

	COL A12	COL A14	COL A15	COL A16	COL A14-A12	
	AGY FIN REQ	AGY AMD REQ	AGY AMD N/R	AGY AMD ANZ	AGY AMD REQ	
	FY 2009-10	FY 2009-10	FY 2009-10	FY 2009-10	FY 2009-10	
	POS	AMOUNT	POS	AMOUNT	POS	AMOUNT
						CODES
LOTTERY, DEPARTMENT OF THE						36000000
PGM: LOTTERY OPERATIONS						36010000
GOV OPERATIONS/SUPPORT						16
GOVERNMENTAL OPERATIONS						1601.00.00.00
ESTIMATED EXPENDITURES						1000000
ESTIMATED EXPENDITURES ADJUSTED						1007000
FOR SPECIAL SESSION						010000
SALARIES AND BENEFITS						
OPERATING TRUST FUND -STATE		2.00-			2.00-	
			50,550-			2510 1
SPECIAL CATEGORIES						100000
INSTANT TICKET PURCHASE						101740
OPERATING TRUST FUND -STATE			10,500,000-		10,500,000-	2510 1
TOTAL: ESTIMATED EXPENDITURES ADJUSTED						1007000
FOR SPECIAL SESSION						
TOTAL POSITIONS.....		2.00-			2.00-	
TOTAL ISSUE.....			10,550,550-			10,550,550-
ANNUALIZATION OF ADMINISTERED						26A0000
FUNDS APPROPRIATIONS						26A7001
DELETE VACANT POSITIONS						010000
SALARIES AND BENEFITS						
OPERATING TRUST FUND -STATE			50,550-		50,550-	2510 1
FLORIDA LOTTERY OPERATIONS FUNDING						5000000
INSTANT TICKET VENDING MACHINES						5000500
SPECIAL CATEGORIES						100000
LOTTERY ITVM						102382
OPERATING TRUST FUND -STATE			7,896,000		7,896,000	2510 1

AGENCY ISSUE NARRATIVE:
 2009-2010 BUDGET YEAR NARRATIVE:
 Amended 2009-10 Narrative after February 25,2009

IT COMPONENT? NO

ITVM Request

COL A12		COL A14		COL A15		COL A16		COL A14-A12		
AGY FIN REQ FY 2009-10		AGY AMD REQ FY 2009-10		AGY AMD N/R FY 2009-10		AGY AMD ANZ FY 2009-10		AGY AMD REQ FY 2009-10 OVER(UNDER) AGY FIN REQ FY 2009-10		CODES
POS	AMOUNT	POS	AMOUNT	POS	AMOUNT	POS	AMOUNT	POS	AMOUNT	
										36000000
										36010000
										16
										<u>1601.00.00.00</u>
										5000000
										5000500

LOTTERY, DEPARTMENT OF THE
PGM: LOTTERY OPERATIONS
 GOV OPERATIONS/SUPPORT
GOVERNMENTAL OPERATIONS
 FLORIDA LOTTERY OPERATIONS FUNDING
 INSTANT TICKET VENDING MACHINES

In order to maintain growth of Lottery revenues and the resulting transfers to the Educational Enhancement Trust Fund (EETF), the Florida Lottery is looking to enhance the distribution and sale of the Lottery's scratch-off products. To support the growth of the scratch-off ticket product line, the Florida Lottery is requesting \$7,896,000 to lease 2,000 Instant Ticket Vending Machines (ITVMs) for placement at retailer locations throughout the state. The Lottery currently has a firm commitment from 1,000 current contracted retailers.

In order to support the growth of the scratch-off ticket product line as well as consumer demand for self-service convenience, many lotteries have looked to provide new products and services that enhance the distribution and sale of tickets. Currently, 30 out of 43 U.S. lotteries utilize ITVMs. In 2007, ITVMs accounted for over \$2.3 billion in annual sales with a penetration rate of one ITVM per 8,547 U.S. residents. Fifty-one percent of all ITVMs are located in grocery stores and account for 53% of all ITVM sales. ITVMs enhance sales by adding a self-service feature in retailer locations, not necessarily replacing the counter sales activity, but supplementing it. The self-service aspect could gain the Lottery entry into new groups of large chain retailers who have expressed concern over the labor-intensive nature of full-service terminals in their environment. The lack of equipment was cited as an obstacle when trying to recruit two new corporate retailers (1,400+ locations).

ITVMs are much like a typical vending machine in that money is inserted, a button is pushed and the desired product is then delivered into the bin at the bottom. However, in order to comply with state statute, ITVMs do have some major differences, such as the ability to remotely disable the machines to prevent underage gambling. Another innovation is the ability for the machine to transmit sales information in real-time to the in-store terminal, allowing for accounting and tracking of tickets, greatly enhancing the retailers' ability to keep track of scratch-off ticket sales and inventory.

The Florida Lottery is authorized under section 24.105, Florida Statutes, to utilize player-activated terminals or ITVMs to sell scratch-off tickets.

In order to maintain growth and increase transfers to the EETF, the Florida Lottery must continue to implement strategies and technologies that will keep players and retailers excited about scratch-off games. ITVMs are a tool that enhance the distribution and sale of these tickets while responding to consumer demand for self-service convenience.

The Lottery conducted a 13-week (February 5, 2007 through April 30, 2007) pilot study by placing ITVMs in ten stores within two corporate grocery chains. The average weekly sales increase for scratch-off tickets was \$1,862 per retailer participating in the study, or an average of 36%. During this same period, average weekly sales for the scratch-off product STATEWIDE declined 0.048%. An analysis done by GTECH of La Fluer's data for three states implementing an ITVM program found that scratch-off sales per retailer increased anywhere from 15 to 36 percent. The February 29, 2008 Revenue Estimating Conference (REC) adopted the low estimate of additional revenue for EETF for fiscal year 2009-10 of \$4.5 Million after the cost of 1,000 units. In order for this proposal to pay for itself, the weekly sales for retailers with ITVMs would need to average \$336 above and beyond counter sales. Based on the Lottery's pilot study, weekly sales

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AGY FIN REQ FY 2009-10 POS	AMOUNT	AGY AMD REQ FY 2009-10 POS	AMOUNT	AGY AMD N/R FY 2009-10 POS	AMOUNT	AGY AMD ANZ FY 2009-10 POS	AMOUNT	AGY AMD REQ FY 2009-10 POS	AMOUNT	

LOTTERY, DEPARTMENT OF THE										36000000
<u>PGM: LOTTERY OPERATIONS</u>										36010000
GOV OPERATIONS/SUPPORT										16
<u>GOVERNMENTAL OPERATIONS</u>										<u>1601.00.00.00</u>
FLORIDA LOTTERY OPERATIONS FUNDING										5000000
INSTANT TICKET VENDING MACHINES										5000500

for retailers with an ITVM increased on average \$1,862.

For Fiscal Year 2009-10 (12 months) the cost would be a maximum of \$329 per ITVM per month totaling \$7,896,000. The ITVM cost is subject to contract negotiations and/or competitive bids and therefore could be lower. As with all other appropriations any funds appropriated but used are reverted to the EETF, not kept by the Department. The increase after all expenses in transfers to the EETF for this time period is forecasted by the Department to be between \$7,859,000 and \$29,900,000.

2,000 ITVM's X \$329 X 12 Months = \$7,896,000

Summary: This is a new issue.

TOTAL: GOVERNMENTAL OPERATIONS										<u>1601.00.00.00</u>
BY FUND TYPE										
TRUST FUNDS.....		2.00-						2.00-		2,705,100- 2000
			2,705,100-							