.2				4,913.0				2,003.2									New Retailer		20		80%				
23																			Other		28						
24	Current Cost	35.8				0.1018%	5.0			1.5382%	30.8								Annual Revenue per Bin ²		FSVM Revenue Split ⁴						
25	Proposed Cost	51.7				0.7384%	36.9			0.7384%	14.8								ITVM	Average	\$ 7,908	Draw	8%				
26	Change	\$15.9																		Lowest 220	\$ 2,249	Scratch	92%				
27																				FSVM	New Retailer - Pilot	\$ 10,488	EETF Distribution ⁵				
28																					Lowest 220	\$ 12,212	Draw	40.20%			
29																					average	\$ 22,218	Scratch	18.89%			
30	EETF IMPACT SUMMARY	New Incremental EETF (Full Year)					10.7																				
31		Impact of 500 Early Deployed (In Jan 2018 REC)(Full Year)					2.4																				
32		Est Revenue to EETF (Machine Impact)					13.1																				
33		Estimated Revenue from Advertising					1.6																				
34		Total Estimated Revenue to EETF					14.7																				
35		New Incremental Cost(Full Year)					(15.9)																				
36		NET Impact to EETF					(1.2)																				

Updated 5/22/18

2019-20 - (implementation of the new contract - Full Year)																										
Using 5% Growth Rate for New Touch Machines																										
		Machines					Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF	
		ITVM LOC	FSVM LOC			Changes	Old	New	Chg	per Bin	Total Chg	Boost	Old	New	Chg	%	Amt	CHG	SCRATCH			DRAW			TOTAL	
		ITVM	ITVM	FSVM	NR														Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		
		1,500	-	1,000	-														18.89%			40.20%		Subtotal		
1	FSVM MOVE	Move FSVMs to NR and reconfigure to 20 bins								12,212	(48,847)		64.48	53.73	(10.75)	80%	(8.60)	(2.15)	92%	(1.98)	(0.37)	8%	(0.17)	(0.07)	(0.44)	
2		Loss of Per Bin Revenue								(1,724)	(34,483)			(7.59)	(7.59)	80%	(6.07)	(1.52)	92%	(1.40)	(0.26)	8%	(0.12)	(0.05)	(0.31)	
3	ITVM MOVE	(220)				(220)	24	-24	2,249	(53,974)		11.87	-	(11.87)	80%	(9.50)	(2.37)	100%	(2.37)	(0.45)	0%	-	-	-	(0.45)	
4			220			220		24								80%	51.58	12.90	100%	12.90	2.44	0%	-	-	2.44	
5								24								80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.33)	(0.33)	0.90
		1,280	220	780	220																					
6	FSVM UPGRADE	Upgrade to Touch								22,218	88,873		415.93	485.25	69.32	80%	55.46	13.86	92%	12.76	2.41	8%	1.11	0.45	2.86	
7						780	24	28	4			5.00%	20.80	20.80	20.80		-	20.80	92%	19.13	3.61	8%	1.66	0.67	4.28	7.14
8	ITVM UPGRADE	Upgrade to Touch								12,212	48,847		64.48	75.22	10.75	80%	8.60	2.15	100%	2.15	0.41	0%	-	-	0.41	
9		Upgrade to Touch (per bin without bottom 440)								7,908	31,634		242.95	283.44	40.49	80%	32.39	8.10	100%	8.10	1.53	0%	-	-	1.53	
10												5.00%	15.37	15.37	15.37		-	15.37	100%	15.37	2.90	0%	-	-	2.90	4.84
11																										
12	TOTAL												803.80	990.70	186.90		120.58	66.31		64.65	12.21		1.66	0.67	12.88	12.88
13																										
14																										
15																										
16	REC IMPACT OF 500 ED														57.17	80%	45.73	11.43	92%	10.52	1.99	8%	0.91	0.37	2.355	
17																										
18																										
19	COST	TOTAL				SCRATCH					DRAW															
20	REC Sales Forecast	6,860.7				4,858.7					2,002.0															
21	Incremental Sales	66.3				97%					3%	1.7														
22	Total Sales	6,927.0				4,923.4					2,003.7															
23																										
24	Current Cost	35.8				0.1016%	5.0				1.5382%	30.8														
25	Proposed Cost	51.9				0.7384%	37.2				0.7384%	14.8														
26	Change	\$16.1																								
27																										
28																										
29																										
30	EETF IMPACT SUMMARY	New Incremetal EETF (Full Year)																								
31		Impact of 500 Early Deployed (In Jan 2018 REC)(Full Year)																								
32		Est Revenue to EETF (Machine Impact)																								
33		Estimated Revenue from Advertising																								
34		Total Estimated Revenue to EETF																								
35		New Incremental Cost(Full Year)																								
36		NET Impact to EETF																								
Updated 5/22/18																										

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2021-22 (implementation of the new contract - Full Year)																												
Using 5.0% Growth Rate for New Touch Machines																												
		Machines					Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF			
		ITVM LOC		FSVM LOC		Changes	Old	New	Chg	per Bin	Total Chg	Boost	Old	New	Chg	%	Amt	CHG	SCRATCH			DRAW			TOTAL			
		ITVM	ITVM	FSVM	NR														Share	Rev	EETF ⁵	Share	Rev	EETF ⁵	Subtotal			
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)	1,500	-	1,000	-	(220)	24	20	-4	12,581	(50,323)		66.43	55.36	(11.07)	80%	(8.86)	(2.21)	92%	(2.04)	(0.39)	8%	(0.18)	(0.07)	(0.46)		
2		Loss of Per Bin Revenue			(220)	220	220	20	20	0	(1,776)	(35,525)			(7.82)	(7.82)	80%	(6.25)	(1.56)	92%	(1.44)	(0.27)	8%	(0.13)	(0.05)	(0.32)		
3	ITVM MOVE	Remove from lowest locations	(220)				(220)	24		-24	2,317	(55,606)		12.23	-	(12.23)	80%	(9.79)	(2.45)	100%	(2.45)	(0.46)	0%	-	-	(0.46)		
4		Relocate to lowest FSVM Location		220			220		24	24	12,581	301,939		-	66.43	66.43	80%	53.14	13.29	100%	13.29	2.52	0%	-	-	2.52		
5		Loss of Draw sales												4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.33)	(0.33)		
			1,280	220	780	220																						
6	FSVM UPGRADE	Upgrade to Touch				780	24	28	4		22,890	91,559	5.00%	428.50	499.91	71.42	80%	57.13	14.28	92%	13.14	2.49	8%	1.14	0.46	2.95		
7		Incremental Sales													21.42	21.42		-	21.42	92%	19.71	3.73	8%	1.71	0.69	4.42		
8	ITVM UPGRADE	Upgrade to Touch				220	24	28	4		12,581	50,323		66.43	77.50	11.07	80%	8.86	2.21	100%	2.21	0.42	0%	-	-	0.42		
9		Upgrade to Touch (per bin without bottom 440)				1,280	24	28	4		8,147	32,590	5.00%	250.29	292.01	41.72	80%	33.37	8.34	100%	8.34	1.58	0%	-	-	1.58		
10		Incremental Sales													15.84	15.84		-	15.84	100%	15.84	3.00	0%	-	-	3.00		
11																												
12	TOTAL													827.97	1,020.64	192.67		124.33	68.34		66.61	12.61		1.73	0.70	13.31		
13																												
14																												
15																												
16	REC IMPACT OF 500 ED																58.89	80%	47.11	11.78	92%	10.84	2.05	8%	0.94	0.38	2.43	
17																												
18																												
19	COST	TOTAL				SCRATCH					DRAW																	
20	REC Sales Forecast	7,073.7				5,030.3					2,043.4																	
21	Incremental Sales	68.3				97%	66.6				3%	1.7																
22	Total Sales	7,142.0				5,096.9					2,045.1																	
23																												
24	Current Cost	36.3				0.0981%	5.0				1.5288%	31.3																
25	Proposed Cost	53.5				0.7384%	38.4				0.7384%	15.1																
26	Change	\$17.3																										
27																												
28																												
29																												
30	EETF IMPACT SUMMARY	New Incremetal EETF (Full Year)	13.3																									
31		Impact of 500 Early Deployed (In Jan 2018 REC)(Full Year)	2.4																									
32		Est Revenue to EETF (Machine Impact)	15.7																									
33		Estimated Revenue from Advertising	1.6																									
34		Total Estimated Revenue to EETF	17.3																									
35		New Incremental Cost(Full Year)	(17.3)																									
36		NET Impact to EETF	0.1																									
Updated 5/22/18																												

2021-22 (implementation of the new contract - Full Year)																												
Using 7.0% Growth Rate for New Touch Machines																												
		Machines					Bins Number ¹			Annual Revenue ²		Sales Boost	TOTAL REVENUE			Cannibalization ³		NET CHG	FSVM Revenue Split ⁴						EETF			
		ITVM LOC		FSVM LOC		Changes	Old	New	Chg	per Bin	Total Chg		Old	New	Chg	%	Amt			SCRATCH			DRAW			TOTAL		
		ITVM	ITVM	FSVM	NR															Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		Subtotal	
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)					(220)	24	20	-4	12,581	(50,323)		66.43	55.36	(11.07)	80%	(8.86)	(2.21)	92%	(2.04)	(0.39)	8%	(0.18)	(0.07)	(0.46)		
2		Loss of Per Bin Revenue					220	20	20	0	(1,776)	(35,525)			(7.82)	(7.82)	80%	(6.25)	(1.56)	92%	(1.44)	(0.27)	8%	(0.13)	(0.05)	(0.32)		
3	ITVM MOVE	Remove from lowest locations					(220)	24		-24	2,317	(55,606)		12.23	-	(12.23)	80%	(9.79)	(2.45)	100%	(2.45)	(0.46)	0%	-	-	(0.46)		
4		Relocate to lowest FSVM Location					220		24	24	12,581	301,939		-	66.43	66.43	80%	53.14	13.29	100%	13.29	2.52	0%	-	-	2.52		
5		Loss of Draw sales												4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.33)	(0.33)	0.94	
		1,280	220	780		220																						
6	FSVM UPGRADE	Upgrade to Touch					780	24	28	4	22,890	91,559	7.00%	428.50	499.91	71.42	80%	57.13	14.28	92%	13.14	2.49	8%	1.14	0.46	2.95		
7		Incremental Sales												29.99	29.99		-	29.99		92%	27.60	5.22	8%	2.40	0.97	6.19	9.14	
8	ITVM UPGRADE	Upgrade to Touch					220	24	28	4	12,581	50,323		66.43	77.50	11.07	80%	8.86	2.21	100%	2.21	0.42	0%	-	-	0.42		
9		Upgrade to Touch (per bin without bottom 440)					1,280	24	28	4	8,147	32,590	7.00%	250.29	292.01	41.72	80%	33.37	8.34	100%	8.34	1.58	0%	-	-	1.58		
10		Incremental Sales												22.17	22.17		-	22.17		100%	22.17	4.20	0%	-	-	4.20	6.20	
11																												
12	TOTAL													827.97	1,035.55	207.57		124.33	83.25		80.83	15.30		2.42	0.97	16.27	16.27	
13																												
14																												
15																												
16	REC IMPACT OF 500 ED															58.89	80%	47.11	11.78	92%	10.84	2.05	8%	0.94	0.38	2.43		
17																												
18																												
19	COST	TOTAL					SCRATCH					DRAW																
20	REC Sales Forecast	7,073.7					5,030.3					2,043.4																
21	Incremental Sales	83.2					97% 80.8					3% 2.4																
22	Total Sales	7,156.9					5,111.1					2,045.8																
23																												
24	Current Cost	36.3					0.0978% 5.0					1.5288% 31.3																
25	Proposed Cost	53.8					0.7384% 38.7					0.7384% 15.1																
26	Change	\$17.6																										
27																												
28																												
29																												
30	EETF IMPACT SUMMARY	New Incremetal EETF (Full Year)					16.3																					
31		Impact of 500 Early Deployed (In Jan 2018 REC)(Full Year)					2.4																					
32		Est Revenue to EETF (Machine Impact)					18.7																					
33		Estimated Revenue from Advertising					1.6																					
34		Total Estimated Revenue to EETF					20.3																					
35		New Incremental Cost(Full Year)					(17.6)																					
36		NET Impact to EETF					2.7																					
Updated 5/22/18																												

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2022-23 - (implementation of the new contract - Full Year)																											
Using 7% Growth Rate for New Touch Machines																											
		Machines					Bins Number ¹			Annual Revenue ²		Sales	TOTAL REVENUE			Cannibalization ³		NET	FSVM Revenue Split ⁴						EETF		
		ITVM LOC	FSVM LOC			Changes	Old	New	Chg	per Bin	Total Chg	Boost	Old	New	Chg	%	Amt	CHG	SCRATCH			DRAW			TOTAL		
		ITVM	ITVM	FSVM	NR														Share	Rev	EETF ⁵	Share	Rev	EETF ⁵		Subtotal	
		1,500	-	1,000	-																						
1	FSVM MOVE	Move FSVMs to NR and reconfigure(lowest FSVM)																									
2				(220)		(220)	24	20	-4	12,744	(50,977)		67.29	56.08	(11.22)	80%	(8.97)	(2.24)	92%	(2.06)	(0.39)	8%	(0.18)	(0.07)	(0.46)		
3	ITVM MOVE	(220)				(220)	24		-24	2,347	(56,329)		12.39	-	(12.39)	80%	(9.91)	(2.48)	100%	(2.48)	(0.47)	0%	-	-	(0.47)		
4			220			220		24	24	12,744	305,864		-	67.29	67.29	80%	53.83	13.46	100%	13.46	2.55	0%	-	-	2.55		
5													4.10	-	(4.10)	80%	(3.28)	(0.82)		-	-	100%	(0.82)	(0.33)	(0.33)	0.96	
		1,280	220	780		220																					
6	FSVM UPGRADE	Upgrade to Touch					24	28	4	23,187	92,750	7.00%	434.07	506.41	72.34	80%	57.88	14.47	92%	13.31	2.52	8%	1.16	0.47	2.99		
7		Incremental Sales												30.38	30.38		-	30.38	92%	27.95	5.30	8%	2.43	0.98	6.27	9.26	
8	ITVM UPGRADE	Upgrade to Touch					24	28	4	12,744	50,977		67.29	78.51	11.22	80%	8.97	2.24	100%	2.24	0.42	0%	-	-	0.42		
9		Upgrade to Touch (per bin without bottom 440)					24	28	4	8,253	33,014		253.54	295.80	42.26	80%	33.81	8.45	100%	8.45	1.60	0%	-	-	1.60		
10		Incremental Sales										7.00%		22.46	22.46		-	22.46	100%	22.46	4.26	0%	-	-	4.26	6.28	
11																											
12	TOTAL												838.69	1,049.01	210.33		125.99	84.34		81.88	15.51		2.46	0.99	16.50	16.50	
13																											
14																											
15																											
16	REC IMPACT OF 500 ED														59.66	80%	47.73	11.93	92%	10.98	2.08	8%	0.95	0.38	2.46		
17																											
18																											
19	COST	TOTAL				SCRATCH					DRAW								INPUT SECTION								
20	REC Sales Forecast	7,168.9				5,105.7					2,063.2								Bins per Machine ¹		Cannibalization Rate ³						
21	Incremental Sales	84.3				97%	81.9				3%	2.5							Current		24						
22	Total Sales	7,253.2				5,187.6					2,065.7								New Retailer		20						
23																			Other		28						
24	Current Cost	36.5				0.0964%	5.0				1.5244%	31.5							Annual Revenue per Bin ²		FSVM Revenue Split ⁴						
25	Proposed Cost	54.6				0.7384%	39.3				0.7384%	15.3							ITVM		Average		\$ 8,253		Draw		
26	Change	\$18.1																	Lowest 220		\$ 2,347		Scratch		92%		
27																			FSVM		New Retailer - Pilot		\$ 10,945		EETF Distribution ⁵		
28																			Lowest 220		\$ 12,744		Draw		40.23%		
29																			Average		\$ 23,187		Scratch		18.95%		
30	EETF IMPACT SUMMARY	New Incremetal EETF (Full Year)					16.5																				
31		Impact of 500 Early Deployed (In Jan 2018 REC)(Full Year)					2.5																				
32		Est Revenue to EETF (Machine Impact)					19.0																				
33		Estimated Revenue from Advertising					1.6																				
34		Total Estimated Revenue to EETF					20.6																				
35		New Incremental Cost(Full Year)					(18.1)																				
36		NET Impact to EETF					2.5																				
Updated 5/22/18																											