



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** S. 0169     Introduced on January 14, 2025  
**Subject:** Debit Cards Used for Lottery Purchase  
**Requestor:** Senate Education  
**RFA Analyst(s):** Tipton  
**Impact Date:** February 7, 2025

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### Fiscal Impact Summary

This bill allows for the use of debit cards as an authorized form of payment for the purchase of lottery tickets from lottery retailers in South Carolina. Currently, cash is the only legal form of payment for the purchase of lottery tickets in the state. The bill also specifies that purchases must be made in person and prohibits the use of lottery courier services.

This bill will have no expenditure impact on the SC Education Lottery Commission (SCEL) as this change will primarily impact lottery retailers. The commission indicates this will not affect normal lottery operations for the agency.

The amount of new revenue that will be generated by allowing the use of debit cards to purchase lottery tickets will depend on several factors and assumptions. Based on an initial analysis by SCEL, the commission estimated that the change may ultimately increase proceeds by at least \$52 million when fully implemented as the state likely will see new purchases by younger age groups that typically do not use cash, increased purchases by current players due to the convenience of debit cards, and increases from out-of-state players that typically use debit cards as allowed by other states. In the long-term, the impact of debit cards is likely to grow and become more impactful to proceeds as purchasers adjust to the availability of electronic payment methods.

In the first year of implementation, we anticipate that the initial impact may be lower as it will take time for public awareness of the change, retailer buy-in, and especially changes in spending patterns by the general consumer. To estimate the potential revenue in the initial year of implementation, we reviewed several methods and data sources. The estimates greatly depend on several assumptions for in-state and out-of-state players. First, how many new players will be added and how much they will spend. Second, how spending will be impacted for existing players. We also reviewed experience and expectations in other states that have implemented debit cards. Based on this analysis, we expect the increase in net Education Lottery proceeds available for appropriation will be approximately \$15,873,000 in FY 2025-26, which is a 3.4 percent increase over the current estimate of \$468,200,000. The estimate of the impact in future years will depend on actual experience and future performance.

## Explanation of Fiscal Impact

**Introduced on January 14, 2025**

### **State Expenditure**

This bill allows for the use of debit cards as an authorized form of payment for the purchase of lottery tickets from lottery retailers in the state. Currently, cash is the only legal form of payment for the purchase of lottery tickets in the state. The bill also prohibits the use of lottery courier services.

This bill will have no expenditure impact on SCEL as this change will primarily impact lottery retailers. The commission indicates this would not affect normal lottery operations for the agency.

### **State Revenue**

This bill allows for the use of debit cards as an authorized form of payment for the purchase of lottery tickets from lottery retailers in the state. Currently, cash is the only legal form of payment for the purchase of lottery tickets in the state, and payment by checks, credit cards, charge cards, or other forms of deferred payment is prohibited.

This bill is expected to increase lottery revenue available for appropriation in FY 2025-26. The amount of new revenue that will be generated by allowing the use of debit cards to purchase lottery tickets will depend on several factors. In the long-term, the impact of debit cards is likely to grow and become more impactful to proceeds as purchasers increase use of electronic payment methods. In the first year of implementation, we anticipate that the initial impact may be lower as it will take time for public awareness of the change, retailer buy-in, and changes in spending patterns by the general consumer. To estimate the potential revenue in the initial year of implementation, we reviewed several methods and data sources as detailed below.

In estimating the number of new players, based on the results of a survey conducted by an outside advertising agency for SCEL, approximately 11 percent of state residents aged 18 or older who do not currently play the lottery indicated that they would do so if debit cards were an authorized form of payment. A recent marketing survey of lottery players in Pennsylvania indicates that approximately 56 percent of people currently play the lottery.<sup>1</sup> Under these assumptions, allowing the use of debit cards to purchase lottery tickets may result in approximately 189,918 new in-state lottery customers. In addition, this bill will likely increase the number of lottery ticket sales to non-residents of South Carolina travelling to or through the state. In 2021, the SC Department of Parks, Recreation, and Tourism reported that approximately 30 million people visited the state on average over the prior three years. Applying the percentages from SCEL's survey, this results in approximately 1,798,000 additional non-residents who may play the lottery while traveling to or through the state as a result of the bill. An increase in lottery ticket purchases overall can also be expected due to the growing trend that a majority of consumers do not use cash for most purchases according to the Pew Research

<sup>1</sup> PlayPennsylvania, *2022 Lottery Statistics: How Americans Play Lotto & What They'd Do If They Won (Survey)*, September 24, 2024, <https://www.playpennsylvania.com/lottery-player-statistics-habits-2022-survey/>

Center.<sup>2</sup> Additionally, as most states in proximity to South Carolina do not require cash to purchase lottery tickets, it is likely that allowing debit cards would capture sales from out-of-state buyers that are currently being forgone due to the cash requirement.

In estimating the potential new revenue, the amount that new players will spend is also a significant factor. Since consumer income is unchanged, any increase in spending on lottery purchases would require a change in overall spending habits. Consumer expenditure surveys conducted by the Bureau of Labor Statistics (BLS) over the last two years, as well as a recent study by the National Science Foundation (NSF), indicate that the average expenditure for lottery tickets among households nationwide ranges from approximately \$5 to \$16 per month.<sup>3,4</sup> This is lower than South Carolina's per capita lottery expenditure of approximately \$35 per month, indicating that the highest spending players may be skewing the overall per capita expenditure rate upward from the typical or median expenditure level. We anticipate that new lottery players expected as a result of debit card implementation will likely spend amounts similar to those reported by consumers in the recent BLS and NSF surveys but less than existing players on average.

In addition, this bill could result in some current lottery players increasing their total expenditures, the amount of which is not easily quantifiable. A 2015 study indicated that consumers tend to spend more when using a debit card instead of cash, but the amount of the potential increase in lottery revenue as a result is unknown.<sup>5</sup> However, since South Carolina currently ranks eighth in per capita lottery spending nationwide, we assume that current customers may be playing at their desired spending level to a large extent.

We also reviewed an estimate from the state of Massachusetts, which authorized debit cards for lottery purchases beginning in FY 2024-25, and lottery revenue for Arkansas in FY 2018-19, the year they implemented debit card purchases. Massachusetts estimated total net lottery sales growth of approximately 2 percent in FY 2024-25 due to the addition of debit cards as an authorized form of payment.<sup>6</sup> In FY 2018-19, Arkansas experienced total lottery revenue growth of approximately 11 percent, while lottery revenue grew in South Carolina by approximately 7 percent. While the markets are not entirely the same, the additional 4 percent in revenue most likely is attributable at least in part to the authorization of debit cards.<sup>7</sup>

<sup>2</sup> Faverio, Pew Research Center, *More Americans are joining the 'cashless' economy*, October 5, 2022, <https://www.pewresearch.org/short-reads/2022/10/05/more-americans-are-joining-the-cashless-economy/>

<sup>3</sup> US Bureau of Labor Statistics, *Consumer Expenditure Surveys, 2022 – 2023*, <https://data.bls.gov/dataViewer/view/timeseries/CXU620926LB1101M>

<sup>4</sup> Lockwood et al., National Science Foundation, *What Drives Demand for State-Run Lotteries? Evidence and Welfare Implications*, April 25, 2024, <https://doi.org/10.1093/restud/rdae086>

<sup>5</sup> Runnemark et al., Copenhagen Business School, *Do consumers pay more using debit cards than cash?*, October 11, 2015, <https://doi.org/10.1016/j.elerap.2015.03.002>

<sup>6</sup> Massachusetts Taxpayers Foundation, *FY 2025 Conference Committee Report Summary*, p. 3, July 19, 2024, <https://www.masstaxpayers.org/sites/default/files/publications/2024-07/MTF%20Brief%20-%20FY%202025%20Conference%20Budget.pdf>

<sup>7</sup> Arkansas Scholarship Lottery, *Reports, FY 2013 – 2020*, <https://www.myarkansaslottery.com/about/reports>

Finally, another unknown is the reaction by lottery retailers to the change. For example, not all lottery retailers may immediately implement new debit card purchases, which could impact the first-year revenue.

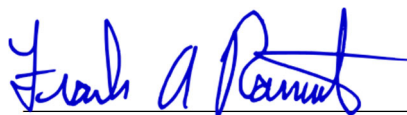
Therefore, based on data from recent consumer expenditure surveys applied to the expected number of new players as well as projections and experience from Massachusetts and Arkansas, we estimate that new gross revenue for the lottery as a result of this bill will total approximately \$56,689,000 in FY 2025-26. After accounting for prizes and commissions, this bill is expected to increase net lottery proceeds by approximately \$15,873,000 in FY 2025-26, which represents a 3.4 percent increase over the current SCEL lottery revenue estimate of \$468,200,000. The impact of this bill may increase in future years due to increased awareness and adoption of debit cards for lottery purchases by both consumers and retailers.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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