

Review of the Florida Lottery, 2023

Report 24-02

January 2024



OPPAGA

Office of Program Policy Analysis and Government Accountability

Review of the Florida Lottery, 2023

EXECUTIVE SUMMARY

Lottery transfers to the Educational Enhancement Trust Fund increased in Fiscal Year 2022-23 to \$2.45 billion, \$120 million (5%) more than the prior year. According to Department of the Lottery officials, this increase is due to the low operating expense rate while ticket sales have increased. The department continues to outperform the legislative performance standard for its operating expense rate, which is the third lowest in the nation.

In the past year, the Lottery made several efforts to increase revenue, including increasing the number of Lottery retailers and recruiting a new chain store partner; offering new games; adding self-checkout QUICKTICKET draw games at approximately 250 Winn-Dixie stores; providing enhancements and upgrades at Walmart Supercenters, Southeastern Grocers stores, and Winn-Dixie liquor stores; and enhancing player engagement. In addition, the Lottery is under contract with IGT Global Solutions Corporation, a private gaming company, to add 500 vending machines by summer 2024, which is anticipated to increase revenue and will place the number of vending machines at the maximum permitted in the state budget.

Several games and product distribution options are available to further increase transfers to education. Lotteries throughout the United States 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 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. The department is also under contract with IGT to launch a new mobile prize payment system in three phases by July 2024, which will add convenience for Lottery customers by allowing players to redeem winning tickets through the Lottery mobile app.

While the Lottery has taken steps to increase sales, additional actions could further enhance sales and ultimately increase transfers to education. For example, the Legislature could consider authorizing the Lottery to expand current games and product distribution methods to enhance revenues. In addition, the Legislature could consider authorizing or prohibiting the operation of lottery courier services.

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}

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 are available on OPPAGA's [website](#).

BACKGROUND

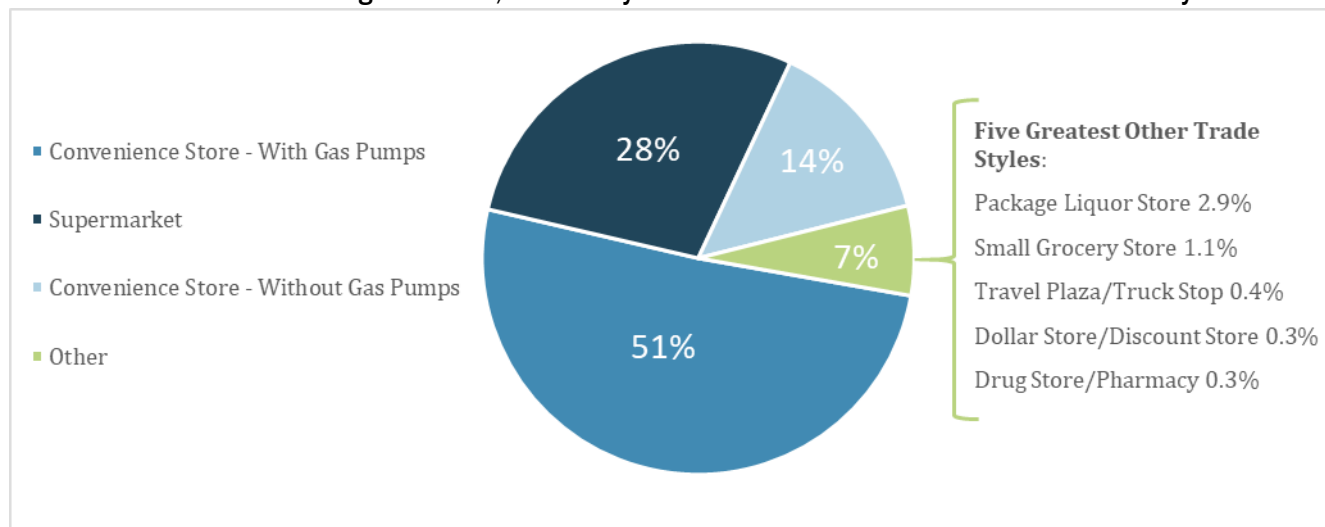
The Department of the Lottery generates funds for education by selling draw and scratch-off games.³ Draw games, also known as terminal games, allow players to select from a range of numbers on a playslip. Draw game tickets are printed by terminals that are connected to the Lottery’s contracted terminal-based 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 2022-23, prizes totaled \$6.556 billion and retailer commissions totaled \$571.4 million. Total ticket sales for this period were \$9.802 billion. Florida ranked first among U.S. lotteries in total sales and fifth in per capita sales for Fiscal Year 2022-23. The Lottery is self-supporting and receives no general revenue funds. For Fiscal Year 2023-24, the Legislature appropriated \$223 million from Lottery sales revenue and authorized 424.5 positions for department operations.⁴ In accordance with s. 24.121, *Florida Statutes*, each year a percentage of revenue from the sale of Lottery tickets is transferred to the Education Enhancement Trust Fund (EETF) for the benefit of public education.

OPPAGA’s analysis of Lottery sales data revealed that 16,768 unique retailers with 41 different business types or trade styles sold Lottery products from Fiscal Year 2020-21 through Fiscal Year 2022-23. During the three-year period, 93% of all sales were by 13,660 retailers with three trade styles: convenience stores with gas pumps, convenience stores without gas pumps, and supermarkets. Other trade styles, such as bars, taverns, lounges, restaurants with and without liquor, and gift shops accounted for 19% of all Lottery retailers and 7% of sales. (See Exhibit 1.) Lottery officials reported that non-traditional retailers have high employee turnover, possibly due to low foot traffic.

Exhibit 1

For Fiscal Years 2020-21 Through 2022-23, Over Ninety Percent of Sales Are From Three Retailer Trade Styles



Source: The Florida Lottery.

A sales commission is paid to retailers on the purchase price of draw and scratch-off game tickets sold.⁵ For Fiscal Year 2023-24, the Legislature increased the retailer sales commission rate from 5.75% to

³ To sell products, the Lottery contracts with retailers across the state, such as supermarkets, convenience stores, and gas stations.

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

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

6%.⁶ Prizes and retailer commissions are paid directly from sales revenues and do not appear in the department's appropriation. Although the Lottery has not assessed the effect of the sales commission increase on the recruitment of retailers, the department's analysis found that in Fiscal Year 2023-24, the increase in sales commission to 6% could reduce overall transfers to the EETF by \$37.1 million.

Players are able to engage with the Lottery online, on the mobile app, and by joining the Flamingo Followers program. Players can create an account online or download the Lottery mobile app to check winning numbers and jackpots. With the mobile app, players can also scan their tickets to determine if they are a winner, create digital playslips (i.e., pre-selected numbers for their favorite Lottery games) that are scanned by retailers when purchasing games, and locate Lottery retailers. Florida Lottery players can also join the Flamingo Followers program, which provides players information about new games and upcoming promotions and contests.

Since its inception, the Lottery has outsourced some functions. The department allocated approximately \$167 million (or 75%) of its Fiscal Year 2023-24 legislative appropriation, to produce, advertise, and sell draw and scratch-off games.⁷ Vendor contracts include those listed below.

- 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.
- 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, 2023, for one year, through October 31, 2024. The department already renewed for three 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.

⁶ On July 1, 2024, 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.

⁷ Of the \$167 million, approximately \$127 million was allocated to produce draw and scratch-off games and \$39 million was allocated for advertising for Fiscal Year 2023-24.

REVENUE PERFORMANCE

In Fiscal Year 2022-23, Lottery sales increased to \$9.802 billion compared to the prior year's sales of \$9.325 billion (an increase of \$477 million, or 5.12%). Both scratch-off and draw game sales increased. Scratch-off game sales increased by \$19 million to \$7.044 billion, while draw game sales increased by \$459 million to \$2.758 billion.

Several Options Could Enhance Lottery Revenues

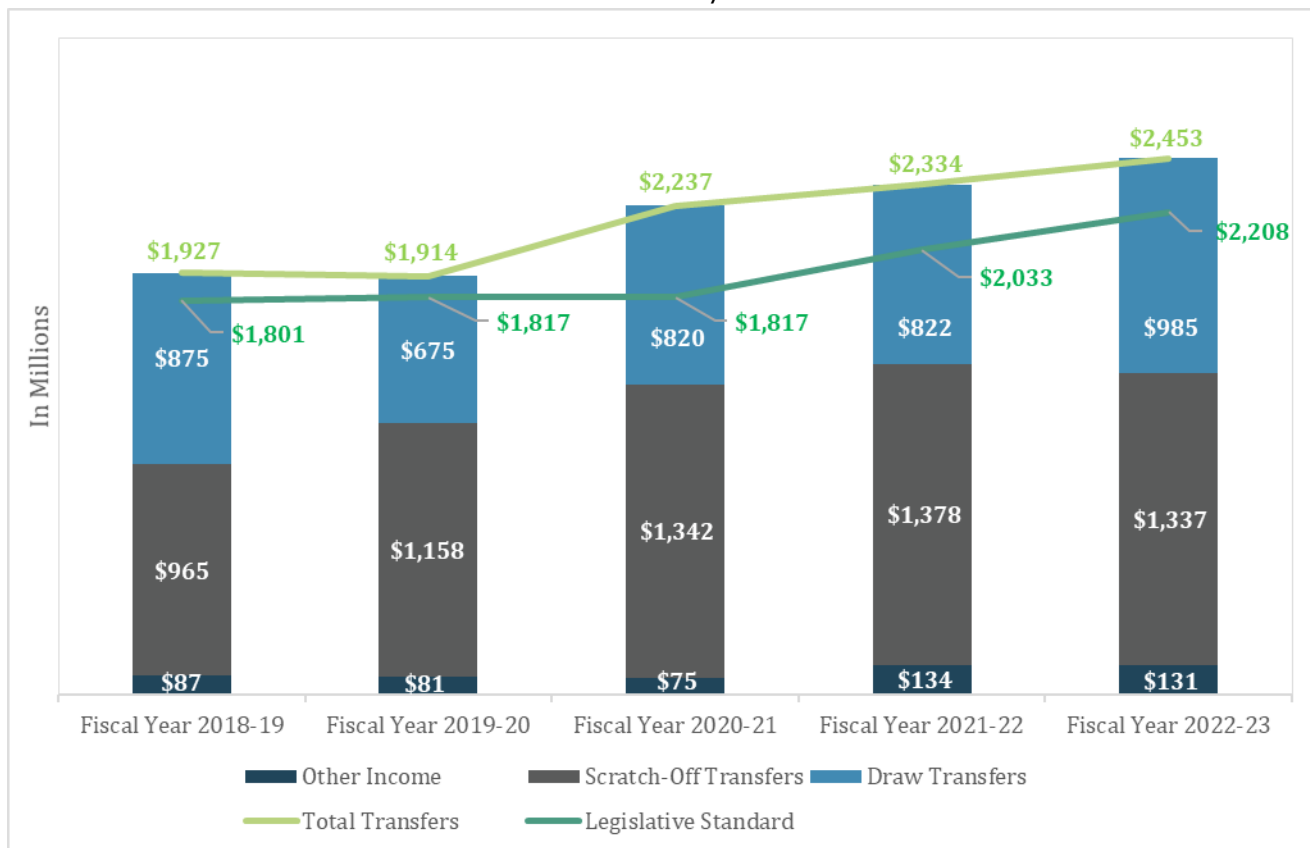
Options Based on Other State Lotteries

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

Lottery transfers to the Educational Enhancement Trust Fund also increased in Fiscal Year 2022-23 compared to the prior year. Lottery transfers for Fiscal Year 2022-23 were \$2.45 billion, which is \$119.9 million (5%) more than the prior year. (See Exhibit 2.) Department officials reported that the increase in amount transferred to the EETF is primarily due to the low operating expense rate while ticket sales have increased. The transfer rate for draw games is about twice the rate for scratch-off games.⁸ Total transfers to the EETF for Fiscal Year 2022-23 exceeded the legislative performance standard of \$2.208 billion.⁹

Exhibit 2

Fiscal Year 2022-23 Scratch-Off and Draw Transfers Decreased/Increased



Note: Fiscal Year 2022-23 figures are based on unaudited sales data.

Source: Florida Lottery financial statements.

⁸ In Fiscal Year 2022-23, an average of 36% 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 2024-25 through 2028-29*, September 29, 2023.

REVENUE ENHANCEMENT

During Fiscal Year 2022-23, the Department of the Lottery continued to take steps to increase sales and transfers to the Educational Enhancement Trust Fund. For instance, the Lottery added new game options and draw game sales in supermarket self-checkout stations. To further increase sales and transfers, the Lottery could introduce new games and 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} In addition, 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.

Fiscal impact estimates of new game options and distribution options assume that Lottery customers and retailers would be educated and ready to play as soon as the department made new options available.¹² 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.

The department has taken several steps to increase sales

In Fiscal Year 2022-23, the Lottery added new retailers, made several changes to its product mix, implemented enhancements and upgrades at several large retailers, and took steps to increase player engagement. In addition, the Lottery expects to add 500 more vending machines by summer 2024.

Addition of new retailers. During Fiscal Year 2022-23, the Lottery surpassed its highest retailer count of all time with 13,551, an increase of 148 retailers over the previous fiscal year. The increase included the addition of a new chain partner, Ascend Grocery, LLC.¹³ An initial pilot location began selling Lottery tickets in March 2023, and the chain moved forward with applications for 34 additional stores by June 2023.

Changes to product mix. The Lottery also made several enhancements to its product mix during Fiscal Year 2022-23.

- In February 2022, the department launched its first \$50 scratch-off game to the existing \$1, \$2, \$3, \$5, \$10, \$20, and \$30 scratch-off game options. The \$50 game features a top prize of \$25

The Lottery Enhanced Product Distribution, Product Mix, and Player Engagement to Increase Sales

Examples of Steps to Increase Sales in Fiscal Year 2022-23

- Implemented self-checkout QUICKTICKET draw games sales at approximately 250 Winn-Dixie stores
- Added midday draws for Fantasy 5 and Bonus Play promotions for several draw and scratch-off games
- Implemented enhancement projects at 217 Walmart Supercenters

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 Abbott, M. W. "The Changing Epidemiology of Gambling Disorder and Gambling Related Harm: Public Health Implications." *Public Health* 184 (July 2020): 41-45.

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 August 2023 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.

¹³ Ascend Grocery, LLC, is an ownership group for Save-A-Lot stores in Florida.

million, which is the largest ever offered on a Florida Lottery scratch-off game. For Fiscal Year 2022-23, sales of the \$50 scratch-off game were \$1.2 billion.

- In March 2023, the department added midday drawings for FANTASY 5, which were previously only held in the evenings. After the midday drawings were added, Lottery officials reported an 11% increase in FANTASY 5 sales compared to the same fiscal period in 2022.
- On August 7, 2023, the department added a \$10 CASH POP draw game to the \$1, \$2, and \$5 CASH POP game options. In the \$10 CASH POP game, players select between 1 to 15 numbers and have a chance to win between \$50 and \$2,500. Drawings are held five times a day, seven days a week. From August 7, 2023 through December 31, 2023, the \$10 CASH POP game generated \$24.5 million in sales.

Enhancements and upgrades at existing retailers. In July 2022, the Lottery started an enhancement project with Walmart at 217 of its Supercenters. The enhancement project upgraded all 7-inch, player-facing sales terminals to 20-inch, player-facing sales terminals and relocated the terminals from the original location within the checkout lane to the customer service desk. According to department officials, this enhancement improved the visibility and accessibility of tickets and Walmart Supercenters had a 143% increase in draw game sales from Fiscal Year 2021-22 to Fiscal Year 2022-23.

In Fiscal Year 2022-23, the Lottery also implemented three enhancement initiatives at Southeastern Grocers (SEG) stores: QUICKTICKET sales, self-checkout sales, and increased scratch-off dispensers.¹⁴ First, in August 2022, the department launched QUICKTICKET at all SEG store locations. QUICKTICKET adds convenience by allowing customers to purchase Powerball and Mega Millions tickets with pre-printed Quick Pick numbers, which are randomly chosen (as opposed to player selected) numbers, on a card. Quick Pick cards are available in checkout lanes and can be scanned like other grocery items. When scanned, tickets are activated and players are entered in the next available drawing. In Fiscal Year 2022-23, over 241,000 QUICKTICKET cards were sold, resulting in \$1.5 million in combined Powerball and Mega Millions sales. Department officials reported that QUICKTICKET sales in SEG stores exceeded the state sales rate by 3.4% over 47 weeks.

Second, starting on May 31, 2023, the department launched self-checkout QUICKTICKET sales at approximately 250 of SEG's Winn-Dixie stores with over 1,000 self-checkout stations. This enhancement involved an update of point of sale system software and requires sales associates to verify customer age, much like the purchase of alcohol in self-checkout lanes. Self-checkout QUICKTICKET sales provides an additional convenience to Lottery and Winn-Dixie customers.

Third, during Fiscal Year 2022-23, the department added 680 scratch-off dispensers at Winn-Dixie liquor stores. Scratch-off dispensers are clear plastic cases that hold and display scratch-off tickets and are located in checkout lanes. According to department officials, these additions resulted in a 16.04% increase in scratch-off sales for these stores. The officials reported that the department will continue to add scratch-off dispensers in Fiscal Year 2023-24.

Activities to increase player engagement. During Fiscal Year 2022-23, the Lottery added four Bonus Play promotions for a variety of draw and scratch-off games. Bonus Play promotional drawings are extra chances to win prizes for certain Florida Lottery games. Players must register at the Florida Lottery website and may enter the Bonus Play promotion through the Lottery's website or mobile app.

¹⁴ SEG is the parent company of Winn-Dixie, Harveys, and Fresco y Más grocery stores.

According to the department, Bonus Play opportunities tend to drive purchases. In addition, according to department officials, 79% of players reported that a promotion led them to purchase a ticket, and 45% of players reported that promotions encourage them to play more. Department officials reported that the four Bonus Play opportunities had more than 19 million tickets entered with sales totaling more than \$72 million.

Addition of vending machines. Each year, via the General Appropriations Act, the Legislature authorizes the maximum number of vending machines for draw and instant games that the Lottery can operate. A vending machine is a free-standing, player-activated terminal that allows players to purchase draw game and scratch-off tickets.¹⁵ Scratch-off games are also known as "instant" games because the player scratches the coating off their ticket and is notified instantly if they win or lose. Draw games are also known as "terminal" or "online" games because they are purchased through a Lottery terminal at the retailer that prints the ticket with a bar code. In July 2021, the Legislature authorized an increase in the number of vending machines from 2,500 to 3,000 (the current maximum). After two years of negotiating with the department's vending machine supplier, IGT Global Solutions Corporation (IGT), the Lottery is currently in the process of procuring the additional 500 vending machines.¹⁶ Under the new contract, the fee paid to IGT increased from 0.7384% to 0.7532% of total lottery sales. The Lottery reported an 18-month expected build and roll out; therefore, the remaining vending machines are expected to be installed and in operation by summer 2024. Based on vending machine sales data from Fiscal Year 2021-22, OPPAGA estimates that adding the 500 vending machines could generate \$262 million in additional revenue.

Adding more new games could further increase sales

To maintain and increase sales, lotteries typically need to continually review and refresh the product mix. As the Lottery 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 group play. (Appendix A provides information on additional new game options, such as All or Nothing and Daily Keno, along with the options' advantages and disadvantages.)

New Games Could Increase Lottery Revenues

Examples of New Game Options

- Implementing group play options for select Florida draw games could generate \$8.1 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.)

In November 2010, Loto-Quebec created a group play option for draw games. Group play adds a social dimension to playing the lottery that is not available in Florida Lottery games. Group play allows a player to combine their ticket with other people who are eligible for a drawing, thus increasing chances of winning. In Loto-Quebec's group play, each ticket that a player purchases is treated as a share of the group, and each player in a group pools their share together with the shares of other group members. Each group member receives their own group ticket and each ticket has its own control number, which allows everyone to claim their share of the prize. The value of the prize is calculated according to the

¹⁵ Section [24.112\(15\)](#), F.S., requires that vending machines be located in the retailer's direct line of sight to ensure that purchases are only made by persons at least 18 years of age.

¹⁶ Florida has two vending machine models. While one model has touch screen and ticket scan capabilities, both models sell draw and instant games, scan digital playslips, are equipped with remote control shut-off, and require cash purchase. Department officials reported that the 500 additional vending machines will be the touch screen model.

number of shares in the group. Loto-Quebec has two group play options. Formule Groupe allows people to play in groups of 2 to 20 and Formule Super Groupe allows people to play in groups of 21 to 100.¹⁷ Group play options are only available for draw games, ranging from \$1 to \$7 per ticket.¹⁸ Groups of 2 to 20 players can be created by a retailer or a player, while groups of 21 to 100 can only be created by Loto-Quebec. Although Loto-Quebec did not disclose sales figures for group games, officials reported that in Fiscal Year 2022-23, approximately 15% of total retail sales for draw games were due to a group play option.

Other states use additional product distribution methods to enhance revenues

U.S. lotteries offer additional product distribution methods that the Florida Lottery does not currently use, including selling lottery tickets through the internet and courier services. (Appendix B provides more information on additional product distribution options along with the options' advantages and disadvantages.)

Internet sales. OPPAGA identified 12 U.S. lotteries that offer products over the internet, which allows players to use a personal computer or mobile phone as a player-activated terminal to purchase lottery products without having to visit a retailer.¹⁹ The online product mix that these lotteries offer varies, including subscriptions to draw games for up to one year in advance, tickets for single drawings of draw games, and/or instant games.²⁰

U.S. 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 that the potential revenue from implementing internet sales in Florida is approximately \$26.5 million to \$454.7 million per year in additional recurring transfers to education depending on whether only draw games or both draw and instant games are offered.^{21,22}

Offering lottery products over the internet would require statutory revisions. Florida law currently restricts the use of player-activated terminals without the oversight 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 buying \$20 worth of other goods.²³ In addition, Florida would need to

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

Internet Sales and Courier Services

- Potential revenue from implementing internet sales in Florida could be as high as \$454.7 million per year. Implementing this distribution method would require statutory changes to address several issues.
- Courier services operate in 19 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.

¹⁷ While Loto-Quebec offers players an online group play game, OPPAGA focused on group play options that are available in retail stores.

¹⁸ The Loto-Quebec draw games are Lotto Max, Québec Max, Lotto Max + Québec Max, Lotto 6/49, Québec 49, and Lotto 6/49 + Québec 49. The cost to play Québec 49 is \$1 and the cost to play Lotto Max + Québec Max is \$7.

¹⁹ 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.

²⁰ New York offers subscription-only internet sales.

²¹ OPPAGA estimated potential transfers from implementing internet sales using available sales data from 11 U.S. lotteries that offer internet sales—the District of Columbia, Georgia, Illinois, Kentucky, Michigan, New Hampshire, North Carolina, North Dakota, Pennsylvania, Rhode Island, and Virginia. The analysis excluded New York as the state only sells draw game subscriptions online. The estimate assumes a transfer rate to the EETF of 39.14% for draw-only internet sales and 74.60% for instant internet gross gaming revenue, and that 5% of sales would shift from existing games.

²² 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.

²³ 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.

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.

Courier services. Lottery courier services purchase tickets on behalf of players, typically through a website or mobile app. OPPAGA identified 19 U.S. lotteries where courier services are operating.²⁴ Based on the experiences of these lotteries, courier services could increase Lottery revenues by reaching players who are interested in purchasing tickets online.

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 sets up accounts for players, generally through a website or mobile app, into which players deposit funds. Players direct the courier to purchase tickets on their behalf, which the courier purchases from a partner retailer or prints from a lottery terminal, if the courier has a retailer contract. Typically, the courier retains the tickets for a record of the purchases and provides players with scanned copies. Some couriers, such as Jackpocket and Mido Lotto, automatically credit players' accounts for lower-tier prizes (e.g., prizes up to \$600) and arrange for the physical ticket to be securely delivered to the player for higher-tier prizes. The fee arrangement employed by courier services varies. For example, Jackpocket charges players a service fee when funds are added to their accounts, while another courier company, theLotter, charges a service fee with the sale of each ticket.

The statutory structures under which the courier services operate in these states varies 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, which is conducted at the expense of the courier service. The courier service partners with a lottery retailer and the state lottery conducts ongoing monitoring of the courier service's operations. In Minnesota, statutes authorize courier services to operate as lottery retailers. New York statute requires couriers to be licensed through the New York State Gaming Commission and to comply with various auditing, financial, and operational requirements. In some states, such as Ohio and Texas, there are no statutes to either specifically authorize or prohibit courier service operations; couriers operate without regulation since the state lottery has no ongoing role in courier service operations.

There is limited data that OPPAGA could use to estimate the potential fiscal impact of courier services in Florida. Three of the 19 U.S. lotteries that allow courier services—California, Massachusetts, and Nebraska—reported that the fiscal impact of the courier service was unknown. Three other lotteries—Idaho, New Jersey, and New Mexico—reported that the fiscal impact of couriers was positive (New Jersey reported that couriers are consistently one of its top 10 retailers every week), but did not provide OPPAGA relevant sales data. Based on sales data provided by the remaining eight states, OPPAGA estimates the potential revenue from implementing courier sales in Florida is approximately \$8 million to \$101.8 million per year in additional recurring transfers to education.²⁵

OPPAGA's review did not identify any state law or department rule specifically authorizing or prohibiting courier services from operating in Florida. However, for couriers to operate with the current internet-based model, there are statutory revisions that would need to be made related to player-activated terminals and the use of credit cards. If the Legislature wishes to authorize courier services, the enabling legislation could authorize the Lottery to establish additional rules to protect

²⁴ The 19 U.S. lotteries are the District of Columbia lottery and state lotteries in Arizona, Arkansas, California, Colorado, Idaho, Massachusetts, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oregon, Texas, Vermont, and West Virginia.

²⁵ The eight states that provided sales data were Colorado, Montana, New Hampshire, New York, Ohio, Oregon, Texas, and West Virginia. Five states did not respond to OPPAGA's information request regarding the fiscal impact of couriers operating in the state.

players and the integrity of the Florida Lottery and to limit how much a courier service could charge players. Alternatively, the Legislature could expressly prohibit courier services.

Increasing the retailer network could also enhance revenues

Another option that could increase sales would be for the department to expand its retailer network. In Fiscal Year 2021-22, the top two southeast U.S. lotteries ranked by per capita sales—Georgia and Virginia—had an average of 1,390 residents per retailer.²⁶ During that period, the Florida Lottery averaged 1,661 residents per retailer. Georgia and Virginia had higher per capita sales (\$497 and \$432, respectively) than Florida (\$419). Adding 2,619 new retailers to Florida’s network would bring Florida’s market penetration in line with the other two states and could generate about \$47.8 million annually in additional transfers to the EETF. A more modest growth of 200 retailers would generate about \$3.7 million annually in transfers.²⁷

Increasing the Retailer Network Could Increase Lottery Revenues	
Increasing the Retailer Network	
<ul style="list-style-type: none">Florida ranks behind Georgia and Virginia in terms of per capita lottery sales.Adding 200 more retailers could generate \$3.7 million in additional transfers to the EETF per year.	

Increasing the retailer network remains a priority included in the Lottery’s long-range program plan for Fiscal Years 2024-25 through 2028-29. According to department officials, partnering with new retailer corporations is a significant priority in its goal of increasing the retailer network. As noted earlier, in Fiscal Year 2022-23, the department increased the total number of Lottery retailers by 148 compared to Fiscal Year 2021-22. These efforts included the Lottery’s addition of a new chain partner, Ascend Grocery, LLC.²⁸ After a pilot in March 2023 at an initial location, the chain will sell Lottery products in all 34 of its other stores by the end of the Fiscal Year.

OPERATIONS

The Department of the Lottery continues to keep department expenses, as a percentage of revenue, below the legislative performance standard and low relative to other states. To examine current operational initiatives, OPPAGA reviewed the Lottery’s management of unclaimed prizes, implementation of responsible play measures, and launch of a mobile payment system.

The department’s operating expense rate is lower than the legislative standard

The Lottery’s operating expenses have consistently been lower than the legislative performance standard.²⁹ For example, in Fiscal Year 2022-23, the Lottery’s expense rate was 7.96%, which was under the legislative standard of 9.52%. (See Exhibit 3.) Furthermore, compared to other U.S. lotteries,

²⁶ 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.

²⁷ OPPAGA estimated potential transfer revenues from an increased retailer network by assuming that the new retailers would achieve at least the average weekly gross sales that new retailers achieved in Fiscal Year 2022-23; that all new retailer terminals would be active for a full year; and that 20% of sales would shift from existing retailers.

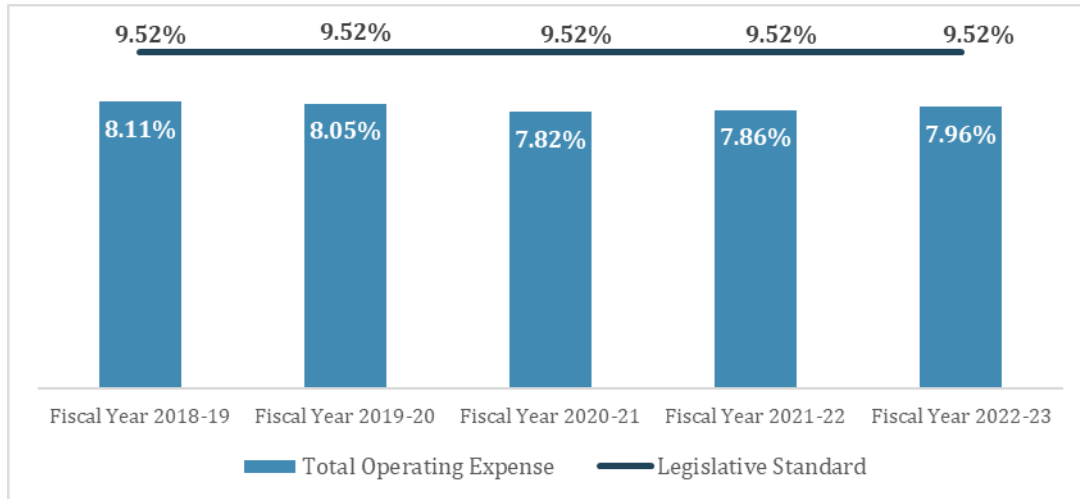
²⁸ Ascend Grocery, LLC, is an ownership group for Save-A-Lot stores in Florida.

²⁹ Operating expenses include payments to gaming vendors and retailer commissions.

the Florida Lottery had the third lowest operating expense rate in Fiscal Year 2022-23, behind Rhode Island and Massachusetts.³⁰ According to department officials, the primary reason for the low operating expense rate is that the department has maintained stable operating expenses while ticket sales have increased.

Exhibit 3

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



Source: Florida Lottery long-range program plans.

Unclaimed prize transfers to the EETF vary over time

The department tracks unclaimed prizes by game. Draw game prizes must be claimed within 180 days of the applicable draw date, and scratch-off and fast play game prizes must be claimed within 60 days of the official end-of-game date. Once the applicable time period has elapsed, the related Lottery ticket expires. When a jackpot or top-prize winning draw ticket is sold and is set to expire, the department publishes a list of expiring tickets on its website, mobile app, and vending machines, with information related to the game, expiration date, and the city where the ticket was purchased. In addition, the department will issue a press release for draw tickets with an unclaimed prize over \$100,000 in the area where the winning draw ticket was sold. Although the department does not track whether individual scratch-off tickets have been sold, the department does track the remaining top prizes for its scratch-off games and publishes the information by game, prize amount, and ticket cost on its website, mobile app, and vending machines.

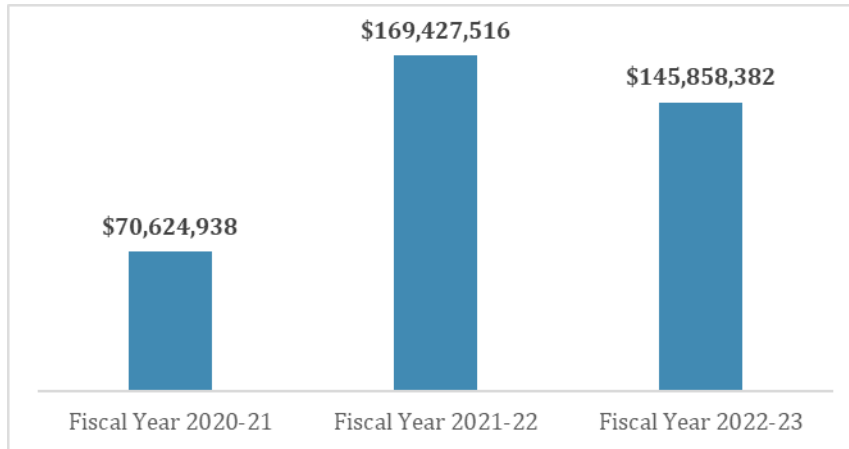
During the past three fiscal years, the total funds generated from unclaimed prizes varied, increasing from \$71 million in Fiscal Year 2020-21 to \$169 million in Fiscal Year 2021-22 and then decreasing to \$146 million in Fiscal Year 2022-23.³¹ (See Exhibit 4.) According to department officials, the large increase in unclaimed prizes in Fiscal Year 2021-22 was due to COVID-19. During the peak of the pandemic in Fiscal Year 2020-21, the Lottery postponed several game end dates, allowing players more time to claim prizes, which resulted in a lower unclaimed prize amount. However, the Lottery ended this practice in Fiscal Year 2021-22 and unclaimed prize revenue was greater in the following two fiscal years.

³⁰ Florida Lottery's ranking is based on the latest fiscal year data available from *La Fleur's 2023 World Lottery Almanac*. Operating expense rates include administrative expenses and retailer commissions.

³¹ Section 24.115(2), F.S., requires that 80% of the amount of unclaimed prizes is transferred to the EETF, and the remaining 20% is added to a pool from which future prizes are to be awarded or used for special prize promotions, such as second chance games.

Exhibit 4

For Fiscal Years 2020-21 Through 2022-23, Unclaimed Prize Revenue Varied



Source: Florida Lottery data.

The department partners with the National Council on Problem Gambling for responsible play measures

The department continues to partner with the National Council on Problem Gambling (NCPG) and runs annual responsible gaming campaigns such as Responsible Gaming Education Month (September) and Holiday Responsible Gaming. The Lottery obtained recertification from the NCPG in Responsible Gaming Verification Standards at the Planning Level in 2021, and the certification is valid for three years. In previous years, Florida had also been a member of the World Lottery Association's Responsible Gaming Framework and attained an accreditation level of two out of a possible four levels.³² The accreditation expired in December 2022 and the Lottery did not renew the membership. Lottery officials cited the \$23,000 annual membership fee as the main reason for not renewing the membership and reported that the department does not plan to renew it. Additionally, department officials reported that market size, budget, audience priorities, and marketing strategies make it a challenge to compare Florida's responsible play measures with those of other states. Other continuing department initiatives to encourage responsible play include annual employee training in responsible gaming, conducting research on the effectiveness of responsible gaming messaging, and displaying responsible gaming messages on posters, social media, and the Lottery website.

The department expects to launch a mobile payment system by July 2024

OPPAGA identified seven U.S. lotteries that, like Florida, do not sell lottery tickets online, but unlike Florida currently offer players the option to receive winnings via electronic payments.³³ The Florida Lottery expects mobile cashing to make the player experience more convenient by allowing the players

³² The four levels of achievement are Level 1: Commitment, in which members have agreed to embrace the World Lottery Association's responsible gaming principles; Level 2: Self-Assessment and Gap Analysis, in which members complete a self-assessment and determine what responsible gaming programs need to be built to ensure the organization addresses all of the principles; Level 3: Planning and Implementation, in which members need to develop a plan, a timetable, and a budget to implement specific responsible gaming programs; and Level 4: Continuous Improvement, in which members are implementing specific programs into their day-to-day operations and are continuously improving their programs.

³³ The seven U.S. lotteries are Massachusetts, Mississippi, Missouri, Ohio, Oklahoma, Texas, and Wisconsin.

to use the Lottery's mobile app to scan tickets and receive payment for winnings without the need to visit a Lottery retailer or a Lottery regional office. In order to redeem a winning ticket through a mobile payment system, a player must set up an account and provide banking information.

OPPAGA interviewed lottery officials from Ohio and Texas, two of the seven U.S. lotteries with a mobile payment system but without an online lottery. The Ohio Lottery launched its mobile payment system in 2020 during COVID-19 to facilitate players claiming their prizes without having to go into a store and currently offers mobile cashing to winners with prizes between \$50 and \$25,000. According to information provided by the Ohio Lottery, the percentage of mobile payments increased from 63% in 2020 to 73% in 2023. The Texas Lottery launched its mobile payment system in August 2023 and offers mobile payments for prizes between \$600 and \$5,000.

Both the Ohio and Texas lotteries reported some minor issues with the mobile payment system shortly after launch, and were able to resolve most of these issues. Ohio Lottery officials reported only needing to increase security to prevent fraud. Texas Lottery officials reported that during the pilot phase of the mobile payment systems, there were issues with identifying unique player accounts, which led to duplicate user IDs. Texas also reported three instances where a person was paid twice for a single winning ticket. Two of the three instances of double payment were identified before the money was transferred a second time and the problem was fixed by updating the mobile payment system software. Finally, the mobile payment system in Texas uses the digital payment network Zelle. However, Texas reported that some banks do not do business with Zelle, and as a result do not accept Zelle deposits. Despite these issues, both states reported that the overall feedback regarding the mobile payment systems has been positive.

The department plans to implement its mobile payment system in three phases. In phase one, the department will replace its current legacy prize payment system, Fortune. The Fortune system currently handles the processing of all winning claims and prize payments and can intercept payments for state owed debts. According to department staff, prior to implementing the new mobile payment system, the department will need to revise its prize payment rule to allow for mobile cashing in Florida.³⁴ Phase two includes a new mobile payment system developed by IGT Global Solutions Corporation, which will be integrated into the mobile app and allow mobile prize payment by July 2024. The final phase will focus on player-facing claim initiation kiosks in Lottery district offices that will eliminate paper and reduce claim processing times.

Flamingo Followers program and the mobile app could be expanded to increase player engagement

OPPAGA's review found that 33 of 45 other U.S. lotteries offer a loyalty program as a way of rewarding players and extending their playing experience. While the Lottery reported that it does not have a player loyalty program, it does have a player engagement program called Flamingo Followers, which enables players to receive email and text messages from the Lottery. OPPAGA's analysis of Lottery data from the last three fiscal years found that the number of Flamingo Followers accounts decreased by 10% from 760,406 accounts in Fiscal Year 2020-21 to 681,731 accounts in Fiscal Year 2022-23.

While player loyalty programs vary across states, OPPAGA found two common offerings: exclusive promotions and member rewards. Twenty-three of the 33 U.S. lotteries offer members exclusive promotions, giveaways, or coupons. For example, Georgia Lottery loyalty club members receive

³⁴ Rule [53ER23-8](#), F.A.C.

invitations to exclusive events and giveaways featuring Georgia sports teams and entertainers. In 2023, the Georgia Lottery offered members the chance to enter into a drawing to win four complimentary tickets to an Atlanta United FC match. Member rewards or points that can be redeemed for items such as coupons, merchandise, or lottery tickets are offered by 15 other U.S. lotteries. For example, Ohio Lottery loyalty club members can enter non-winning scratch and draw tickets, as well as participate in special promotions, to earn points. Points can be redeemed to enter drawings for items such as gift cards, technology, and sporting event tickets; play digital games to win gift cards or more points; shop from a catalog of physical and digital prizes; and receive digital cash or coupons to purchase games from lottery retailers.

Another way lotteries keep players engaged is through offering digital coupons and special location games. Digital coupons are vouchers provided by the lottery through mobile apps that include a barcode or QR code that can be scanned at a retailer for free or discounted lottery tickets. OPPAGA identified seven U.S. lotteries that offer digital coupons through mobile apps.³⁵ Special location games are promotional events where new games are launched at a specific retailer. For example, the Idaho Lottery launched its Cabela's Cash Cooler scratch game with an outdoor sports retailer by creating a high-profile event. Throughout the first month of the promotion, three of Cabela's retail locations hosted lottery events and became pop-up lottery retailers selling the Cash Cooler ticket.

According to Florida Lottery officials, the primary purpose of Flamingo Followers is limited to communicating with players about new product launches, general promotions, and jackpots; the program does not currently offer exclusive promotions and member rewards. Although the Florida Lottery's mobile app offers basic features such as a barcode scan, digital playslip, and assistance finding a retailer, the app currently does not offer players enhanced options such as digital coupons. Furthermore, there have been no new features or enhancements to the mobile app since 2021. The department could consider adding these types of promotions and features to enhance the player experience and potentially increase revenue.

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 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 Lottery to establish additional rules to protect players and the integrity of the Lottery and to limit how much a courier service can charge players. Alternatively, the Legislature could expressly prohibit courier services.

³⁵ The seven U.S. lotteries are Georgia, Indiana, Iowa, Missouri, Nebraska, New Mexico, and Pennsylvania.

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 U.S. 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.³⁶ 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.³⁷ 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 need to meet or exceed the transfer rates specified in the bond covenants. Annual revenue estimates assume full implementation by July 1, 2024. 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 2024-25 EETF transfer rates from the August 2023 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.

³⁶ If any of these options were implemented, further study of the sales shift (also referred to as the cannibalization rate) would be needed.

³⁷ 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		
<p>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</p>	<ul style="list-style-type: none"> • Could generate approximately \$12.2 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		
<p>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</p>	<ul style="list-style-type: none"> • Could generate approximately \$10.9 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 the player may 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 \$83.7 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 U.S. 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 • Could help the Lottery recruit new retailers in social venues, such as restaurants and bars 	<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 \$10.7 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 restaurants and bars • 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		
<p>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</p>	<ul style="list-style-type: none"> • Could generate approximately \$21.98 million per year in additional recurring transfers to education¹⁰ • The excitement of a progressive jackpot serves as a sales driver • A progressive jackpot offers a higher proportion of the jackpot to players who play a higher dollar amount 	<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 U.S. 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 both the All or Nothing and Monitor Games sections in this appendix.

² OPPAGA estimated a range of potential All or Nothing transfer revenue (\$8.4 million to \$17.6 million, with a median of \$12.2 million) based on the per capita sales in the three states that offer All or Nothing, which was applied to Florida's estimated population for 2024. The analysis assumes a draw game transfer rate to the EETF of 39.14% 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 \$46.1 million, with a median of \$10.9 million), based on the per capita sales in the four states that offer Daily Keno, which was applied to Florida's estimated population for 2024. The estimate assumes a draw game transfer rate to the EETF of 39.14% based on the August 2023 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, the 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.

⁶ OPPAGA estimated a range of potential Fast Keno transfer revenue (\$9.3 million to \$792.1 million, with a median of \$83.7 million) based on the per capita sales in 20 states, plus the District of Columbia, that offer Fast Keno, which was applied to Florida's estimated population for 2024. The U.S. Virgin Islands were excluded from the analysis due to insufficient information. The estimate assumes a transfer rate to the EETF of 22%, based on the estimate provided by the Florida Department of the Lottery. The estimate also assumes that 10% of sales would be shifted from existing game sales.

⁷ OPPAGA identified nine U.S. lotteries that offer monitor games that produced revenue in 2022—the District of Columbia, Kansas, Maryland, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island, and West Virginia. In Massachusetts, All or Nothing is also a monitor game and is therefore included in both the All or Nothing and Monitor Games sections in this appendix.

⁸ OPPAGA estimated a range of potential monitor game transfer revenue (\$4.7 million to \$235.1 million, with a median of \$ 10.7 million) based on the per capita sales in the eight states, plus the District of Columbia, that had monitor game revenue in 2021, which was applied to Florida's estimated population for 2024. The estimate assumes a transfer rate to the EETF of 22%, based on the estimate provided by the Florida Department of 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, Georgia, Idaho, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Pennsylvania, Vermont, Virginia, and Wisconsin.

¹⁰ OPPAGA estimated a range of potential progressive jackpot fast play game transfer revenue (\$1.41 million to \$47.7 million, with a median of \$21.98 million) based on the per capita sales in 14 states that offer fast play progressive games, which was applied to Florida's estimated population for 2024. Due to insufficient data, OPPAGA excluded Arizona, Arkansas, the District of Columbia, Georgia, Louisiana, Maine, Maryland, Minnesota, Vermont, and Wisconsin. The estimate assumes a transfer rate to the EETF of 18.59%, and that 10% of the sales would be shifted from existing game sales.

Source: OPPAGA analysis of lottery industry and Florida Lottery information.

APPENDIX B

Product Distribution Options

OPPAGA reviewed U.S. lottery resources and research to identify product distribution methods offered by other U.S. lotteries but not currently available in Florida. OPPAGA identified several options that could generate additional revenues for further analysis. To obtain information on these options, OPPAGA researched other state lottery websites, used data from *La Fleur’s World Lottery Almanac*, surveyed and interviewed other U.S. lotteries, and used interviews and 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 options 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.³⁸ Actual transfers in Florida may differ from the estimates due to factors such as population demographics, the mix of Lottery games available, lottery games available in 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 2024-25 Educational Enhancement Trust Fund transfer rates from the August 2023 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, 2024. However, some options would likely require additional time to implement.

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>	<ul style="list-style-type: none"> • Adding 200 new retailers could generate approximately \$3.7 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 	<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 department staff to service new retailer accounts

³⁸ If any of these options were implemented, further study of the sales shift would be needed.

Option	Advantages	Disadvantages
<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>	<p>network could improve per capita sales</p> <ul style="list-style-type: none"> • Could increase product distribution and awareness, making products available to new players 	

Internet Sales

<p>This option would authorize intrastate internet sales of Lottery products and allow players to purchase individual draw or 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 \$27 million to \$456.5 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 \$205.6 million, while the median transfer estimate is \$98.4 million for offering only draw games online and \$107.2 million for offering only instant games^{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 claiming prizes • In 2021, a unanimous panel of the U.S. Court of Appeals for the First Circuit agreed with a 2011 U.S. 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, which would decrease the transfers to the EETF⁴
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Courier Services

<p>This option would authorize courier companies to purchase tickets on behalf of players, typically through a website or mobile app.</p> <p>Courier services could be implemented in various ways. For example, the Lottery could permit a courier company to register as a Lottery retailer or allow current Lottery retailers to enter into an agreement with a courier company.</p> <p>For lower-tier prizes, the courier may credit a player's account, while for higher-tier prizes, the courier could</p>	<ul style="list-style-type: none"> • Adding courier sales could generate approximately \$8 million to \$101.8 million per year in additional recurring transfers to education; the median transfer estimate is \$27.1 million⁵ • Would provide more convenience to players who prefer to purchase their Lottery products from their personal computer or mobile device • Could increase marketing spending at no cost to the Lottery, as some 	<ul style="list-style-type: none"> • Could pose a risk to the Lottery's reputation without careful regulation as a courier company's failure to properly purchase, store, or deliver a player's ticket may be attributed to the Lottery • Must ensure courier companies 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
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Option	Advantages	Disadvantages
<p>either mail the ticket to the player or arrange for the player to pick it up.</p> <p>Implementing this option may require statutory changes to allow for the operation of courier services (s. 24.112, F.S.).</p> <p>In order for players to purchase tickets through the courier’s website or mobile app, this option would also 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 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 (s. 24.118, F.S.).</p>	<p>courier companies advertise that they sell Lottery products</p>	<ul style="list-style-type: none"> • Allowing courier companies to register as a Lottery retailer that can make sales and collect commissions directly could draw opposition from current Lottery retailers

¹ OPPAGA estimated potential transfers 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 2022-23. 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 11 U.S. lotteries that offer internet sales—the District of Columbia, Georgia, Illinois, Kentucky, Michigan, New Hampshire, North Carolina, North Dakota, Pennsylvania, Rhode Island, and Virginia. The analysis excluded New York as the state only sells draw game subscriptions online. The estimate assumes a transfer rate to the EETF of 39.14% for draw-only internet sales and 74.60% for instant internet gross gaming revenue, and that 5% of sales would shift from existing distribution options.

³ Actual transfer amounts to the EETF could differ from the estimates based on prize payout rates, bank card swipe fees, vendor fees, and operational costs.

⁴ Section [24.115\(2\), F.S.](#), requires that 80% of the amount of unclaimed prizes is transferred to the EETF and the remaining 20% is added to a pool from which future prizes are to be awarded or used for special prize promotions, such as second chance games.

⁵ OPPAGA estimated potential transfers from implementing courier sales using available sales data from eight U.S. lotteries where couriers operate—Colorado, Montana, New Hampshire, New York, Ohio, Oregon, Texas, and West Virginia. The analysis excluded 11 other U.S. lotteries where couriers operate (i.e., Arizona, Arkansas, California, the District of Columbia, Idaho, Massachusetts, Minnesota, Nebraska, New Jersey, New Mexico, and Vermont) due to insufficient information. The estimate assumes a transfer rate to the EETF of 39.14% for draw-only courier sales and that 10% of sales would shift from existing distribution options.

Source: OPPAGA analysis of lottery industry and Florida Lottery information.

APPENDIX C

Agency Response

RON DESANTIS
Governor



JOHN F. DAVIS
Secretary

January 26, 2024

Kara Collins-Gomez, Coordinator
Office of Program Policy Analysis and Government Accountability
111 West Madison Street
Tallahassee, Florida 32399-1475

Dear Coordinator Collins-Gomez:

Thank you for opportunity to formally respond to your office's report: "Review of the Florida Lottery, 2023." The Department of the Lottery (Lottery or department) is grateful for the meticulous efforts of your staff in thoroughly examining our performance in preceding fiscal years. We appreciate your team's efforts in assisting us to remain committed to innovative and strategic initiatives aimed at maximizing funding for education.

The Lottery spent many months working with your staff to ensure they received the most accurate, detailed, and complete information necessary to compile the report. We also worked with your team every step of the way to answer follow-up questions and to clarify any of the information provided. It truly was a team effort and we applaud your team for their professionalism and cooperation during this process. 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 continued to take steps to increase sales and transfers to the Educational Enhancement Trust Fund"**
 - The Lottery set a record in contributions to education, transferring a total of \$2.45 billion to the Educational Enhancement Trust Fund (EETF) in Fiscal Year 2022-23.
 - In total, the Lottery has contributed over \$45 billion to the EETF since 1988. The Lottery has also helped nearly 1 million students receive the Bright Futures Scholarship since 1997.
- **"The department continues to outperform the legislative performance standard for its operating expense rate, which is the third lowest in the nation"**
 - As noted in the report, the Florida Lottery has the third lowest operating expense rate in Fiscal Year 2022-23 among all state lotteries.
- **"The department continues to partner with the National Council on Problem Gambling (NCPG) and runs annual responsible gaming campaigns"**

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- The Lottery has always placed a strong emphasis on promoting responsible play. Our commitment is reflected in our comprehensive approach to responsible gaming, which is an integral part of our annual media plan.
- In recognition of our dedication to upholding the highest standards in responsible gaming best practices, we were certified by both the North American Association of State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG) in 2018.
- **“The department expects to launch a mobile payment system”**
 - The Lottery strives to enhance the overall player experience. The Lottery's new prize payment system will allow customers the ability to redeem winning tickets through the Lottery mobile application.
 - This will not only promote growth in the Lottery's product and revenue through improved customer claims and payment experiences, but also provide greater operational efficiency and effectiveness.

These positive findings are a testament to the hard work and dedication of the Lottery staff, as well as the leadership of Governor DeSantis and the Legislature. We appreciate OPPAGA's thoughtful and comprehensive review of the Lottery and we look forward to working together with you in the future.

Respectfully,



John F. Davis
Secretary

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

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