

Review of the Florida Lottery, 2022

Report 23-02

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OPPAGA

Office of Program Policy Analysis and Government Accountability

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EXECUTIVE SUMMARY

Lottery transfers to the Educational Enhancement Trust Fund increased in Fiscal Year 2021-22 to \$2.33 billion, \$97 million (4%) more than the prior year. According to lottery officials, this increase is due to an increase in sales as well as an increase in transfers related to unclaimed prizes. The department continues to outperform the legislative performance standard for its operating expense rate, which is the third lowest in the nation.

REPORT SCOPE

As directed by the Legislature, OPPAGA examined the Department of the Lottery and assessed options to enhance its earning capability and improve its efficiency.^{1,2}

Several games and product distribution options are available to further increase transfers to education. However, some options could represent expanded gambling. Lotteries throughout the country offer additional product distribution methods that the Florida Lottery does not currently use, including selling lottery tickets over the internet and through courier services. Offering lottery products over the internet would require statutory revisions, such as eliminating the requirement that an individual must purchase a minimum of \$20 of other goods to use a credit card or other instruments issued by financial institutions and retailers to purchase lottery products. OPPAGA's review of Florida statutes did not identify any law specifically authorizing or prohibiting courier services.

In the past year, the Lottery launched the sale of in-lane Powerball and Mega Millions draw games at 324 Southeastern Grocers stores. In addition, the department added a total of 464 scratch-off facings (i.e., ticket dispensers) at Publix Liquors stores, and 600 facings at Southeastern Grocers stores. The Lottery also commissioned research on expanding ticket sales to non-traditional retailers, including restaurants, bars, taverns, and gift shops. Thus far, the department is not aware of any non-traditional retailers surveyed during the research that have applied to become a retailer.

The Lottery has increased the number of security inspections and compliance operations it conducts during the last three fiscal years, in an effort to reduce theft and fraud. According to Lottery officials, during this period, the department identified 75 incidents of unauthorized activity, such as ticket alteration and theft of a ticket by a retailer or employee of a retailer. During the same period, the Lottery's actions against retailers resulted in 33 terminations, 41 arrests, and 1 suspension.

The department also made efficiency improvements to reduce energy costs. Lottery officials reported implementing several energy cost-savings measures, including upgrading to LED lighting in the headquarters warehouse and parking lot and upgrading the vertical blinds to solar shades at headquarters and one regional office. For the past three years, the Lottery has been consistently more efficient than the state-established standard.

¹ Section 24.123, F.S., requires an annual financial audit of the Department of the Lottery, which is to include recommendations to enhance the Florida Lottery's earning capability and department efficiency. The Joint Legislative Auditing Committee directed OPPAGA to assess revenue enhancement and efficiency and the Auditor General to conduct the financial audit.

² Prior OPPAGA reports that identify revenue enhancement and operational efficiency options for the Department of the Lottery are available on OPPAGA's [website](#).

BACKGROUND

The Department of the Lottery generates funds for education by selling draw and scratch-off games.³ Draw games, also known as terminal games, allow players to select from a range of numbers on a play slip. Draw game tickets are printed by terminals that are connected to the Lottery's contracted terminal-based gaming system for a drawing at a later time. Scratch-off games are tickets with removable coverings that players scratch off to instantly determine if they won.

In Fiscal Year 2021-22, prizes totaled \$6.245 billion and retailer commissions totaled \$523.1 million. Total ticket sales for this period were \$9.325 billion. Florida ranked the highest among U.S. lotteries in total sales and sixth highest among U.S. lotteries in per capita sales for Fiscal Year 2021-22. The Lottery is self-supporting and receives no general revenue funds. For Fiscal Year 2022-23, the Legislature appropriated \$210 million from Lottery sales revenue and authorized 418.5 positions for department operations.⁴

A sales commission is paid to retailers on the purchase price of draw and scratch-off game tickets sold, while a cashing commission is paid to retailers on the prize value of each lottery ticket with a prize value less than \$600.⁵ For Fiscal Year 2022-23, the Legislature increased the retailer sales commission rate from 5% to 5.75% and eliminated the 1% retailer cashing commission.⁶ Prizes and retailer commissions are paid directly from sales revenues and do not appear in the department's appropriation.

Since its inception, the Lottery has outsourced some functions to produce, advertise, and sell tickets. The department allocated approximately \$160 million (76%) of its Fiscal Year 2022-23 appropriation to produce and advertise draw and scratch-off games.⁷ Vendor contracts include those listed below.

- A contract with PP+K, Inc., for general market advertising services as well as multilingual services, including those in Spanish. The department may elect to contract for additional renewal periods not to exceed five years. This contract was renewed on November 1, 2022, for one year, through October 31, 2023. The department already renewed for two of the possible five years.
- A contract with IGT Global Solutions Corporation to provide a terminal-based gaming system. The gaming system includes computer systems and retailer terminals, vending machines, telecommunications, and technical support services. This contract expires in June 2032 (or 13 years from start-up of operations under the contract) with three 3-year renewal options.
- A contract with Scientific Games International, Inc., to print, market, and distribute scratch-off game tickets. This contract expires in March 2027. The department may elect to contract for additional renewal periods not to exceed seven years.

³ To sell its products, the Lottery contracts with a wide range of retailers across the state, such as supermarkets, convenience stores, gas stations, and newsstands.

⁴ Chapter [2022-156](#), *Laws of Florida*.

⁵ Retailers can also earn bonus commissions and promotional prizes that are awarded in retailer promotions.

⁶ On July 1, 2023, the law governing retailer sales and cashing commission rates will revert to the law in effect on June 30, 2022, unless legislation amending the reversion is enacted. The law, in effect on June 30, 2022, directed the department to adopt rules governing the manner and amount of compensation of retailers.

⁷ Of the \$160 million, approximately \$121 million was allocated to produce draw and scratch-off games and \$39 million was allocated to advertising for Fiscal Year 2022-23.

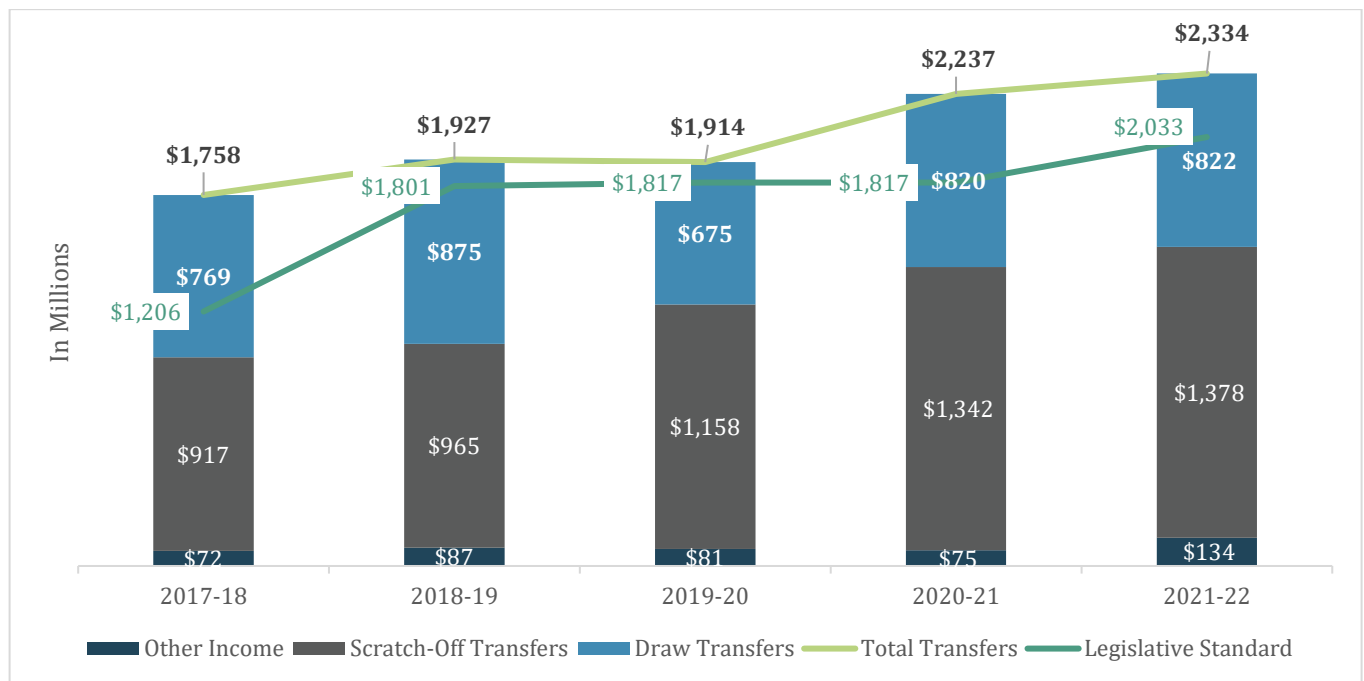
REVENUE PERFORMANCE

In Fiscal Year 2021-22, lottery sales increased to \$9.325 billion compared to the prior year's sales of \$9.076 billion (an increase of \$248 million, or 2.74%). Both scratch-off and draw game sales increased. Scratch-off game sales increased by \$197 million to \$7.025 billion, while draw game sales increased by \$51 million to \$2.299 billion.

Lottery transfers to the Educational Enhancement Trust Fund (EETF) also increased in Fiscal Year 2021-22 compared to the prior year. Lottery transfers for Fiscal Year 2021-22 were \$2.33 billion, which is \$97 million (4%) more than the prior year. (See Exhibit 1.) The department reported that a 2.74% increase in sales as well as an increase in transfers related to unclaimed prizes were the primary reasons for the increase in transfers to the EETF. The transfer rate for draw games is about twice as much as for scratch-off games.⁸ Total transfers to the EETF for Fiscal Year 2021-22 exceeded the legislative standard of \$2.033 billion.⁹

Exhibit 1

Fiscal Year 2021-22 Scratch-Off and Draw Transfers Increased¹



Source: Florida Lottery financial statements and Department of the Lottery Long Range Program Plans.

⁸ In Fiscal Year 2021-22, an average of 35% of sales for draw games was transferred to the EETF, compared to 19% for scratch-off games.

⁹ The Lottery's legislatively approved performance standards are reported in *Florida Lottery Long Range Program Plan Fiscal Years 2023-24 through 2027-28*, September 30, 2022.

REVENUE ENHANCEMENT

During Fiscal Year 2021-22, the Lottery continued to take steps to increase sales and transfers to the Educational Enhancement Trust Fund. For instance, the Lottery added new games and in-lane draw sales. To further increase sales and transfers, the Lottery could introduce new ticket sales methods or increase its retailer network. However, some of these options could represent an expansion of legalized gambling and produce negative social costs.^{10,11}

Several Options Could Enhance Lottery Revenues

Options Based on Other State Lotteries

- Introduce new games
- Implement new ways of selling tickets
- Increase the retailer network

(See Appendices A and B for more detailed information.)

OPPAGA identified several options that could enhance lottery revenues based on game and product distribution methods that other U.S. lotteries have implemented. Appendix A details new game options and Appendix B lists new product distribution options, along with the options' advantages and disadvantages.¹² As noted in the appendices, several of the options would require legislative authority to implement.

The fiscal impact estimates in the appendices assume lottery customers and retailers would be educated and ready to play as soon as the department made new games or product distribution options available. These estimates also assume that Florida's sales experience would be similar to that of other U.S. lotteries. However, Florida's sales experience may differ depending on a variety of factors, including how the Florida Lottery implements the option. The revenue estimates also assume that some of the sales from new games or product distribution options would be the result of shifts from existing game sales. If any of these game options were implemented, further study of the sales shift would be needed.

If the Lottery implemented a new game or product distribution option, it would need to consider whether the implementation would have a potential impact on the revenue sharing terms of any gaming compact between the State of Florida and the Seminole Tribe of Florida.

The Lottery took several steps to increase sales

In Fiscal Year 2021-22, the Department of the Lottery expanded product distribution methods, enhanced its product mix, and strengthened brand awareness to increase sales. For example, the department surpassed its highest retailer count of all time with 13,403 retailers contracted during that year, and introduced in-lane purchase options of Powerball and Mega Millions draw games with the launch of QUICKTICKET at Southeastern Grocers locations statewide.

¹⁰ For more information on negative social costs, see *Lottery Profits Flat; Increasing Retailer Outlets Is Critical to Increasing Sales*, OPPAGA Report [10-16](#), January 2010, and *Gambling Impact Study*, Spectrum Gaming Group, October 2013.

¹¹ Fiscal impact estimates presented in this report do not account for negative social costs and shifts of other taxable economic activity.

¹² Unless otherwise noted, all estimates in this report use the projected Fiscal Year 2023-24 EETF transfer rates from the July 2022 Revenue Estimating Conference. Transfers resulting from implementing new game or product distribution options may differ based on the transfer rates at the time of implementation.

The department also reported that enhancements to its product mix contributed to increased sales. For example, the department introduced a new draw game (CASH POP), a \$50 scratch-off ticket, the Double Play add-on option to Powerball, and a Monday Powerball drawing. According to the Lottery, these new game options resulted in more than \$992 million in sales in Fiscal Year 2021-22.

The Lottery Enhanced Product Distribution, Product Mix, and Brand Awareness to Increase Sales

Examples of Steps to Increase Sales in Fiscal Year 2021-22

- Implemented in-lane draw game sales at all 324 Southeastern Grocers locations
- Added CASH POP
- Implemented merchandising enhancement pilot projects at Publix Liquors and Southeastern Grocers locations

In January 2022, the department replaced its Fast Play games with a new draw game that OPPAGA included in its 2021 report: CASH POP. In this game, players choose one or more numbers from 1 to 15 and select a play amount of \$1, \$2, or \$5 per number chosen. The player's ticket prints with a prize ranging from \$5 to \$1,250 based on the play amount. If the player's number is chosen, the player wins the prize amount printed on the ticket. The department conducts drawings for CASH POP five times a day, seven days a week. Between January 3, 2022, and December 31, 2022, CASH POP sales were \$99.02 million. Annual sales of CASH POP were roughly \$77 million more than Fast Play games during calendar year 2021.

In February 2022, the department added a \$50 scratch-off to the existing \$1, \$2, \$3, \$5, \$10, \$20, and \$30 scratch-off games. From February 2022 through the end of June 2022, the \$50 scratch-off game generated \$804.3 million in sales.

In Fiscal Year 2021-22, the department implemented an enhancement project at Publix Liquors stores. The Lottery increased scratch-off game options by adding 464 scratch-off facings at 29 new Publix Liquors stores. In addition, the department implemented a 10-store pilot at Publix Liquors stores in December 2021, which resulted in 62 additional scratch-off facings. For the period between January 2022 and September 2022, these 10 pilot stores increased scratch-off sales by 17.37% (\$1.59 million), which exceeded the statewide average sales increase by 15.5%. The enhancement project at Publix Liquors stores also includes adding mini digital jackpot signs that display current jackpot amounts. The Lottery expects the upgrades to increase draw game sales through jackpot awareness. According to Lottery officials, the overall enhancement project at Publix Liquors stores will continue in Fiscal Year 2022-23, through the addition of over 2,000 scratch-off facings and a wider variety of games at 293 stores in Florida. The Lottery expects an increase in sales at Publix Liquors stores, which remain a growing segment for the Publix Supermarket chain.

The Lottery also made several enhancements at Southeastern Grocers stores in Fiscal Year 2021-22. In select Winn-Dixie liquor stores, the Lottery added 600 scratch-off facings. In Winn-Dixie liquor stores, the year-over-year scratch-off sales increase was 13.54% (\$2.14 million), which exceeded the state's overall scratch-off growth rate of 2.89%. According to Lottery officials, the addition of scratch-off facings will continue in Fiscal Year 2022-23 at Winn-Dixie liquor store locations with available space. The Lottery also plans to add in-lane, scratch-off facings at approximately 150 additional Southeastern Grocers locations, following a successful 23 store pilot in Fiscal Year 2021-22 that showed an average increase in scratch-off sales of 7.11%, which was 4.47% greater than the state average. In the coming year, the Lottery plans to expand scratch-off facings to five check-out lanes per store, adding up to 3,000 additional scratch-off ticket facings at Southeastern Grocers locations throughout the state.

In addition, beginning August 1, 2022, the Lottery worked with Southeastern Grocers to sell draw games to customers in the check-out lane using technology known as QUICKTICKET. QUICKTICKET allows customers to purchase Powerball and Mega Millions tickets with pre-printed Quick Pick numbers on a card that can be scanned like other grocery items. Upon card activation, the player's tickets are entered in the next available draw. According to the Lottery, from August 1, 2022, to September 8, 2022, QUICKTICKET sales of Powerball and Mega Millions games at Southeastern Grocers locations topped \$198,000, which exceeded the statewide growth rate of the two games by 12.97%. As of October 2022, 324 Southeastern Grocers locations offered in-lane sales of QUICKTICKET.

Adding new games could further increase sales

To maintain and increase sales, lotteries need to continually review and refresh the product mix. As the department retires games that have peaked in popularity and are in a period of declining sales, the Legislature and the department could consider adding one or more new games, such as draw games that offer different play styles.¹³

For example, Massachusetts, Texas, and Wisconsin offer the All or Nothing draw game. Game tickets are a minimum of \$1 or \$2, and players win prizes by matching none, some, or all of the numbers drawn.¹⁴ In Texas, players select 12 numbers from 1 to 24 and win a top prize of \$250,000 by matching all 12 numbers drawn or by matching none of the numbers drawn. The frequency of drawings for All or Nothing varies by state. In Massachusetts, All or Nothing is a rapid play game with a drawing every four minutes for almost 20 hours per day, while Texas drawings occur four times per day and Wisconsin drawings occur twice a day. OPPAGA estimates that implementing an All or Nothing game could generate approximately \$11.5 million in transfers to education during the first full year of implementation. Over time, however, the number of states that offer All or Nothing has decreased, so the game may have a limited life cycle, and some sales would likely shift from existing lottery games.

New Games Could Increase Lottery Revenues

Examples of New Game Options

- Implementing All or Nothing could generate \$11.5 million in additional transfers during the first full year of implementation.
- New games tend to have a limited life cycle with initial sales increases that later decline.

(See Appendix A for information on additional new game options, including Fast Keno, Daily Keno, and monitor games.)

¹³ In January 2022, the Lottery retired all of its fast play games.

¹⁴ In Massachusetts, players have the option to play up to \$10 per ticket.

Other states use additional product distribution methods

Lotteries throughout the country offer additional product distribution methods that the Florida Lottery does not currently use, including selling lottery tickets through the internet and courier services.

Internet sales. OPPAGA identified 12 U.S. lotteries that offer lottery products over the internet.¹⁵ The product mix that these lotteries offer online varies, including subscriptions to draw games for up to one year in advance, tickets for single drawings of draw games, and/or instant games.¹⁶

Lotteries that sell products over the internet require players to be at least 18 years of age and located within the state when making a lottery purchase. Based on other states' experiences, OPPAGA estimates the potential revenue from implementing internet sales in Florida is approximately \$30.6 million to \$470.4 million per year in additional recurring transfers to education depending on whether only draw games or both draw and instant games are offered, respectively.^{17,18}

Offering Lottery Products Over the Internet and By Couriers Could Increase Revenues

Internet Sales

- Potential revenue from implementing internet sales in Florida could be as high as \$470.4 million per year. Implementing this distribution method would require statutory changes to address several issues.
- Courier services operate in 14 states and could increase Lottery revenues by reaching players who are interested in purchasing tickets online. Florida statutes do not authorize or prohibit courier services.

Offering lottery products over the internet would require statutory revisions. Florida law currently restricts the use of player-activated terminals without the assistance of a retailer and does not authorize the use of credit cards or other instruments issued by specified financial institutions and retailers for lottery purchases without a purchase of \$20 in other goods.¹⁹ The state would need to comply with federal laws that require state regulations to include age and location verification to reasonably block access to minors and persons located outside the state.²⁰

Courier Services. Lottery courier services purchase tickets on behalf of players, typically through a website or mobile app. Based on the experiences of other states, courier services could increase Lottery revenues by reaching players who are interested in purchasing tickets online.

OPPAGA identified 14 states where courier services are operating.²¹ A typical courier service arrangement involves the courier company partnering with a lottery retailer or having a license as a lottery retailer. The courier service usually sets up website accounts into which players deposit funds. Players direct the courier to purchase tickets on their behalf, which the courier purchases from a

¹⁵ The 12 U.S. lotteries are the District of Columbia lottery and state lotteries in Georgia, Illinois, Kentucky, Michigan, New Hampshire, New York, North Carolina, North Dakota, Pennsylvania, Rhode Island, and Virginia.

¹⁶ North Carolina offers online a subscription for draw games up to a year in advance. New York offers subscription-only internet sales.

¹⁷ OPPAGA estimated potential transfers from implementing internet sales using available 2020-21 sales data from nine states that offer internet sales: Georgia, Illinois, Kentucky, Michigan, New Hampshire, North Carolina, North Dakota, Pennsylvania, and Virginia. The analysis excluded New York, Rhode Island, and the District of Columbia due to insufficient information. The estimate assumes a transfer rate of 38.04% to the EETF for draw-only internet sales and 23.22% for both draw and instant internet sales, and that 5% of sales would shift from existing games.

¹⁸ The estimate does not account for swipe fees from use of credit cards. If the Lottery assumed the swipe fees, this would reduce the transfer amount to the EETF. Alternatively, the Lottery could require the player to pay for the swipe fees.

¹⁹ Section [24.105\(9\)\(a\)3](#), F.S., restricts the use of player-activated machines without the assistance of a retailer and s. [24.118\(1\)](#), F.S., requires the purchase of no less than \$20 of other goods and services to use a credit card or other instrument issued by specified financial institutions and retailers to purchase lottery products.

²⁰ Although a U.S. Department of Justice opinion reversed a previous opinion that provided the basis for U.S. lottery internet sales, the New Hampshire Lottery filed a lawsuit regarding the reversal. The New Hampshire Lottery prevailed in both the lower court and on appeal.

²¹ The 14 states are Arizona, Arkansas, Colorado, Idaho, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oregon, Texas, and West Virginia.

partner retailer or prints from courier terminals if the courier has a retailer contract. The courier retains the tickets for a record of the purchases and typically provides players with scanned copies. The courier may credit players' accounts for lower-tier prizes, but if a player wins a higher-tier prize and needs a ticket to redeem it, the player can either pick up the ticket from the courier service or have it sent to them. The fee arrangement in some states involves players paying the courier a percentage of the funds they deposit in their account and a fee each time they add funds to their account. Seven of the 14 states reported that the fiscal impact of the courier service was unknown. New Jersey reported that the fiscal impact was positive, Ohio estimated the fiscal impact at just below \$9.5 million (less than 1% of total sales), and Oregon reported that couriers constituted 9.2% of total sales.²²

The statutory arrangements under which the courier services operate in these states varied widely. For example, state law directs the New Jersey Lottery to regulate courier services. The New Jersey regulatory process involves a comprehensive background screening and financial review similar to the process the state uses for casinos, which is conducted at the expense of the courier service. The state lottery conducts ongoing monitoring of the courier service's operations. In Minnesota, statutes authorize courier services and the courier service operates as a lottery retailer. New York's statutes require couriers to be licensed through the New York State Gaming Commission and to comply with various auditing, financial, and operational requirements. In New Hampshire, Ohio, and Texas, there are no statutes to either specifically authorize or prohibit courier service operations. In Ohio and Texas, couriers operate without regulation since the state lottery has no ongoing role in courier service operations; in New Hampshire, the courier has a lottery retailer contract, but the state lottery does not oversee its courier operations.

Florida Lottery administrators reported that three courier services attempted to operate in Florida from 2017 through 2021. In each case, the department stopped the courier from operating, either by cancelling the contract of the retailer that partnered with the courier service or by persuading the courier service to cease operations. According to department officials, the Lottery cancelled the retailer contracts for violating retailer rules that require the use of Florida Lottery-approved or printed play slips, and, in one case, for engaging in conduct prejudicial to public confidence in the Lottery. According to the Lottery, the last confirmed case where a courier was selling tickets in Florida was Jackpocket in the summer of 2021. In this case, the Lottery cancelled the contract with the retailer working with Jackpocket. Sales representatives regularly visit retailer locations and provide feedback to management regarding business operations, including possible courier services in the field.

OPPAGA's review of Florida statutes did not identify any law specifically authorizing or prohibiting courier services, and there is nothing in the Lottery's retailer rules that prohibits couriers from operating in the state. The Legislature could consider authorizing or prohibiting the operation of lottery courier services. If the Legislature wishes to authorize courier services, the enabling legislation could authorize the Department of the Lottery to establish additional rules to protect players and the integrity of the Florida Lottery and to limit how much a courier service can charge players. Alternatively, the Legislature may wish to expressly prohibit courier services.

²² Four states did not report information regarding the fiscal impact of couriers operating in the state.

Increasing the retailer network could also enhance revenues

Another option that could increase sales is for the department to expand its retailer network. In Fiscal Year 2020-21, the top two southeast U.S. lotteries ranked by per capita sales—Georgia and South Carolina—had an average of 1,253 residents per retailer.²³ The two states had higher per capita sales (\$522 and \$465, respectively) than Florida (\$417). During that period, the Florida Lottery averaged 1,614 residents per retailer.

Adding 3,885 new retailers to Florida’s retailer network would meet the Georgia and South Carolina lotteries’ market penetration and could generate about \$89 million annually in additional transfers to the Educational Enhancement Trust Fund. A more modest growth of 200 retailers would generate about \$4.6 million annually in transfers.²⁴

Increasing the Retailer Network Could Increase Lottery Revenues

Increasing the Retailer Network

- Florida ranks behind Georgia and South Carolina in terms of per capita lottery sales.
- Adding 200 more retailers could generate \$4.6 million in additional transfers to the Educational Enhancement Trust Fund per year.

The Department of the Lottery’s Long Range Program Plan for Fiscal Years 2023-24 through 2027-28 recognizes that the retailer network could be increased via non-traditional trade styles (retailer types) outside of grocery, convenience, and liquor stores. In January 2021, the department contracted with a marketing research company that surveyed and interviewed non-traditional retailers, such as bars and taverns, gift shops, and restaurants. The purpose of the study was to gauge the needs and perceptions of non-traditional retailers in Florida, with the goal of increasing the retailer network, sales, and transfers to education. The survey found that 73% of responding retailers believe that customers likely play the Lottery, but only 11% have considered applying to be a Lottery retailer.

While a majority of survey respondents reported believing that it would be easy to train staff to sell Lottery tickets, many also reported that it would be a challenge to securely store Lottery tickets; perform the necessary accounting and financial processes; integrate Lottery systems and technology with the existing point-of-sale system; and complete the sign-up and authorization process to become a Lottery seller. According to Lottery officials, one way to address the challenge of securely storing Lottery tickets might be by selling products like QUICKTICKET. QUICKTICKET cards have no value until scanned and activated, so the secure storage of these cards is less of a concern than scratch-off tickets. QUICKTICKET sales, however, do require that retailers have a scanner, which may increase retailer costs. Multiple companies produce and sell the point-of-sale technology to scan QUICKTICKET; according to department administrators, the cost may vary by retailer based on projected sales and, in some cases, there may be no cost to retailers.

Of the potential new types of retailers surveyed, 23% indicated being very or somewhat likely to consider selling lottery tickets. Almost one-third (31%) of those providing this response were bars and taverns. One advantage that bars and taverns have for becoming retailers is that the customer population is over the age of 18, which obviates the concern of selling to minors. A potential disadvantage is that there may be a relationship between alcohol consumption and problem gambling. OPPAGA identified several studies that found an association between alcohol consumption and

²³ For this analysis, OPPAGA analyzed data for seven southeastern states with lotteries—Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Virginia, and West Virginia. The analysis compared the Florida Lottery’s per capita sales to all seven lotteries. Tennessee, another southeastern state with a lottery, was excluded from the analysis due to insufficient information.

²⁴ OPPAGA estimated potential transfer revenues from an increase to the retailer network by assuming that the new retailers would achieve at least the average weekly gross sales that new retailers achieved in Fiscal Year 2020-21, that all new retailer terminals would be active for a full year, and that 20% of sales would shift from existing retailers.

problem gambling; however, the studies did not show that consuming alcohol while gambling causes risky or problematic gambling behaviors. In addition, these studies looked at gambling in general; they did not look at the types of lottery games in Florida.

Last, when selecting new retailers, s. 24.112(2), *Florida Statutes*, requires the department to consider factors such as the integrity and reputation of the retailer. For this reason, OPPAGA provided the department the opportunity to provide documentation regarding types of retailers that the department would not consider as a potential new retailer but did not receive a response. However, department officials stated that the Florida Lottery considers the factors specified in s. 24.112(2), *Florida Statutes*, when partnering with retailers.

Additional revenue could be generated by adding vending machines

The maximum number of vending machines that can operate in the state is specified annually in the General Appropriations Act. In July 2021, the number of vending machines that the Legislature authorized to operate increased from 2,500 to 3,000. As of October 2022, the department was still in negotiations to purchase or lease the 500 additional vending machines. Based on vending machine sales data from Fiscal Year 2021-22, OPPAGA estimates that adding 500 vending machines would generate \$262 million in additional revenue.

OPERATIONS

The Department of the Lottery continues to keep department expenses as a percentage of revenue below the legislative standard and low relative to other states. To examine current operational initiatives, OPPAGA reviewed the Lottery's security operations, community partnerships, and energy cost savings measures.

The Lottery's operating expense rate is lower than the legislative standard

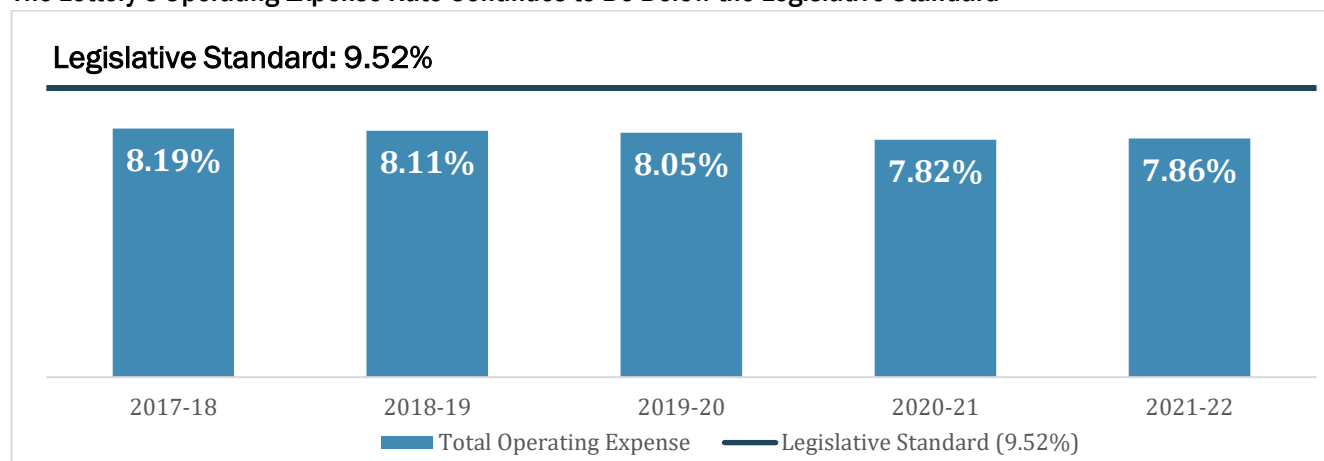
The Department of the Lottery's operating expenses in relation to revenues continue to be lower than the legislative standard.²⁵ (See Exhibit 2.) Furthermore, compared to other U.S. lotteries, the Florida Lottery had the third lowest operating expense rate in Fiscal Year 2021-22, behind West Virginia and Massachusetts.²⁶ According to department administrators, a primary reason for the low operating expense rate is that the department has maintained low operating costs as a percentage of ticket sales, while ticket sales have increased.

²⁵ Operating expenses include payments to gaming vendors and retailer commissions.

²⁶ Florida Lottery's ranking is based on the latest fiscal year data available from *La Fleur's 2021 World Lottery Almanac*. Operating expense rates include administrative expenses and retailer commissions.

Exhibit 2

The Lottery's Operating Expense Rate Continues to Be Below the Legislative Standard



Source: Department of the Lottery Long Range Program Plans.

During the review period, the Lottery terminated 33 retailers for unauthorized activity

The department's Division of Security handles all matters related to unauthorized activity. The division is responsible for addressing administrative operational calls-for-service, fraud, other nefarious activity, and complaints that may jeopardize the integrity of the Florida Lottery. The division is also responsible for conducting background investigations of lottery retailers and criminal investigations of lottery retailers and players. The division employs 27 full-time staff and 9 OPS employees in nine district offices across the state including its headquarters in Tallahassee.²⁷

The division uses several processes to identify potential unauthorized activity. First, at least once a month, the division conducts data analysis to review claimant data, such as identifying high frequency winners and retailers with large sales increases. Upon completion of the retailer data analysis, the Security Integrity Coordinator updates the Integrity Operations List, which identifies the retailer locations that must be visited for a compliance operation within 30 days. Second, other means of identifying potential unauthorized activity include player complaints received through the Office of the Inspector General; reports from Lottery sales representatives working in the field who notice something during an inspection; and information received through a security telephone hotline that is available to the public 24 hours a day, seven days a week. Third, department security staff conduct scheduled and random inspections and compliance operations. When one of these three processes identifies potential unauthorized activity by a retailer, the division may conduct a retailer inspection or a compliance operation. Compliance operations are different from inspections in that the former are covert. Targets for such operations are determined based on the frequency of complaints and other circumstances.

According to Lottery officials, the five most common types of unauthorized activity found by the Division of Security in the last three fiscal years were internal theft of a ticket by a retailer or employee of a retailer (26 incidents), false claims (16 incidents), check forgeries (12), ticket theft by someone

²⁷ The nine district offices are in Pensacola, Jacksonville, Gainesville, Orlando, Tallahassee, Tampa, West Palm Beach, Fort Myers, and Miami. The Tallahassee district office is included within the Lottery Headquarters building.

other than a retailer (11 incidents), and ticket alterations (10 incidents). During the last three fiscal years, department operations resulted in 33 retailers terminated, 41 arrests, and 1 suspended retailer.

Community outreach and partnerships focus on education

The Lottery regularly participates in community outreach and partners with a wide range of diverse organizations across Florida that share the Lottery's commitment to education and the Bright Futures Scholarship Program. According to Lottery officials, while the primary goal of the department's advertising activities is increasing revenue, the focus of Lottery community outreach and partnerships is primarily education in Florida with a special focus on increasing awareness of the Florida Bright Futures Scholarship Program. The department's current budget for partnership and community outreach activities is approximately \$1.7 million, which is almost 5% of the total advertising budget. Organizations interested in partnering with the department can submit an application online to request the appearance of a Florida Lottery representative at an event.²⁸

Between January 1, 2020, and June 30, 2022, the department reported contracting with 114 community outreach partner organizations. Examples of partners included the PACE Center for Girls, the Florida Education Foundation, the Consortium of Florida Education Foundations, sports organizations, community-based non-profits, and youth and leadership organizations. Department officials noted that all of the Lottery's partnerships are focused on education, primarily to increase awareness of the Bright Futures Scholarship program. According to Lottery officials, the department declines partnership requests for events that are not aligned with the mission of education enhancement (e.g., events such as fairs, festivals, concerts, rodeos, and races that are not related to education). Moreover, Lottery officials reported that the department makes a concerted effort to avoid partnering with organizations perceived as controversial.

Lottery implemented energy cost-savings measures

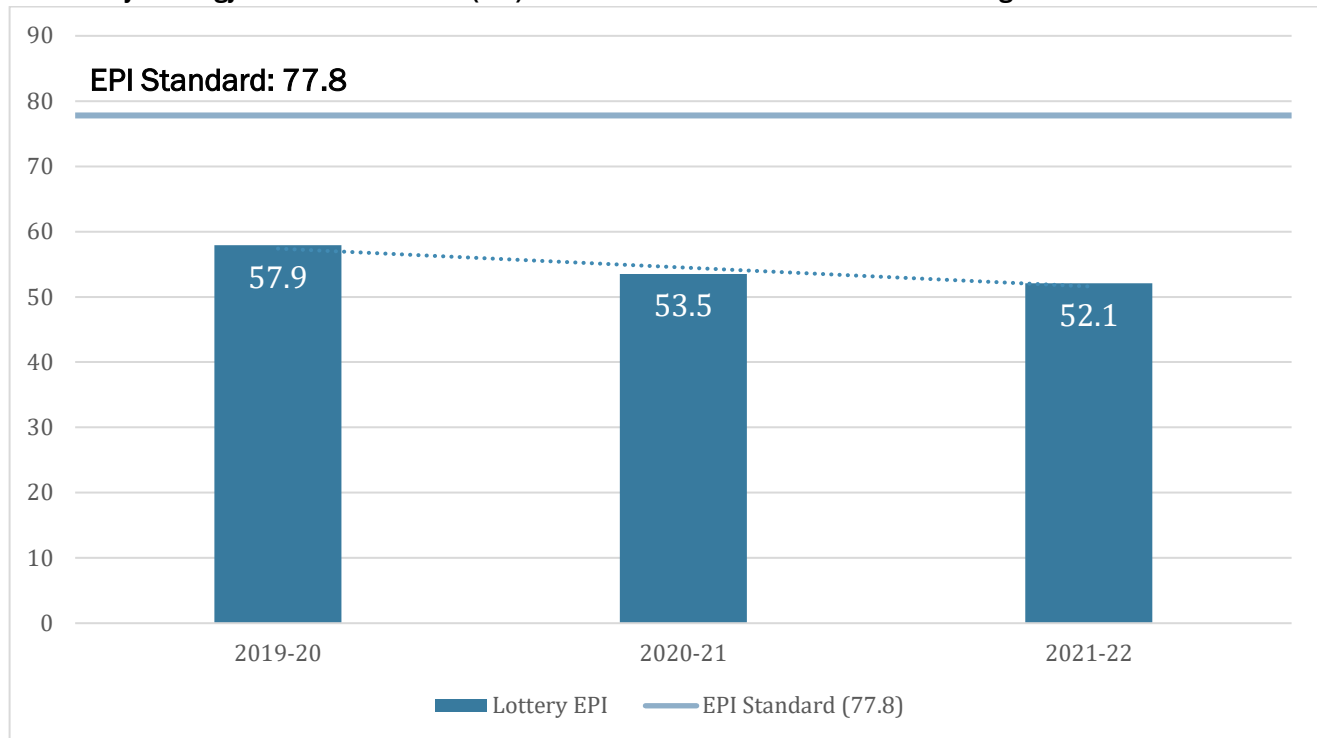
The Department of Management Services (DMS) oversees the development of Florida's State Energy Management Plan, which provides a comprehensive system to manage and reduce state agency non-renewable energy consumption and costs. The plan applies to state-owned facilities and private-lease facilities utilized by state agencies. The Lottery currently maintains nine leased facilities: the headquarters and main warehouse in Tallahassee and eight district offices located throughout the state. The headquarters and district offices are all multiuse facilities that consist of office space for employees, warehouse space for storing point-of-sale materials, and public spaces where customers can buy lottery products and cash winning tickets.

Within the state plan, DMS compares each state agency's energy consumption and costs to standards set in the U.S. Department of Energy's Commercial Building Energy Consumption Survey. One metric DMS uses for the comparison is the energy performance index, which is the ratio of the total energy consumed by an agency to the total square footage of all of the agency's facilities over the course of one full year. For the last three fiscal years, the Lottery was consistently below the energy performance index standard and trending downward. (See Exhibit 3.)

²⁸ Event-related information collected through the online application form includes vendor and partnership organization information; event date, location, event history, and description; whether the event is education-related; a list of notable sponsors and notable participants; and the top five funders/sponsors of the event.

Exhibit 3

The Lottery's Energy Performance Index (EPI) Is Below the State Standard and Trending Downward



Source: OPPAGA analysis of the Lottery's annual energy reports.

According to Lottery officials, the department implemented efficiency improvements to reduce energy costs. During the last round of lease and service contract renewal negotiations, Lottery staff worked with building owners to include energy cost savings measures in the new agreements. These measures included upgrading to LED lighting in the headquarters warehouse and parking lot; upgrading the vertical blinds to solar shades at headquarters and one regional office; and increasing the frequency of heating, ventilation, and air conditioning (HVAC) maintenance services and filter replacement at headquarters from semiannually to quarterly. However, according to Lottery officials, the department is limited in making additional building modifications to further reduce energy costs, as any energy-related measures must be within the parameters of the current lease agreements or negotiated during the lease renewal process.

In addition, Lottery officials reported that the department took steps to reduce the fuel cost of its fleet of 184 vehicles used by staff to support retailers across Florida. Over the past several years, the Lottery replaced most vehicles with more fuel-efficient models. According to department officials, the department is not able to downsize all vehicles to compact or subcompact sedans as sales representatives must be able to transport plastic play stations and point-of-sale materials, such as large cardboard signs. However, the Lottery was able to replace the previous cargo vans with more fuel-efficient models, saving the department an estimated \$145,000 annually.

OPTIONS

While the Department of the Lottery has taken steps to increase sales, additional actions could enhance sales and ultimately increase transfers to education.

For example, the Legislature could consider authorizing the Lottery to expand its current games and product distribution methods to enhance revenues, as described in Appendices A and B. If the Legislature prefers a particular option, it could direct the Department of the Lottery to provide a more detailed business analysis that includes identification of implementation timeframes, any necessary statutory changes, and the potential impact on the revenue sharing terms of any gaming compact between the State of Florida and the Seminole Tribe of Florida.

In addition, the Legislature could consider authorizing or prohibiting the operation of lottery courier services. Based on the experiences of other states, courier services could increase Lottery revenues by reaching new players who are interested in purchasing tickets. If the Legislature wishes to authorize courier services, the enabling legislation also could authorize the Department of the Lottery to establish additional rules to protect players and the integrity of the Florida Lottery and to limit how much a courier service can charge players. Alternatively, the Legislature may wish to expressly prohibit courier services.

AGENCY RESPONSE

In accordance with the provisions of s. 11.51(2), *Florida Statutes*, OPPAGA submitted a draft of this report to the Secretary of the Department of the Lottery for review and response. The Secretary's written response is in Appendix C.

APPENDIX A

New Lottery Game Options

OPPAGA reviewed U.S. lottery resources and research to identify games offered by other state lotteries that are not currently available in Florida. OPPAGA identified, for further analysis, options that could generate additional revenues. To obtain information on these games, OPPAGA researched other state lottery websites, used data from *La Fleur's World Lottery Almanac*, surveyed other U.S. lotteries, and used documentation from Florida Lottery officials.

New games that attract new players could increase revenues to education, but some games could be considered an expansion of gambling. If these new games were considered for implementation in Florida, further analysis would be necessary to determine the potential impact on revenue sharing terms of any gaming compact between the State of Florida and the Seminole Tribe of Florida.

Exhibit A-1 lists new game options, the options' advantages and disadvantages, and estimated revenues where OPPAGA was able to develop reasonable estimates. Some of the sales from new games would be the result of sales shifts from existing games; the estimates include a component to address a sales shift.²⁹ However, the estimated revenues are based on the implementation of each option individually; if multiple options were implemented concurrently, the fiscal impact of each would likely be smaller due to shifts in sales from one game to another. Some new games that could generate significant revenue, such as Fast Keno, could increase the negative social costs of gambling because a rapid-play style may be more addictive than other types of games.³⁰ In addition, implementing any new games with a higher prize payout would require careful analysis of the Lottery Revenue Bond rate floor, as transfers to the Educational Enhancement Trust Fund (EETF) need to meet or exceed the transfer rates specified in the bond covenants. Annual revenue estimates assume full implementation by July 1, 2023. However, some options would require additional time to implement, such as launching a keno or monitor game. In addition, unless otherwise noted, all estimates use the projected Fiscal Year 2023-24 EETF transfer rates from the July 2022 Revenue Estimating Conference. Transfer rates differ based on game type (i.e., draw or scratch). Transfers resulting from implementing new game options may differ based on the transfer rates at the time of implementation. Actual transfers in Florida may differ from the estimates due to factors such as population demographics, the mix of lottery games available, and lottery games available in neighboring states.

²⁹ If any of these options were implemented, further study of the sales shift (also referred to as the cannibalization rate) would be needed.

³⁰ Lottery games can be addictive for some players. Some research has shown that the higher or more rapid the event frequency, the more likely it is that the gambling activity will cause problems for the player, particularly if the player is predisposed to gambling addiction. Because Fast Keno has a more rapid-play style than the Florida Lottery's existing draw games, Fast Keno has the potential to be more addictive than the other draw games. Fast Keno drawings are every four to five minutes, compared to one to five times a day for the Florida Lottery's daily games and two or three times a week for its other draw games.

Exhibit A-1

New Games Could Increase Revenues to Education, But May Be Considered an Expansion of Gambling

Option	Advantages	Disadvantages
All or Nothing		
For \$1 or \$2, players select 10 to 12 numbers from up to 24 numbers and win the top prize by matching all numbers drawn or by matching none of the numbers drawn; drawings are held multiple times per day. ¹	<ul style="list-style-type: none"> • Could generate approximately \$11.5 million in transfers to education during the first full year of implementation² 	<ul style="list-style-type: none"> • May have a limited life cycle after which sales decline
Daily Keno		
Players choose as many as 10 numbers from a panel of 80 numbers and win by matching their choices to 20 to 22 numbers drawn by the central computer at the Lottery headquarters; the game may be played more than once per day. ³	<ul style="list-style-type: none"> • Could generate approximately \$10.1 million per year in additional recurring transfers to education⁴ 	<ul style="list-style-type: none"> • May have a limited life cycle after which sales may decline
Fast Keno		
<p>Players choose from 10 to 12 numbers from a panel of 80 numbers and win by matching their choices to 20 numbers drawn by the central computer at the Lottery headquarters; it may be played frequently (e.g., every four to five minutes); players watch a monitor at a retailer location to determine if they have won or leave the premises and check the Lottery's website for the winning numbers.⁵</p> <p>Implementing this option may require legislative budget approval for additional gaming system equipment and legislative action to modify the requirements for a drawing to be public, witnessed by an accountant, and include inspecting the drawing equipment before and after each drawing, given that electronic drawings could occur every four to five minutes (s. 24.105(9)(d), F.S.).</p>	<ul style="list-style-type: none"> • Could generate approximately \$87.8 million per year in additional recurring transfers to education⁶ • Performs best in social settings, such as bars, restaurants, and fraternal organizations, although other U.S. lotteries allow traditional lottery retailers to participate; some state lotteries also offer Keno-to-Go at traditional lottery retailer sites whereby players purchase tickets, leave the premises, and check the lottery website to determine if they have won • Would help the Lottery recruit new retailers in social venues 	<ul style="list-style-type: none"> • May be addictive due to its rapid-play style • Has a higher prize payout than traditional draw games, which could decrease the funds available for transfer to education unless offset by increased sales volume • Long-term sales gains are dependent on new retailer participation
Monitor Games		
<p>Computer animated games, such as simulated horse racing, poker, and bingo, that are played on in-store monitors similar to the way Fast Keno is played.⁷</p> <p>Implementing this option may require legislative budget approval for additional gaming system equipment and legislative action to modify the requirements for a drawing to be public, witnessed by an accountant, and include inspecting the drawing equipment before and after each drawing, given that electronic drawings could occur frequently (s. 24.105(9)(d), F.S.).</p>	<ul style="list-style-type: none"> • Could generate approximately \$18.4 million per year in additional recurring transfers to education⁸ • Could appeal to emerging markets of lottery players that have grown up playing computer games • Allows the Lottery to recruit new retailers in social venues, such as bars and restaurants • Could be limited to pari-mutuel facilities or social settings, such as bars and restaurants 	<ul style="list-style-type: none"> • May be addictive due to its rapid-play style

Option	Advantages	Disadvantages
Progressive Jackpot Fast Play		
Players choose the play amount of \$1, \$2, \$5, or \$10 for an instant play, instant win ticket that prints from the terminal and can be played immediately to determine if the ticket is a winner; game sales feed into a jackpot prize that increases until it is won. The winner's portion of the jackpot is dependent on how much they chose for the play amount. ⁹	<ul style="list-style-type: none"> • Could generate approximately \$12.96 million per year in additional recurring transfers to education¹⁰ • The excitement of a progressive jackpot serves as a sales driver • A progressive jackpot offers stronger differentiation from scratch-off products 	<ul style="list-style-type: none"> • Strong participation to drive sales and grow the jackpot is necessary for success • Communication of jackpot levels to players is dependent upon timely updates from the gaming system and any time lags could erode player confidence and participation

¹ OPPAGA identified three state lotteries that offer an All or Nothing game—Massachusetts, Texas, and Wisconsin. In Massachusetts, All or Nothing is also a monitor game and is therefore included in either the All or Nothing and monitor games sections in this appendix.

² OPPAGA estimated a range of potential All or Nothing transfer revenue (\$7.7 million to \$19.9 million, with a median of \$11.5 million) based on the highest and lowest per capita sales in states that offer All or Nothing, which was applied to Florida's estimated population for 2023. The analysis assumes a draw game transfer rate to the EETF of 38.04% and that 10% of the sales would be shifted from existing game sales.

³ OPPAGA identified four U.S. lotteries that offer Daily Keno—Michigan, New York, Virginia, and Washington.

⁴ OPPAGA estimated a range of Daily Keno transfer revenue (\$6.7 million to \$43.6 million, with a median of \$10.1 million), based on the highest and lowest per capita sales in states that offer Daily Keno, which was applied to Florida's estimated population for 2023. The estimate assumes a draw game transfer rate to the EETF of 38.04% based on the July 2022 Revenue Estimating Conference projected transfers for Fiscal Year 2023-24 and that 5% of the sales would be shifted from existing game sales.

⁵ OPPAGA identified 22 U.S. lotteries that offer Fast Keno—California, Connecticut, Delaware, District of Columbia, Georgia, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, West Virginia, and the U.S. Virgin Islands. The U.S. Virgin Islands were excluded from the analysis due to insufficient information.

⁶ OPPAGA estimated a range of potential Fast Keno transfer revenue (\$10.3 million to \$676.4 million, with a median of \$87.8 million) based on the highest and lowest per capita sales in states that offer Fast Keno, which was applied to Florida's estimated population for 2023. The estimate assumes a transfer rate to the EETF of 22%, based on the most conservative estimate provided by the Lottery. The estimate also assumes that 10% of sales would be shifted from existing game sales.

⁷ OPPAGA identified eight U.S. lotteries that offer monitor games that produced revenue in 2021—the District of Columbia, Kansas, Maryland, Massachusetts, New Jersey, Pennsylvania, Rhode Island, and West Virginia. In Massachusetts, All or Nothing is also a monitor game and is therefore included in either the All or Nothing and monitor games sections in this Appendix. Arizona recently launched a monitor game in the second quarter of 2022.

⁸ OPPAGA estimated a range of potential monitor game transfer revenue (\$4.5 million to \$216.5 million, with a median of \$18.4 million) based on the highest and lowest per capita sales in the eight states that had monitor game revenue in 2021, which was applied to Florida's estimated population for 2023. The estimate assumes a transfer rate to the EETF of 22%, based on the most conservative estimate provided by the Lottery. The estimate also assumes that 10% of sales would be shifted from existing game sales.

⁹ OPPAGA identified 24 U.S. lotteries that offer one or more progressive jackpot fast play game—Arizona, Arkansas, Connecticut, the District of Columbia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Pennsylvania, Rhode Island, Vermont, and Virginia.

¹⁰ OPPAGA estimated a range of potential progressive jackpot fast play game transfer revenue (\$870,000 to \$39.3 million, with a median of \$12.96 million) based on the highest and lowest per capita sales in states that offer fast play progressive games, which was applied to Florida's estimated population for 2023. Due to insufficient data, OPPAGA excluded Arkansas, Connecticut, the District of Columbia, Iowa, Maine, Maryland, Rhode Island, and Vermont. The estimate assumes a transfer rate to the EETF of 18.54%, and that 10% of the sales would be shifted from existing game sales.

Source: OPPAGA analysis of lottery industry and Department of the Lottery information.

APPENDIX B

Product Distribution Options

OPPAGA reviewed U.S. lottery resources and research to identify product distribution methods offered by other state lotteries but not currently available in Florida. OPPAGA identified, for further analysis, options that could generate additional revenues. To obtain information on these games, OPPAGA researched other state lottery websites, used data from *La Fleur's World Lottery Almanac*, surveyed and interviewed other U.S. lotteries, and used documentation from Florida Lottery officials.

Making lottery products more accessible and convenient for players by expanding product distribution could increase revenues to education, but some options could be considered an expansion of gambling. If these additional product distribution methods were considered for implementation in Florida, further analysis would be necessary to determine the potential impact on revenue sharing terms of any gaming compact between the State of Florida and the Seminole Tribe of Florida.

Exhibit B-1 lists product distribution options that could increase lottery sales and education transfers, advantages and disadvantages of each option, and potential revenue increases where OPPAGA was able to develop reasonable estimates. The estimates are based on implementation of individual options; if multiple options were implemented concurrently, the fiscal impact of each would likely be smaller due to shifts in sales from one point of sale to another.³¹ Actual transfers in Florida may differ from the estimates due to factors such as population demographics, the mix of lottery games available in Florida and neighboring states, the percentage of sales revenue used for prize payouts, and the retailer commission rate. Unless otherwise noted, all estimates use the projected Fiscal Year 2023-24 Educational Enhancement Trust Fund (EETF) transfer rates from the July 2022 Revenue Estimating Conference, which differ based on game type (i.e., draw or scratch). Transfers resulting from the implementation of new product distribution options may differ based on the transfer rates at the time of implementation. Annual revenue estimates assume full implementation by July 1, 2023. However, some options would likely require additional time to implement.

³¹ If any of these options were implemented, further study of the sales shift would be needed.

Exhibit B-1

Expanding Product Distribution Could Increase Revenues to Education, but May Be Considered an Expansion of Gambling

Option	Advantages	Disadvantages
Increase Retailer Network		
<p>This option would add additional corporate and independent lottery retailers in both traditional locations, such as convenience and grocery stores, and non-traditional locations, such as chain drug stores, mass merchandisers, home improvement centers, bars, and restaurants.</p> <p>This option may require legislative budget approval for more terminals, depending on the extent of growth.</p> <p>In addition, non-traditional retailers have expressed barriers to becoming retailers that would likely need to be addressed (e.g., having adequate resources to securely store Lottery tickets and perform required accounting and financial processes).</p>	<ul style="list-style-type: none"> • Adding 200 new retailers could generate approximately \$4.6 million per year in additional recurring transfers to education¹ • Florida has been below average in the number of terminal retailers per capita compared to other successful lottery states; increasing its retailer network could improve per capita sales • Could increase product distribution and awareness, making products available to new players who do not shop where products are currently sold 	<ul style="list-style-type: none"> • The non-traditional lottery business model may require the development of different products, compensation frameworks, and distribution strategies • May require additional lottery staff to service new accounts
Internet Sales		
<p>This option would authorize intrastate internet sales of lottery products and allow players to purchase individual draw games, instant games, and/or subscribe to game drawings for up to one year in advance on the Florida Lottery website; for prizes under a specified amount (e.g., \$600), players would receive automatic credit or the Lottery would mail them a check.</p> <p>Implementing this option would require statutory changes to allow player-activated terminals (s. 24.105, F.S.).</p> <p>Unless payment is limited to bank account transfers, implementing this option would also require amending statutes that require a purchase of \$20 of other goods and services to use a credit card or other instrument issued by a financial institution or retailer to purchase lottery products (s. 24.118, F.S.).</p> <p>Implementing this option would also require legislative budget approval for enhanced systems and technology.</p>	<ul style="list-style-type: none"> • Adding internet sales could generate approximately \$30.6 million to \$470.4 million per year in additional recurring transfers to education depending on whether only draw games or both draw and instant games are offered, respectively; the median transfer estimate for offering both instant and draw games online is \$166.2 million and the median transfer estimate for offering only draw games online is \$47 million^{2,3} • Lottery would receive revenues from subscription sales in advance of drawings • Would provide more convenience to players who prefer to purchase their lottery products from their personal computer or mobile device • Key benefits for consumers would include no missed draws, no waiting in lines, and ease of prize claims • In 2021, a unanimous panel of the U.S. Court of Appeals for the First Circuit agreed with a 2011 Department of Justice opinion concluding that the Wire Act only prohibits the interstate transmission of bets or wagers on sporting events and does not apply to state internet lotteries 	<ul style="list-style-type: none"> • Must comply with federal laws that require state regulations to include age and location verification to reasonably block access to minors and persons located outside the state • As has happened in other states, current lottery retailers may oppose this option due to concerns that the retailers would lose lottery sales commissions and revenues from sales of other in-store products, as players would no longer need to visit a retailer to make a lottery purchase • Game changes after subscription tickets are purchased would require communication with players and possibly a replacement ticket • Could reduce unclaimed prize funds, as prizes may be automatically credited to players

Option	Advantages	Disadvantages
Mail-In Subscriptions		
<p>This option would allow players to purchase draw game tickets through the mail for draws in various increments (e.g., 26, 52, or 104).</p> <p>This option could be implemented in various ways. For example, players could pick up subscription forms at a lottery retailer to fill out and return with a form of payment; download and print the form, then mail it to the Lottery with a form of payment; request a form through the mail to return with a form of payment; or call the main lottery office to request a subscription form.</p> <p>Unless payment is limited to checks or money orders, implementing this option would require statutory changes, as current statutes (s. 24.118, F.S.) require the purchase of \$20 of other goods and services to use a credit card or other instrument issued by a financial institution or retailer to purchase lottery products.</p>	<ul style="list-style-type: none"> • Adding mail-in subscription sales could generate approximately \$0.8 million to \$5.6 million per year in additional recurring transfers to education; the median transfer estimate is \$1.3 million^{4,5} • Would increase player convenience by allowing customers to purchase draw game tickets from their home • Lottery would receive revenues from subscription sales in advance of drawings • Key benefits for consumers would include no missed draws and no waiting in lines 	<ul style="list-style-type: none"> • Might be limited to accepting checks or money orders as payment for subscriptions, potentially restricting player options • Allowing purchases with credit or debit cards would include additional swipe fees, which could affect the amount of transfers to education if the fees are assumed by the Lottery • May only appeal to a small portion of players; mail-in subscriptions offered in other states generally make up a small percentage of total sales, typically 3% or less

¹ OPPAGA estimated potential transfer revenues from increasing the retailer network by assuming that the 200 retailers would achieve at least the average weekly gross sales new independent retailers achieved in Fiscal Year 2021-22. The estimate also assumes that all 200 terminals would be active for a full year and that 20% of sales would shift from existing retailers.

² OPPAGA estimated potential transfers from implementing internet sales using available sales data from nine states that offer internet sales—Georgia, Illinois, Kentucky, Michigan, New Hampshire, North Carolina, North Dakota, Pennsylvania, and Virginia. The analysis excluded the District of Columbia, New York, and Rhode Island due to insufficient information. The estimate assumes a transfer rate to the EETF of 38.04% for draw-only internet sales and 23.22% for both draw and instant internet sales, and that 5% of sales would shift from existing games.

³ The estimate does not account for swipe fees from use of credit cards. If the Lottery assumed the swipe fees, this would reduce the transfer amount to the EETF. Alternatively, the Lottery could require the player to pay for the swipe fees.

⁴ OPPAGA estimated potential transfers from implementing mail-in subscription sales using available sales data from three states that offer mail-in subscription sales—Massachusetts, New Hampshire, and New York. The analysis excluded Illinois, Maine, Maryland, Michigan, North Carolina, Vermont, and Virginia due to insufficient information. The estimate assumes a transfer rate to the EETF of 38.04% for draw only mail-in subscription sales and that 5% of sales would shift from existing games.

⁵ The estimate assumes implementation without a statutory change to allow the use of credit cards. If the use of credit cards were authorized and the Lottery assumed the swipe fees, the transfer amount to the EETF would be reduced. Alternatively, the Lottery could require the player to pay for the swipe fees.

Source: OPPAGA analysis of lottery industry and Department of the Lottery information.

APPENDIX C

Agency Response

RON DESANTIS
Governor



JOHN F. DAVIS
Secretary

January 26, 2023

PK Jameson, Coordinator
Office of Program Policy Analysis and Government Accountability
111 West Madison Street
Tallahassee, Florida 32399-1475

Dear Coordinator Jameson:

Thank you for the opportunity to respond formally to your office's report: "Review of the Florida Lottery, 2022." The Department of the Lottery (Lottery or department) appreciates the diligence of your staff in thoroughly analyzing our performance this year and in previous years. Your team assists us in ensuring Floridians benefit from significant funding for the enhancement of education.

The Lottery spent many months working with your staff to ensure they had the most accurate, detailed, and complete information to compile their report. We also worked with your team every step of the way to answer any questions and clarify any of the information provided. It truly was a team effort, and we applaud your team for their professionalism and hard work in producing this thoughtful report.

The Lottery believes the resulting report will be helpful to us in our work going forward.

Some of the findings we would like to highlight include:

- **"The Lottery took several steps to increase sales."**
 - Due to record sales in Fiscal Year (FY) 2021-22, the Lottery also set a single-year record in contributions to education, transferring a total of \$2.3 billion to the Educational Enhancement Trust Fund (EETF) in FY 2021-22.
 - In total, the Lottery has contributed more than \$43 billion to education since 1988. The Lottery is also the primary funding source of the Bright Futures Scholarship Program (Scholarship), which has enabled more than 950,000 students to attend college in Florida since 1997.
- **"Additional revenue could be generated by adding vending machines."**
 - The Lottery is continuing the process of potentially placing 500 additional vending machines, as authorized in the General Appropriations Act.
 - As noted by the Revenue Estimating Conference in September 2022, placement of these additional vending machines would generate additional revenue for the EETF.

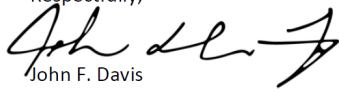
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PK Jameson, Coordinator
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- **“The Lottery’s operating expense rate is lower than the legislative standard.”**
 - As referenced in the report, the Lottery had the third lowest operating expense rate among state lotteries.
 - This continues the trend of the Lottery being consistently ranked as one of the most efficient lotteries in the nation.
- **“Community outreach and partnerships focus on education.”**
 - As noted, the Lottery partners with a variety of diverse organizations to share the positive impact the Lottery has on education in Florida.
 - Making the Bright Futures Scholarship a key focus of these partnership and outreach opportunities has the potential to increase awareness of the Scholarship so more students - and their families - can prepare to meet the qualifications for and ultimately qualify for the Scholarship.

The findings in OPPAGA’s review reflect the dedication of the Lottery team to its mission of enhancing educational opportunities for Florida’s students and schools. We appreciate OPPAGA’s thoughtful and comprehensive review of the Lottery and look forward to working together again in the future.

Respectfully,


John F. Davis
Secretary

cc: Reginald Dixon, Chief of Staff
Andy Mompeller, Inspector General



OPPAGA

Office of Program Policy Analysis and Government Accountability

OPPAGA provides performance and accountability information about Florida government in several ways.

- [Reports](#) deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government more efficient and effective.
- [Government Program Summaries](#) (GPS), an online encyclopedia, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- [PolicyNotes](#), an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit [OPPAGA's website](#).

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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PK Jameson, OPPAGA Coordinator