

COL A14-A12	COL A15-A04	COL A16-A05	
AGY AMD REQ	AGY AMD N/R	AGY AMD ANZ	
FY 2010-11	FY 2010-11	FY 2010-11	
OVER(UNDER)	OVER(UNDER)	OVER(UNDER)	
AGY FIN REQ	AGY REQ N/R	AG REQ ANZ	
FY 2010-11	FY 2010-11	FY 2010-11	
POS	AMOUNT	POS	AMOUNT
			AMOUNT
			CODES
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
SPECIAL CATEGORIES			100000
LOTTERY ITVM			102382
OPERATING TRUST FUND	-STATE	2,649,000	2510 1

AGENCY ISSUE NARRATIVE:

2010-2011 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

Amended 2010-11 Narrative after February 3, 2010.

In an effort to increase Lottery revenues and the resulting transfers to the Educational Enhancement Trust Fund (EETF), the Florida Lottery is requesting \$2,649,000 to lease an additional 250 Instant Ticket Vending Machines (ITVMs) for placement at retailer locations throughout the state.

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. 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 was appropriated funding for the lease of 1,000 ITVMs in fiscal year 2009-2010. Below is a comparison of Scratch-off game sales for a 17 week period ending February 7, 2010 to the corresponding period one year ago:

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AGY AMD REQ	AGY AMD N/R	AGY AMD ANZ	
FY 2010-11	FY 2010-11	FY 2010-11	
OVER(UNDER)	OVER(UNDER)	OVER(UNDER)	
AGY FIN REQ	AGY REQ N/R	AG REQ ANZ	
FY 2010-11	FY 2010-11	FY 2010-11	
POS	AMOUNT	POS	AMOUNT
POS	AMOUNT	POS	AMOUNT

CODES

LOTTERY, DEPARTMENT OF THE
PGM: LOTTERY OPERATIONS
GOV OPERATIONS/SUPPORT
GOVERNMENTAL OPERATIONS
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- Statewide Scratch-off Game Sales (all retailers) up 0.11%
- Scratch-off Game Sales of Retailers without ITVMs Down 3.69%
- Scratch-off Game Sales of Retailers with ITVMs Up 21.60%
- Current 6 week average weekly sales for ITVMs - \$4,193
- Average daily sales \$599 per unit
- Monthly EETF transfer being generated from average ITVM sales is \$3.2 million

250 ITVMs X \$883 X 12 Months = \$2,649,000

Summary: This is a new issue.
