



**HF 2146** – Lottery Self-Service Kiosks (LSB5208HV)

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Fiscal Note Version – New

**Description**

**House File 2146** authorizes the dispensing of lottery tickets and related products by self-service kiosks. The bill is effective on enactment.

**Background**

Lottery tickets are currently sold at approximately 2,400 retail locations across the state of Iowa. Approximately 260 of these locations carry specific scratch ticket vending machines, and approximately 800 locations carry pull tab vending machines. Scratch ticket games accounted for 65.0% of total lottery sales of \$324.5 million in FY 2015. In FY 2015, scratch ticket and pull tab ticket sales realized \$21.6 million in sales, providing for 10.0% of all scratch ticket sales. Pull tab games accounted for 5.0% of lottery sales in FY 2015, where lotto games achieved 30.0% of total sales. Nearly 70.0% of all scratch ticket sales were generated from vending machines. The current vending machines have been in use since 1991 and are in need of replacement, as some older parts are no longer being manufactured. The contract for the current vending machines expires in September 2016. The table below summarizes FY 2015 sales.

**Table 1: Lottery Ticket Sales Revenue - FY 2015**

(dollars in millions)

<u>Game type</u>	<u>Revenue</u>	<u>% of total</u>
Scratch Ticket	\$ 212.0	65%
Pull Tab	16.0	5%
Lotto/Other	96.5	30%
	<u>\$ 324.5</u>	

<u>Estimated FY 2015</u>	<u>Locations</u>	<u>Est. Rev</u>	<u>% of Type</u>
Number of retail locations selling tickets	2,400	\$ 324.5	
Number selling scratch tickets from vending machines	260	21.6	10%
Number selling pull tabs from vending machines	800	16.0	100%

Current law prohibits the use of self-service kiosks or monitor vending machines when audio or video representation of the lottery game is initiated by player interaction.

The Lottery Authority makes an annual transfer of revenue to the General Fund and to the Veterans Trust Fund after all lottery related expenses have been paid. The Lottery transferred \$72.1 million to the General Fund in FY 2014 and \$72.3 million in FY 2015. **Senate File 323**, as signed into law by Governor Branstad on March 31, 2015, requires \$2.5 million of lottery revenue to be transferred to the Veterans Trust Fund annually.

### **Assumptions**

- Assumes lottery revenues generated through the new kiosk machinery will increase revenue by an estimated \$30.5 million annually.
- For FY 2017 and FY 2018, total lottery revenues are projected to be \$291.0 million.

### **Fiscal Impact**

No fiscal impact to the State General Fund is projected for the remainder of FY 2016. Through the addition of updated self-service kiosks at retail locations after the expiration of the current vending contract, the Lottery Authority projects an increase of \$30.5 million in revenue per year for FY 2017 and FY 2018, increasing total lottery revenue to approximately \$321.5 million.

[HF 2146](#) will increase the Authority's annual General Fund transfer by an additional \$6.2 million for both FY 2017 and FY 2018. The annual amount transferred to the Veterans Trust Fund will remain the same.

### **Sources**

Iowa Lottery Authority  
Legislative Services Agency

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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