

Powerball Pandemonium and Internet Study: Findings and Recommendations

House Appropriations

February 3, 2016 Paula Otto, Executive Director



Two Topics

- \$1.5 billion Powerball drawing in January – impact on FY16 revenues
- Internet Study conducted in 2015



Powerball Pandemonium

Fun Facts:

 On January 13,
 5,300 retailers sold nearly \$20 million
 Powerball tickets



- 19,000 tickets/minute
- Top retailers Northern Virginia
- Sold \$35 million Powerball in 4 days



Lots of Winners

RetailersEarned an additional\$1.75 million



- Players\$7 million in prizes
- Education\$10 million +





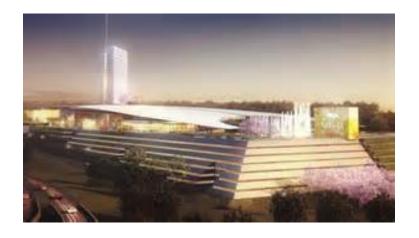
FY16 Outlook

- Reminder that big Jackpot games are less than 15% of overall ticket sales
- Participating in Governor's re-forecast
- Realized about \$45 million in additional Powerball sales; but had two bad weeks during January snow
- Confident that there will be \$10 million in additional revenues
- Lottery Board will forward revised forecast to Secretary of Finance



FY17 Concerns

MGM Grand



Fantasy Sports







INTERNET STUDY



Senate Request - SB705 (15)

- 1. Potential Revenue
- 2. Impact on brick-and-mortar Lottery retailers
- 3. Potential benefits to current retailers
- 4. Tools to ensure only VA residents; only 18+
- Potential issues for those with gambling disorders; tool and controls available
- 6. Methods to fund Internet play
- 7. Cost to expand Internet sales/timeline
- 8. Recommendations



Study Committee

Inside Lottery: Executive Director; Board Member Cynthia Lawrence; Subject Matter Experts from Communications, Finance, Marketing, Sales, Strategy; Chief Economist, Market Research Manager

Outside Lottery: Virginia Petroleum, Convenience and Grocery Association (VPCGA), 7-Eleven, Food Lion, independent retailers, education official, National and Virginia Councils on Problem Gambling



1. Potential Revenue

First Question: Are players interested in playing the Lottery via the Internet?

Committee reviewed existing public opinion polls and conducted new primary research with Virginians

2012 Research by OpinionWorks in Maryland
54% MD registered voters said expanding the lottery
to the Internet is a bad idea

2013 Retail Industry Leaders Association poll "78% of respondents said they were opposed to Internet lottery"



1. Potential Revenue

TNS Research of 500 Virginians (July 2015)

Appropriate for Lottery to expand on Internet?

54% YES

28% Neutral

18% Inappropriate

Would you purchase?

34% definitely/probably; 20% maybe;

46% probably not



1. Potential Revenue

Virginia Lottery Economist's Forecast:

	Year One Profits	Year Five Profits	Year Ten Profits
iLottery only	\$3.5 million	\$25 million	\$50 million
with iGaming	\$64-\$102 million	\$182-\$251 million	\$522-\$721 million



2. Impact on current retailers

- NACS, VPCGA, 7-Eleven all expressed concern
- Economists studied data from four U.S. jurisdictions

Jurisdiction	CAGR prior to Online Sales	CAGR post Online Sales	Years of Online Sales
Georgia	+ 2.1%	+1.5%	2
Illinois	+3.9%	+4.5%	3
Michigan	+1.1%	+4.0%	1
Minnesota*	+3.2%	+2.5%	3
Average	+2.6%	+3.1%	



3. Potential economic benefit to retailers

- Examined data from 12 lotteries offering Internet sales.
- Massachusetts 2013 study conclusions:

 Online gaming attracts a different player; international jurisdictions show little evidence of cannibalization
- Report conclusion: Internet sales would be mostly incremental and with appropriate retail attention would be able to complement existing retailers.



4. Tools to ensure VA-only and 18+

- Since 2011, valottery.com has used ExpectID® from Idology to confirm age and identity (96-98% success rate)
- Geo-fencing software available; in use in other states



5. Safeguards for those with gambling problems

- National Council on Problem Gambling and VACPG estimate 2% of adult Virginians have gambling addiction
- Best practices, approved by NCPG, being followed in MI
 - spending limits
 - self exclusion
- Virginia selected to be in first wave of NASPL/NCPG Responsible Gaming Verification program



Methods used to fund Internet purchases

Current law allows cash and debit

 Study outlines other methods for policymakers consideration, such as PayPal, Google Wallet, Square, etc.



7. Cost and Timeline

 Cost could be handled within operating budget (assuming continued flexibility with cap)

Timing would depend on expansion:
 4-12 months.



Recommendations

Create a pilot program

- 1. Allow Lottery, with input from traditional retailers, to decide on offerings via the Internet
- 2. Require revenue sharing with retailers equal to 5% of Internet sales
- 3. Require age, identity, location and spending controls
- 4. Track impact on brick-and-mortar retailers



If Pilot is Successful

- Consider an appropriate set-aside for problem gambling programs
- Consider earmarking profits from Internet lottery sales to specific education programs



Questions?