



we're game

Powerball Pandemonium
and
Internet Study:
Findings and Recommendations
House Appropriations

February 3, 2016
Paula Otto, Executive Director



we're game

Two Topics

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



we're game

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

IT'S REALLY **BIG!**

WEDNESDAY'S 1/13/16 JACKPOT:
\$1.5 BILLION

odds of winning are 1 in 292,201,338 est. cash value: \$930 Million

POWERBALL
POWERPLAY

16 19 32 34 57 13
Did you win? View drawing details for 1/9/16

BE THE FIRST TO KNOW
sign up for email alerts

PLAY EASY, PLAY FAST
learn how to play Powerball on lottery vending machines

PLAY RESPONSIBLY
problem gambling helpline: 888-532-3500



we're game

Lots of Winners

- Retailers
Earned an additional
\$1.75 million
- Players
\$7 million in prizes
- Education
\$10 million +





we're game

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





we're game

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+
5. 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



we're game

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



we're game

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



we're game

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.



we're game

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



we're game

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



we're game

6. 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.



we're game

7. Cost and Timeline

- Cost could be handled within operating budget (assuming continued flexibility with cap)
- Timing would depend on expansion: 4-12 months.



we're game

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



we're game

If Pilot is Successful

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



we're game

Questions?