



Date:	April 24, 2023
To:	Senator Deb Patterson, Co-Chair Representative Greg Smith, Co-Chair Ways and Means Subcommittee on General Government
From:	Oregon State Lottery
Subject:	Follow-up to informational presentation on April 19, 2023

Thank you for the invitation to present to the Joint Committee on Ways and Means Subcommittee on General Government on April 19, 2023. We appreciated the thoughtful questions from the committee. There were some questions we were not able to respond to in the meeting. Those responses are provided below. If these responses prompt more questions, please reach out to interim director Mike Wells at Michael.a.wells@lottery.oregon.gov.

Retailer Logistics.

Several committee members were interested in the logistics of being a Lottery retailer such as how a retailer gets its inventory from Lottery, who owns the tickets, how retailers earn commissions, and what happens if a retailer goes out of business while in possession of tickets or equipment. We tried to answer most of this in the meeting, but wanted to offer more information. We welcome follow-up questions:

Using a Scratch-It Ticket retailer as an example, Lottery looks at the retailer's inventory and sales history each week and sends them a supply of tickets that will last them until their next order arrives plus a bit more as buffer. Lottery owns these tickets until they are activated. The retailer contract states that all equipment and supplies are the property of Lottery, except for Scratch-it Tickets that have been activated. Ownership of Scratch-it Tickets passes to the retailer upon activation of the ticket. A retailer may be able to return unsold and inactivated tickets for credit. Some activated tickets can be returned for credit in some circumstances, such as if Lottery ends the game early.

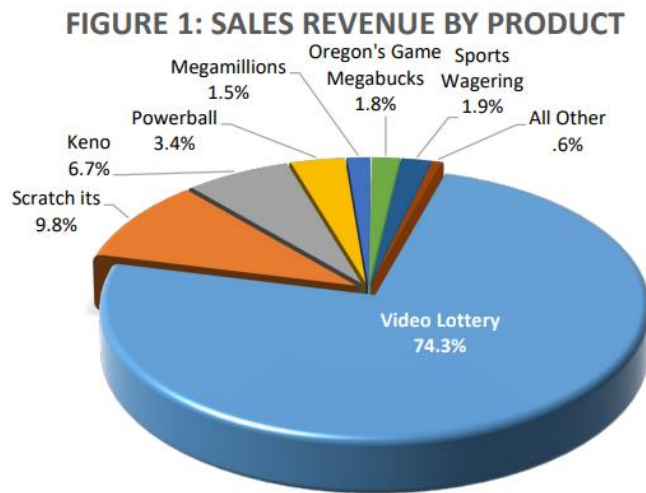
After a Scratch-It Ticket is sold, it is a bearer instrument until it is signed by a claimant. This means whoever bears the ticket is the owner of the ticket, not necessarily the person who purchased the ticket. (There are some exceptions such as for stolen or forged tickets).

Lottery tracks the inventory of the packs and knows when tickets are activated and validated. Lottery also knows if a retailer pays out a prize on a winning ticket. Prize payments are Lottery's responsibility, so any prizes paid by the retailer are credited to the retailer. In addition to earning commission on sales, retailers earn bonus payments for paying prizes under \$600 and selling winning tickets over \$10,000. Any amounts owed to Lottery and the retailer are tried up at the end of each week through electronic funds transfer.

Co-Chair Smith asked what happens if a retailer goes out of business but is still in possession of unsold tickets. In that case, Lottery would try to recoup the tickets. Lottery tickets and equipment are owned by Lottery and the retailer contract authorizes the Lottery to seize any of its property upon termination of the contract. This is usually not a problem but, if a retailer refused to return Lottery owned equipment, it would technically meet the statutory definition of theft. However, Lottery has never had to report such an incident to law enforcement. Historically, if a business closes and Lottery equipment is not readily returned, Lottery has taken time to communicate verbally and in writing with the owners to negotiate an equipment return. In rare cases, this negotiation process has dragged out and owners have been advised that it could become a criminal matter, but to date, Lottery has not involved law enforcement to regain its equipment.

Graph Showing Sales by Game.

This image is in our presentation, but we couldn't find the slide when Rep. Reschke asked. This is sales revenue by game for fiscal year 2022. You can see the largest portion of our sales is Video Lottery, followed by Scratch-its, Keno, draw games, and sports betting.



You can also see the dominance of Video Lottery in the most recent revenue forecast. OEA projects that in the 2023-2025 biennium, Lottery will transfer about \$1.8 billion to the state, with \$1.6 billion coming from Video Lottery and the rest coming from all our other games combined. (See [Table B.9 in the March 2023 Oregon Economic and Revenue Forecast](#). “Traditional Lottery” means all games other than Video and sports betting, such Scratch-It Tickets, Powerball, Mega Millions, Mega Bucks, and Keno.)

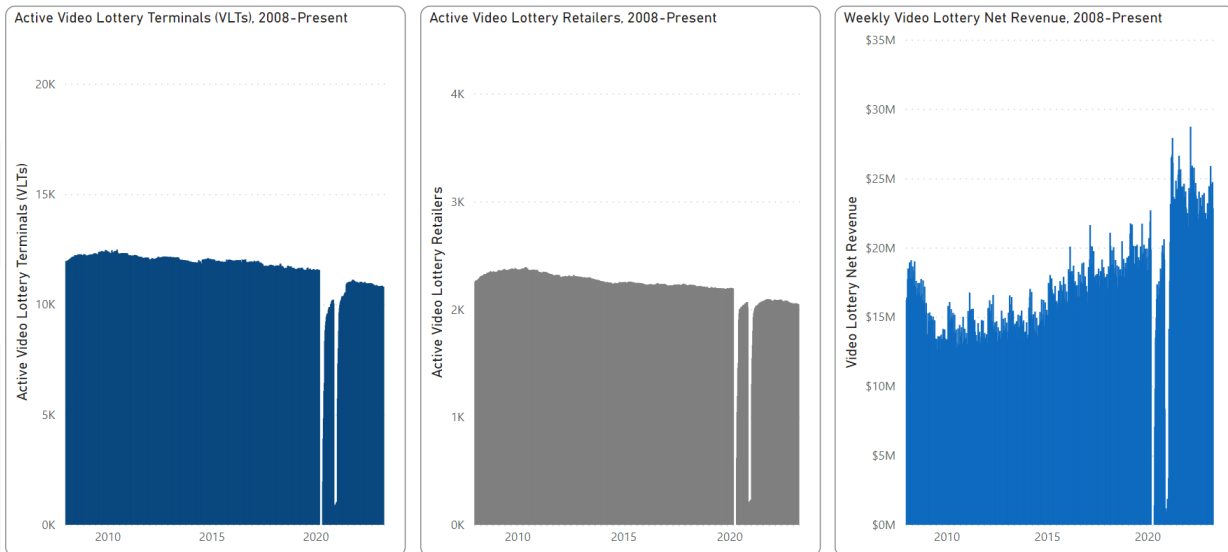
	2023-25 (in millions)
Traditional Lottery	\$161.992
Video Lottery	\$1,620.009
Sports Betting	\$33.154
	\$1,815.155

Number of VLTs Statewide.

Sen. Bonham asked how many total VLTs are currently in the field. The total number today is 10,855. For your interest (and in relation to questions from other committee members about the relationship between terminals and revenue), here’s a historical snapshot that shows number of active VLTs, total number of retailers in the middle, and revenue on the right:

Video Lottery Historical Terminal Counts, Retail Counts, and Revenue, 2008-Present

There are 10,855 Video Lottery terminals active in 2,077 retail locations as of 4/20/2023.



Source: Oregon Lottery Data Warehouse, accessed 4/20/2023

VLTs Needed to Meet Current Demand.

Sen. Bonham asked how many VLTs would it take to fill the application requests we currently have.

During the pause on processing applications, Lottery conducted two drawings to select applicants to move forward. This gave us a good idea of the interest among businesses for applying for Video Lottery.

We moved many interested applicants forward in the two drawings, but there were 86 interested applicants who were not selected to move forward. Those businesses are now at the top of the waitlist that we plan to open on July 1, 2023. We need to adopt rules to allow for this; those rules are currently in the public comment period.

To process 86 applicants, we would need three VLTs each, for a total of 258 VLTs. As of today, we expect to have sufficient terminals in inventory to allow us to process those applicants in the near future. We don’t have a specific date yet when we will start processing those. As mentioned, we need Commission approval of rule changes that provide for the waitlist as well as a quarterly review process to determine

the number of applications we can process in the coming quarter. You can read more about the proposed rules [here](#).

Please note these 86 applicants only represent people who applied for the drawings we held in 2022 and 2023. We assume there are more businesses interested in applying for Video that are not represented in this batch. Assuming the Commission approves our proposed rules, we can open the waitlist to all interested applicants on July 1, 2023. We'll have a true sense of the number of businesses interested in applying for Video Lottery at that time.

2022 Responsible Gaming Impacts Report.

In her presentation, Stacy Shaw offered to provide the 2022 Responsible Gaming Impacts Report to the committee when it's available. The report is now available at <https://www.oregonlottery.org/about/responsible-gaming/impacts-report-fy22/>. We welcome any questions or comments.