

## **SCEL House Way and Means Subcommittee Presentation**

**January 24, 2023**

*Financial Results as of December 31, 2022*

Through the first six months of FY23, SCEL financial results are performing better than anticipated. After record results in FY22 and FY21, years in which SCEL transferred to education \$564.0M and \$607.6M respectively, Total Game Revenue was forecast to be down 5% in FY23. Actual Total Game Revenue is up 4.4% year to date. This is largely a product of multiple unanticipated billion dollar jackpot runs in FY23. Year-to-date Transfers are \$316.6M compared to \$292.2M at the midpoint of FY22. The current FY23 Transfer Estimate set with the Board of Economic Advisors (BEA) is \$537.3M. SCEL will meet with the BEA staff over the next two weeks and based upon the recent Mega Millions jackpot run that ended on January 13, 2023 and other sales trends since mid-November, the February revision to the FY23 BEA Transfer Estimate is expected to be above \$559M.

The FY23 results through December 31, 2022 are presented below.

### **Instant Ticket Revenue**

- Instant Ticket Revenue is down 4.5% or \$35.5M compared to the midpoint of FY22.
- Instant Ticket Revenue was forecast to be down 5% this year compared to FY22. For many years, year-over-year \$10 Instant Ticket Revenue (the primary driver of Revenue) has grown by double digits and this trend is believed to have run its course. Instant Ticket Revenue finished FY22 down 9.3% or \$164.0M compared to the record setting results from FY21 of \$1.8B in Total Instant Ticket Revenue.
- Up to FY22, SCEL's \$10 Instant Games performed comparable to \$20 tickets in other states. After observing the success in other jurisdictions with even higher price points (\$30 and \$50), SCEL made the decision to launch the first \$20 Instant Ticket in March 2023 and to have at least one \$20 Instant Ticket Games in the market throughout FY24. This action is planned to add \$79.9M in FY23 Instant Game Revenue and an additional \$13.3M in FY23 Transfer Value.
- The potential addition of three \$20 Instant Ticket Games in FY24 could add an additional \$452.1M in Instant Game Revenue and an additional \$83.3M in Transfer Value. Other factors could reduce this added transfer value: (1) a more significant cannibalization of the \$10 price point by the \$20 Instant Ticket (currently estimated at 20%), (2) no large jackpot runs, and (3) a higher than anticipated statistical variation from the price payout model designed for a given draw game.
- SCEL continues to be conservative in Instant Ticket Revenue projections after several years of significant growth. Current projections are realistic and achievable as sales continue to normalize from the last quarter of FY21.

**The South Carolina Education Lottery**

Presentation to

**House of Representatives**

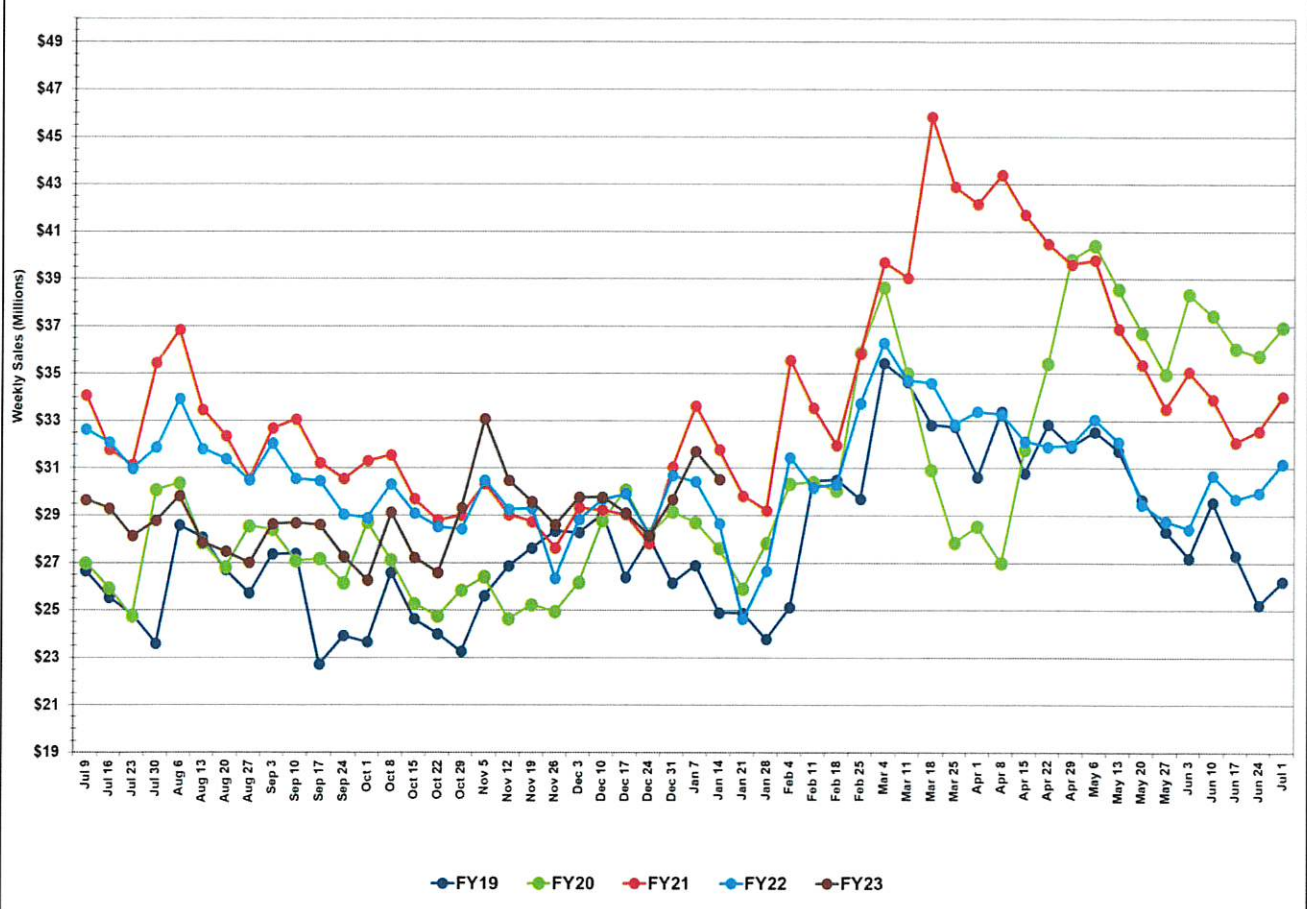
**Ways & Means**

**Constitutional Budget Subcommittee**

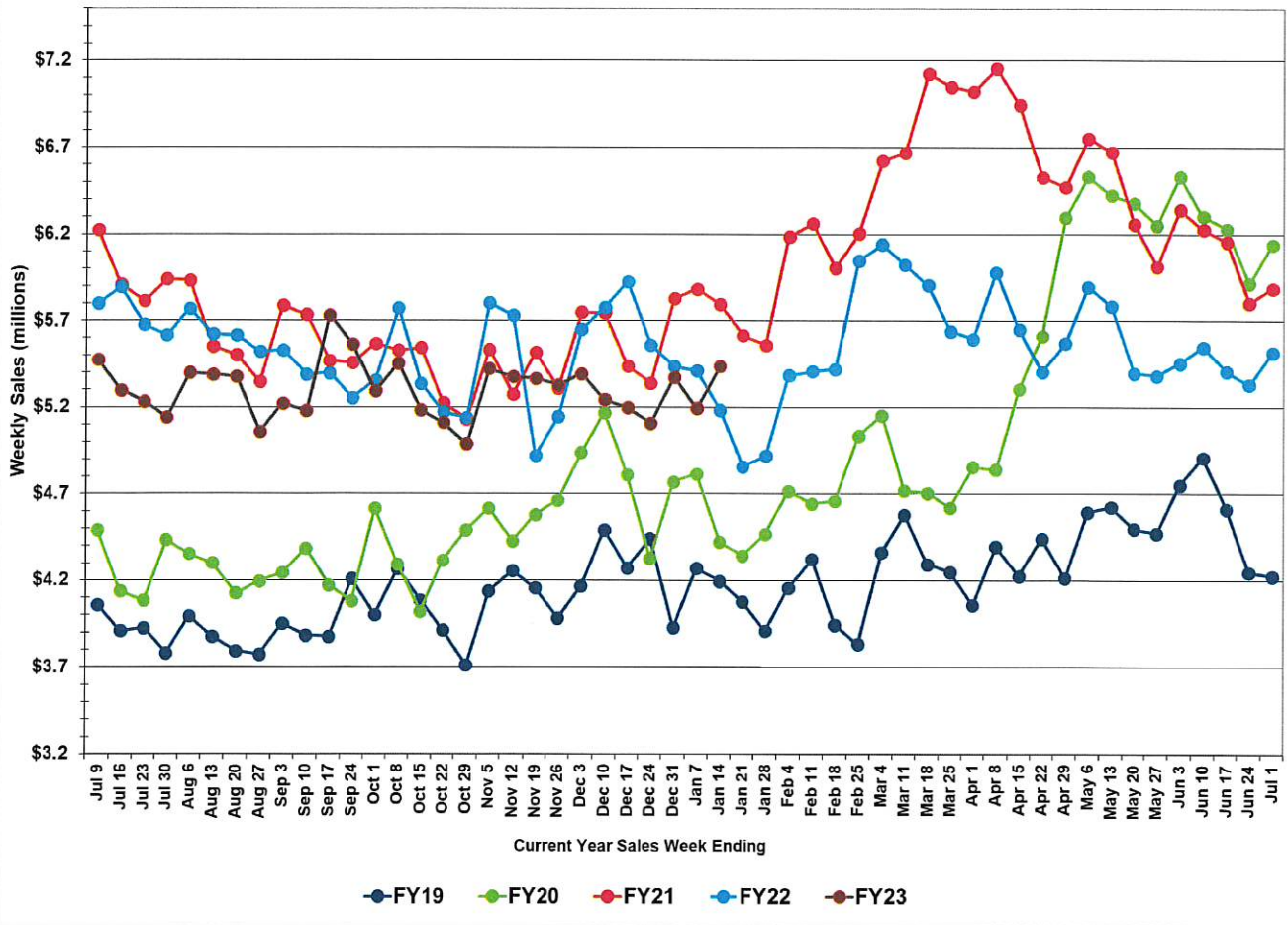
January 24, 2023



### Weekly Instant Game Sales

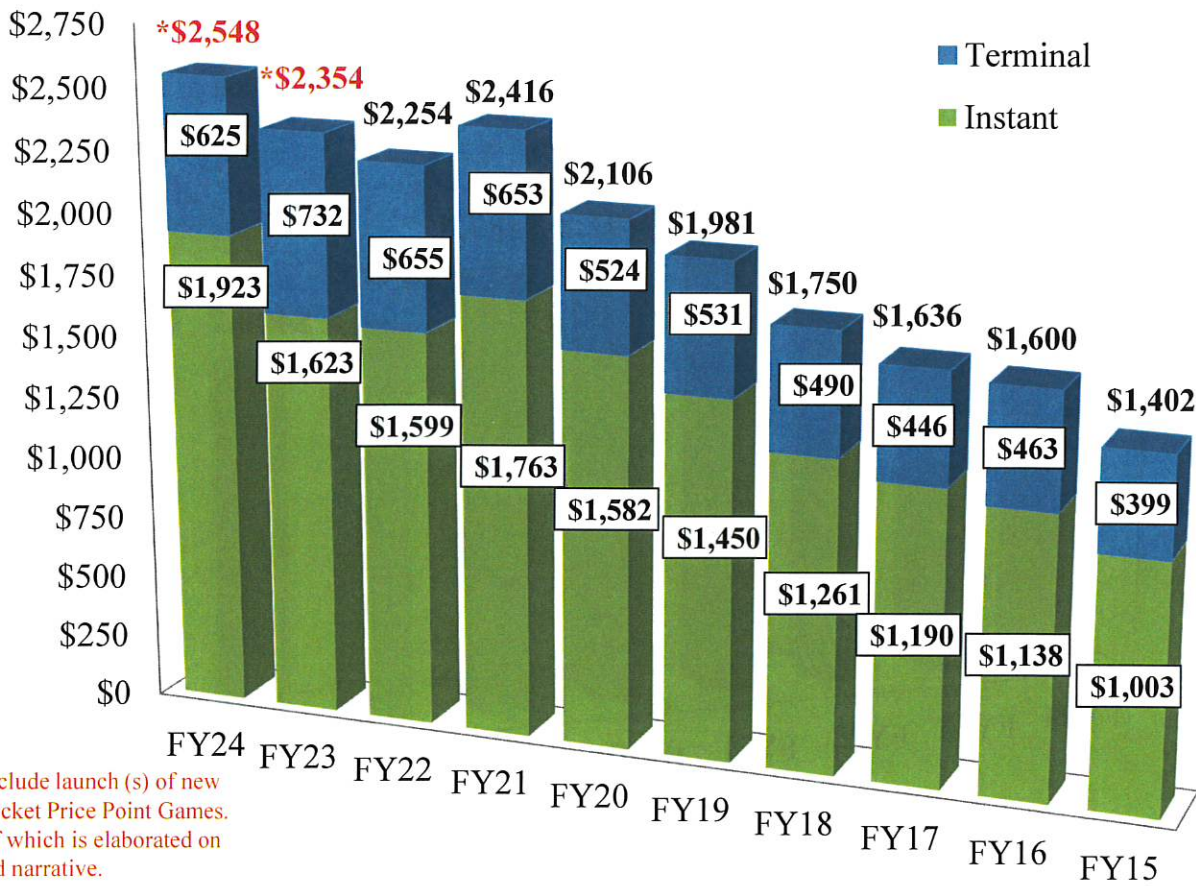


### Weekly Pick 3 Sales



## South Carolina Education Lottery Game Revenue FY 2015-2024

(Amounts in Millions)



\*Estimates include launch (s) of new \$20 Instant Ticket Price Point Games. The impact of which is elaborated on in the attached narrative.

1/24/2023

# **Lottery Board of Commissioners Meeting Minutes**

## **December 9, 2020**

### **Agenda Item 4.d.**

#### **d. Dragon's Ascent**

While the General Assembly determines which types of lottery games may be lawfully offered for purchase in South Carolina, the Board of Commissioners of the South Carolina Lottery Commission has a responsibility to state its position pertaining to Dragon's Ascent. The Board is steadfastly committed to promoting fair and responsible play and does not support or endorse offering any game that requires an exemption to, or the suspension of, the express prohibitions codified in the South Carolina Code of Laws Sections 12-21-2710, 16-19-40, 16-19-50 (making video poker and other games of chance and skill illegal). This non-traditional game is inconsistent with responsible play by motivating repetitive play that often leads to excessive or compulsive spending, jeopardizing the integrity of lottery operations, games, and potentially lottery proceeds for education (which have grown from \$400.3 million in FY17 to \$492.8 in FY20). In adopting the Lottery Act in 2001, the General Assembly made the wise policy decision to not allow the Lottery to offer this form of addictive gaming and this prohibition should remain.

# Lottery Board of Commissioners Meeting Minutes

August 10, 2022

## Agenda Item c.

### c. Potential Positions on Disclosure of Winner Information

The Chairman recognized Mrs. Dolly Garfield, General Counsel, to frame discussion points on a potential Board policy recommendation to the General Assembly. She explained the history and evolution of SCEL's disclosure policy from 2001 through the 2014 changes. As part of the *Glassmeyer* case settlement, SCEL will maintain its policy of releasing winners' claim date, game played, prize won, and hometown until May 30, 2023. After that time, if the General Assembly has not enacted a specific provision regarding the disclosure of winner information, the general provisions of the Freedom of Information Act would apply and the name and address would be subject to disclosure upon a request.

The purpose of this agenda item is to determine what, if any, position the Board may take regarding the appropriate level of disclosure after May, 2023. Given the lobbying restrictions on SCEL, a formal position would assist the Executive Director in the various presentations he is routinely invited to make before legislative bodies before the upcoming session. Staff understands the line between explaining a position, responding to requests to assist in developing legislation, and lobbying. Adopting a recommendation is not lobbying and it is reasonable for members of the General Assembly to expect a Board position on this issue. Mrs. Garfield also reviewed what other states' laws do to protect or not protect the identity of certain winners.

After her presentation and discussion, Commissioner Munson moved, seconded by Commissioner Newsome, that the Board adopt the following position:

Prohibit the disclosure of a winner's name, without the winner's consent, and in response to a request, only allow the release of the date of the claim and draw, game played, amount of prize won, retailer location where the winning ticket was sold, and the hometown of the winner. The name, address, telephone numbers, date of birth, social security, and any copy of the form(s) of identification provided to SCEL should be specifically exempt from disclosure. The current policy of the Commission from 2014 should remain in place until May 30, 2023, or until the General Assembly establishes a state policy regarding the disclosure of winner information.

The Board unanimously adopted the motion.

During discussion, staff noted that participants in some second chance-promotions will impliedly consent to disclosure of names and or likeness depending on the promotion rules.

# **Lottery Board of Commissioners Policy on Removing the Statutory Prohibition Against Purchasing Lottery Products with Debit Cards**

**(Adopted December 7, 2022)**

The Board of Commissioners of the South Carolina Lottery (Board or SCEL) takes the position that it would be advantageous for the reasons stated herein to eliminate the statutory prohibition against the sale of lottery products with debit cards while maintaining the prohibition on credit card purchases. The Board is not seeking to require any lottery retailer to accept debit card purchases as individual retailers are best positioned to decide if debit card sales are beneficial to their business. The marketplace will sort out how debit card sales are embraced. For example, it is reasonable to conclude that lottery retailers along our five interstate highways would no longer lose sales to players who are accustomed to buying lottery tickets with debit cards and/or digital debit card usage in all of our surrounding states. Transaction time in retail outlets would also be reduced for customers and clerks for those who present a debit card for a purchase and then have to make a separate cash purchase for a lottery ticket.

Significantly, requiring cash sales is also contrary to several trends that are detrimental to lottery sales. Across the country, the typical lottery player, the one who is most likely to carry cash, is over fifty years old. As this demographic ages, overall sales will naturally decline. Those under thirty are increasingly trending toward debit cards to the virtual exclusion of cash. In general, the pandemic increased the use of debit cards among all age groups. Interest in instant game tickets among those under thirty years old is very low and to deny those potential players the option of using their preferred purchasing method makes it extremely difficult to broaden the lottery player base among this age group.

While it is difficult to forecast a sales lift with debit card use, it is almost certain that over time, maintaining cash-only sales will put stress on lottery sales. The Board understands the pressure that transaction fees put on a retailer's profit margin but other jurisdictions allow debit card sales without a corresponding increase in the lottery sales commission paid to retailers (SC pays 7%, which is among the highest in the country). While it may seem reasonable to adjust this sales commission to defray some of the transaction fee costs, with the existing sales terminals, it would not be possible to track when a debit card was or was not used. It is also noteworthy to emphasize that while retailers are required to pay a \$15 "line charge" (for communication and maintenance to link to the central gaming system), SCEL installs all necessary sales equipment (including dispensers and play stations), provides instant games without charge until after the sale is made as well as promotional materials, advertising, jackpot signage, and bi-monthly service visits by SCEL personnel, all at no expense to the retailer. Since the Board's position is simply to allow debit card and/or digital debit card operation usage, any increase in a retailer's sales commission would be a windfall to those retailers who wish to maintain cash-only sales. Any increase in the sales commission would directly reduce the annual transfer of lottery proceeds for education.