

LOTTERY

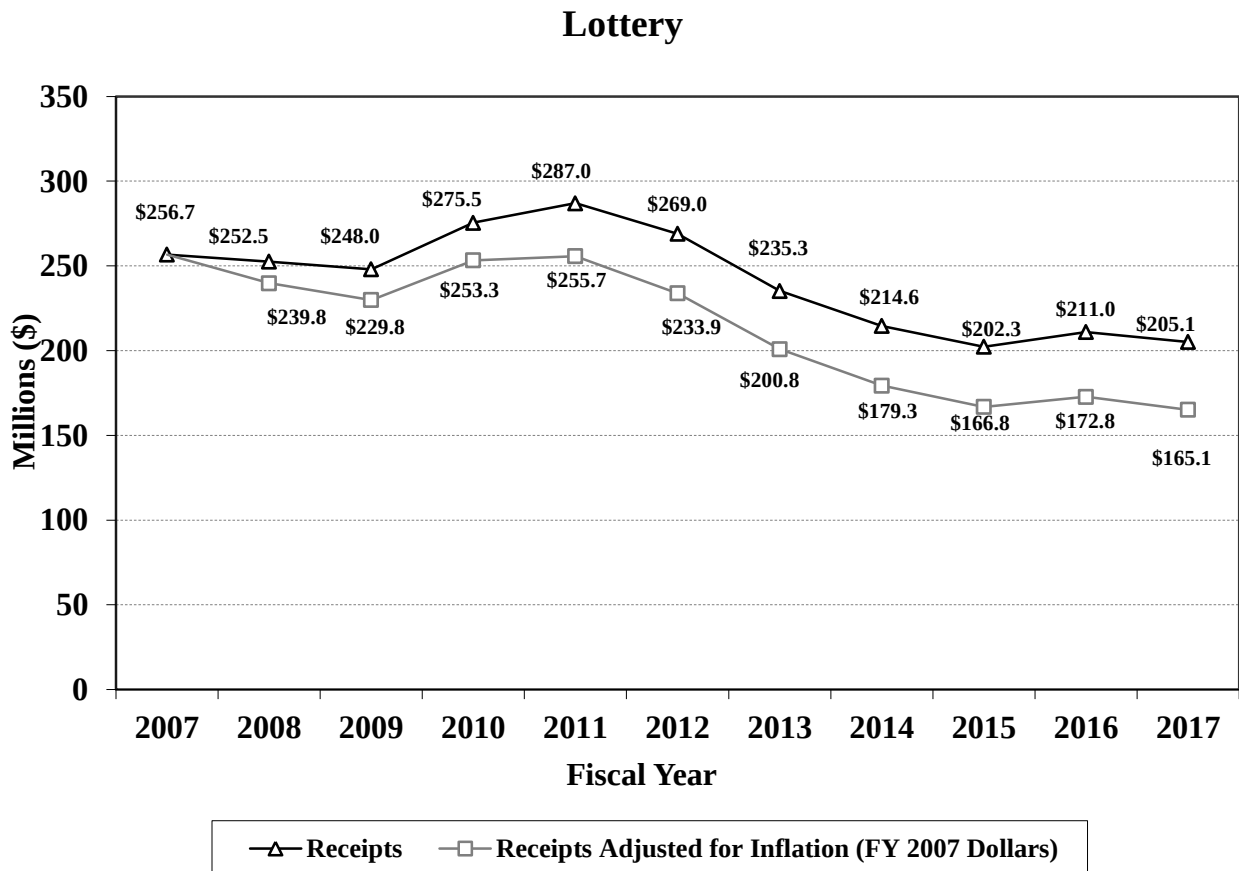
STATUTORY PROVISION: Title 29, Delaware Code, Chapter 48.

COLLECTION/ADMINISTRATIVE AGENCY: The Department of Finance, State Lottery Office administers and collects revenue from the operation of traditional and video lotteries, plus sports lotteries and table games.

GENERAL INFORMATION: The Lottery consists of:

- **Traditional Lottery-** products in the form of daily drawings, lotto, instant tickets, keno, and the multi-state Powerball and MegaMillions sold at retail locations (e.g. convenience stores).
- **Video Lottery-** state-operated video lottery on a network of linked video lottery machines restricted in operation to those locations authorized by statute (standardbred and thoroughbred race tracks).
- **Sports Lottery-**parlay style betting on National Football League games at the three race track venues as well as licensed retail locations (e.g. restaurants and convenience stores).
- **Table Games-**games such as poker, blackjack, roulette, craps and others held exclusively at the state's three race track venues with administrative and regulatory oversight from the Delaware Lottery.
- **Charitable Gaming-** video lottery machines under control of the Lottery are managed by fraternal or veteran's organizations subject to the approval from the Director of the Lottery. The number of video lottery terminals allowed within charitable organizations is limited based on the size of membership and subject to similar regulatory requirements as casino based video lottery.
- **Internet Gaming-**access to video lottery and table gaming through websites operated by the race track casinos.

REVENUE RECEIPTS



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REVENUE ALLOCATION

Traditional Lottery: The distribution of net revenues generated through lottery ticket sales, internet ticket games and keno is subject to the following restrictions:

- Prizes must constitute no less than 45% of gross revenues;
- The cost of operations and administration may not exceed 20% of gross revenues, and;
- The Lottery shall undertake to provide into the General Fund 30% of gross revenues.

Video Lottery: The distribution of net proceeds generated through video lottery wagering varies depending upon levels of play and the terms of contracts negotiated between the State and video lottery machine vendors. Generally speaking, however, the distribution of net proceeds is as follows:

- Approximately 92% of the total amount wagered is returned to players in the form of prizes.
- Of the remaining 8% of the total amount wagered, funds are distributed in approximately the following pattern:
 - 42.2% to agents (tracks)
 - 10.1% to supplement the purses offered at Delaware standard bred and thoroughbred tracks;
 - 7.4% to machine and central system vendors;
 - 40.3% to the General Fund (less administrative expenses);

Sports Lottery (Sportsbooks): The distribution of the handle generated by the sports lottery at video lottery agent venues, less the amounts returned to winning players and vendor fees, is as follows:

- 50% to the General Fund (less administrative expenses);
- 40% to the agents (tracks);
- 10% to supplement the purses offered at Delaware standard bred and thoroughbred tracks.

Sports Lottery (Retailers): The distribution of the handle generated by the sports lottery at Sports Lottery retail venues, less the amounts returned to winning players, vendor fees, and retailer commissions is as follows:

- 90% to the General Fund (less administrative expenses);
- 10% to supplement the purses offered at Delaware standard bred and thoroughbred tracks.

Table Games: The distribution of the win (amount remaining after players are paid) generated by table games, is as follows:

- 29.4% to the General Fund (less administrative expenses);
- 66.1% to the agents (tracks);
- 4.5% to supplement the purses offered at Delaware standard bred and thoroughbred tracks.

Charitable Gaming Organizations (Video Lottery): The distribution of net proceeds generated through video lottery wagering at licensed Charitable Gaming Organizations (CGOs'), is as follows:

- 40% to the General Fund (less administrative expenses including vendor fees)
- 60% to the CGO's

Internet Gaming: Revenues from the internet versions of table games, poker and video lottery games played via the 3 casino websites are distributed generally pursuant to the formulae applicable to those games in the brick and mortar casinos, with the exception that the first \$3.75 million is retained by the State.

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LEGISLATIVE HISTORY

Approved Date	Effective Date	Description of Changes
5/31/74	5/31/74	Established Delaware State Lottery (59 Del. Laws c 348; HB 647).
7/7/76	7/7/76	Moved State Lottery Office from the Executive Office of the Governor to the Department of Finance (60 Del. Laws c 539; SB 819).
7/16/94	7/16/94	Authorized the video lottery at three venues: Delaware Park, Dover Downs, Harrington Raceway (69 Del. Laws c 446; HB 628).
3/26/98	3/26/98	Re-authorized the video lottery. Raised the limit on the number of video lottery machines from 1,000 to 2,000 per licensed agent. Provides the State with 100% of the savings resulting from the renegotiated or new vendor contracts (71 Del. Laws c 253; HB 463).
7/9/01	7/9/01	Permitted Lottery Director to procure video lottery machines under the procedures used for professional services contracts (29 Del. Laws c 6981-82; SB 217).
6/19/03	6/19/03	Revised the video lottery distribution formula to increase the State's share of video lottery proceeds. Extended operating hours for video lottery agents. Permitted the Lottery Director to authorize an additional 500 machines at each racetrack (maximum of 1500 per track). Allowed video lottery agents to use video lottery machines for promotional tournaments. Required video lottery agents to pay 50% of costs associated with machines with license and proprietary fees. Created an Advisory Council on Lottery Planning (74 Del. Laws c 53; HB 269).
4/8/04	1/1/04	Increased the State's contribution to the Standardbred Breeders' Fund from \$1.0 million to \$1.5 million and increased the contribution to the Standardbred Breeders' Fund from video lottery revenues already dedicated for harness racing purses (74 Del. Laws c 222; SB 201).
2/1/06	2/1/06	Enacted Video Lottery Competitiveness Act of 2006 which included: 24 hour video lottery operations; Exclusion of free promotional play from net proceeds through May 31, 2007; Guaranteed minimum annual payment of \$1,000,000 to the treatment and prevention of problem gambling; and Increased the maximum number of video lottery machines at each racetrack from 2,500 to 4,000 and implements annual fees for additional machines (75 Del. Laws c 229; HB 332).
5/10/07	5/10/07	Eliminated the sunset on the video lottery agent promotional credit program; Created a FY 2008 performance benchmark for video lottery agents (76 Del. Laws c 19; HB 148).

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Approved Date	Effective Date	<u>Description of Changes</u>
7/1/08	7/1/08	Reduced the state's annual contribution to the Delaware Standard bred Breeder's Fund and Delaware Certified Thoroughbred Program by \$750,000 and \$250,000 respectively. Increased the surcharge imposed upon each video lottery agent's commission to 3.25% (effective 7/1/08) and 5.25% (effective 7/1/09). Stipulated that each respective video lottery agent shall pay all equipment costs consisting of video lottery machine license or proprietary fees. Established that the amount of free promotional play offered by the video lottery agents and the hours of operation on Sundays shall be determined by the recommendation of the Lottery Director with the approval of the Secretary of Finance (76 Del. Laws c 283; HB 514).
5/14/09	5/28/09	Ordered the State Lottery Director to commence a sports lottery as soon as practicable. Increased the State's share of video lottery net proceeds to 43.5%. Instituted a \$4 million aggregate annual video lottery agent license fee with each agent paying a prorated share. Reduced the amount of video lottery net proceeds directed to supplement the purses offered at Delaware harness and thoroughbred tracks. Directed various State officials and a representative of the racino industry to submit a proposal and any legislation deemed necessary for the operation of table games. (77 Del. Laws c 28; HS 1 for HB 100 aab HA's 2, 3, 4 & 5).
1/28/10	1/28/10	Authorized the introduction and operation of table games by the Delaware Lottery at licensed video lottery agents. Imposed a license fee structure that rewards video lottery agents for making capital investments by allowing them to reduce the annual license fee by up to 50% to account for the cost of capital projects, and that reduces the total license fee further if the video lottery agents are able to achieve certain table gaming revenue annual targets. Authorized the creation of a Lottery Commission, which would be responsible for conducting hearings on disputed licensing and exclusion matters. Authorized the Division of Gaming Enforcement (DGE), which would be responsible for investigating table gaming crimes. The DGE would also be responsible for conducting the employee and vendor background checks currently being conducted by the Video Lottery Enforcement Unit of the State Police. (77 Del. Laws c 219; HB 310 w/HA 2, HA 5, HA 6, HA 7, HA 8, HA 10, HA 11)
5/21/12	5/21/12	Operators of video lottery facilities must use data provided by the Division of Child Support Enforcement to identify large video lottery prize winners having outstanding child support debts. Once identified, such prizes would be used to pay child support debts. The Delaware Child Support System (DECSS) upon which this process would function is expected to be operational in the autumn of 2013. (78 Del. Laws c 245 ; SS1 for SB151 w/HA 1)
6/28/12	6/28/12	Authorized internet gaming under the control and operation of the Delaware Lottery including traditional lottery games as well as table and video lottery (offered in conjunction with video lottery agents). Authorized Keno and the expansion of sports lottery to additional venues. Established formulae for dividing new games proceeds. Restructured Video lottery agents fees. (78 Del. Laws c 285 ; HB 333 w/ HA2, HA 1 to HA2)

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<u>Approved Date</u>	<u>Effective Date</u>	<u>Description of Changes</u>
1/24/13	1/30/13	Put in place a temporary solution to allow for a fraternal or veterans organization with national affiliation or an organization whose membership consists primarily of veterans honorably discharged or active duty service member to operate charitable video lottery machines within their organizations upon approval from the Director of the Lottery. Such activity was only permitted until June 30, 2013. (79 Del. Laws, c 1, §2; 79 Del. Laws, c. 77, §§2, 5; HB1)
7/1/13	7/1/13	Established a permanent solution to allow for a fraternal or veterans organization with national affiliation or an organization whose membership consists primarily of veterans honorably discharged or active duty service member to operate charitable video lottery machines within their organizations upon approval from the Director of the Lottery. Established formulae for dividing net proceeds and calculating number of machines allowed per organization. Set guidelines for organization's charitable enterprises. Set a deadline of July 1, 2014, for these organizations to be connected to the state's central system for reporting and auditing purposes. (79 Del. Laws, c. 1, §2; 79 Del. Laws, c. 77, §§2, 5; SB 112 w/ SA1, HA2)
7/1/14	7/1/14	Implemented the recommendations of the Lottery & Gaming Study Commission created by the 147th General Assembly. Video lottery equipment costs related to machine vendors, including franchise fees for particularly popular branded video lottery machines, will be deducted prior to calculation of the State's share of revenue. No changes are being made to the revenue sharing model as it relates to purses for the harness and thoroughbred industries. Held lottery revenue neutral for fiscal year 2015 through the use of one-time appropriations. (79 Del. Laws c 311 ; SB 220 w/ SA3, 79 Del. Laws c 292; HB 425)
7/1/15	7/1/15	Required charitable video lottery machines to be under the control of the Lottery and authorized the Lottery Director to promulgate rules for charitable video lottery monthly proceeds reporting. Removed redundant language concerning charitable video lottery machines' required connection to the lottery's central computer system. Authorized charitable gaming organizations that are connected to the lottery's central system a 35% state's share of net receipts instead of the typical 40% state's share. (80 Del. Laws c 78; SB 160, Sections 73-75).