



**OREGON
LOTTERY®**

Retail Contracts

Presentation to the House Committee on Gambling Regulation

May 16, 2023

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Agenda

01

Overview of Retailer Network

02

Contract Application Process and Requirements

03

Contract Compliance Activities and the Casino Prohibition



Overview of Retailer Network

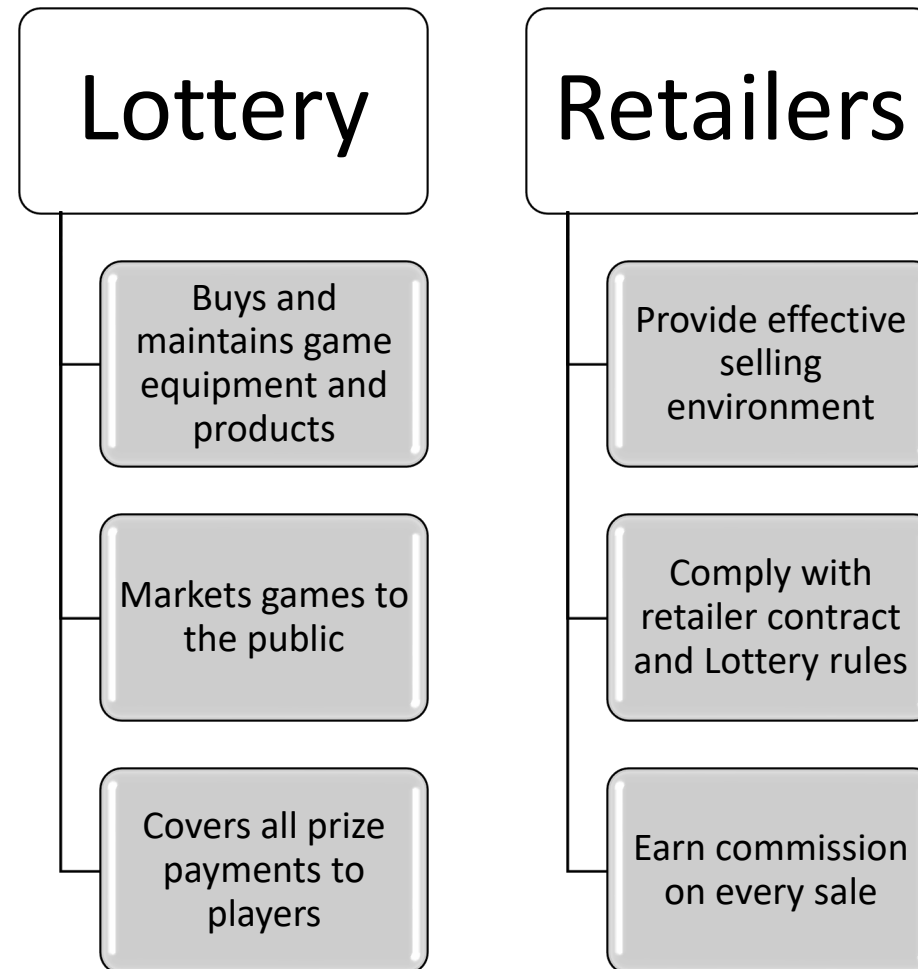
Retail Sales
Retailer Types
Geographic Distribution

Valued Partners

- ~ **3,800 Businesses** contract with Lottery to sell games.
 - Bars, restaurants, taverns
 - Delis, small cafes, and eateries
 - Grocery stores, gas stations, and convenience stores
 - Large multi-state retail chains
- Lottery retailers are the **primary sales channel**.
- Responsible for more than **\$1.6 billion** in sales BY22.
- More than **\$310 million in commissions** in BY22.
- Sell Video Lottery, Keno, Scratch-It, and draw games.



Lottery Retailer Relationship



Three Types of Contracts

3,793 Total Retailers

Traditional

Draw games, Scratch-its, and Keno

- Convenience stores, gas stations, grocery stores, bars, and restaurants
- Earn 8% commission on sales plus bonuses
- 1,710 Traditional Only Retailers

Video

Video Lottery Games (up to 6 VLTs)

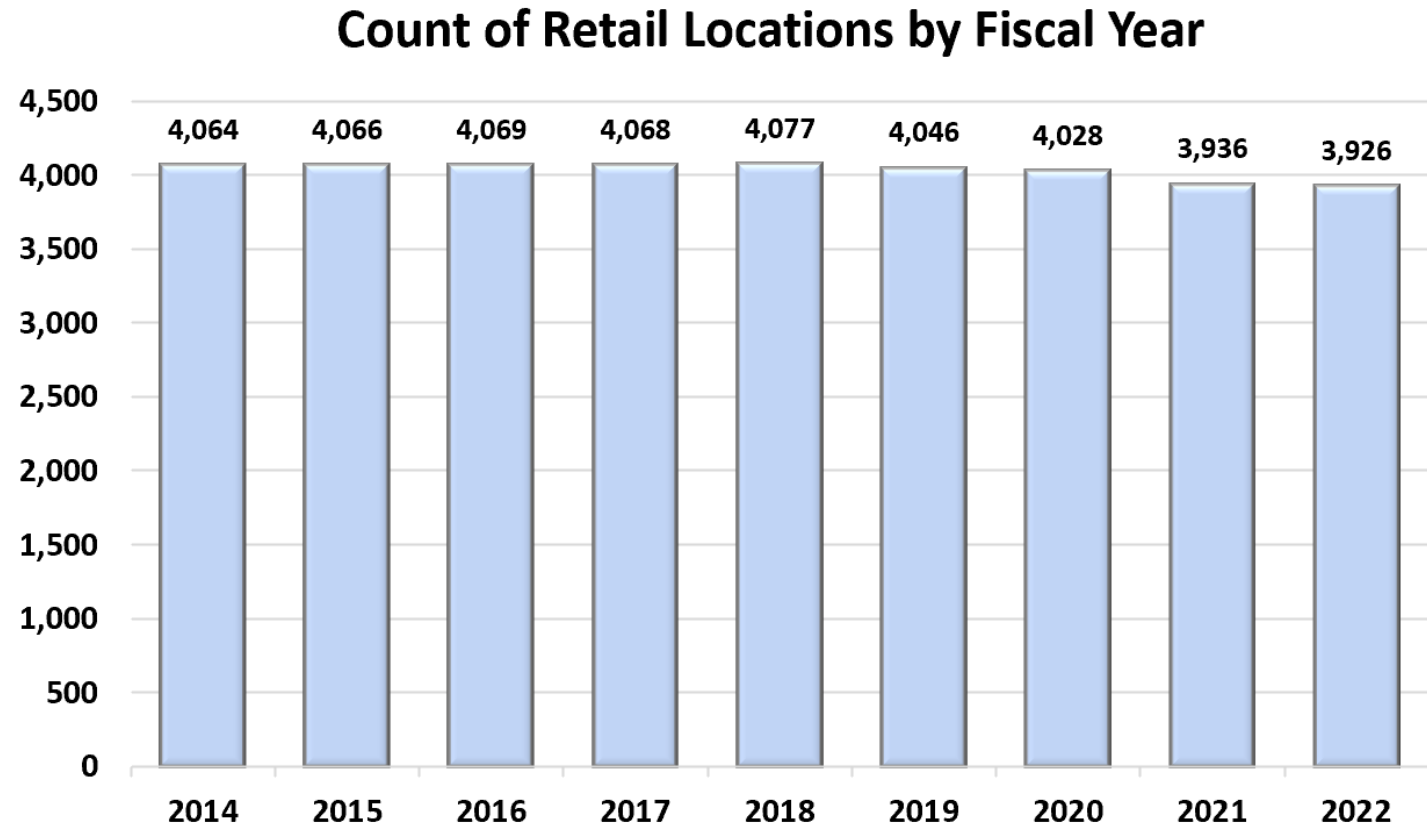
- Bars, restaurants, taverns, delis, etc.
- Earn tiered commission on sales (1.34% - 2.20%)
- 526 Video Only Retailers w/ 10,865 VLTs

Both

Traditional and Video

- 1,557 Traditional and Video Retailers

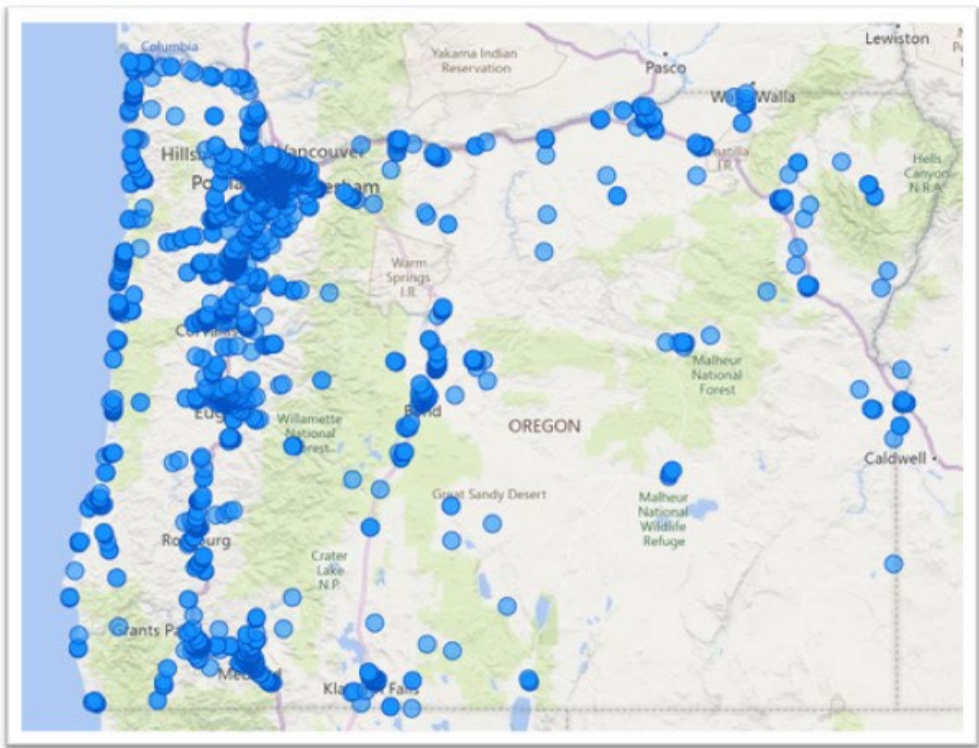
Total Retail Locations 2014-2022



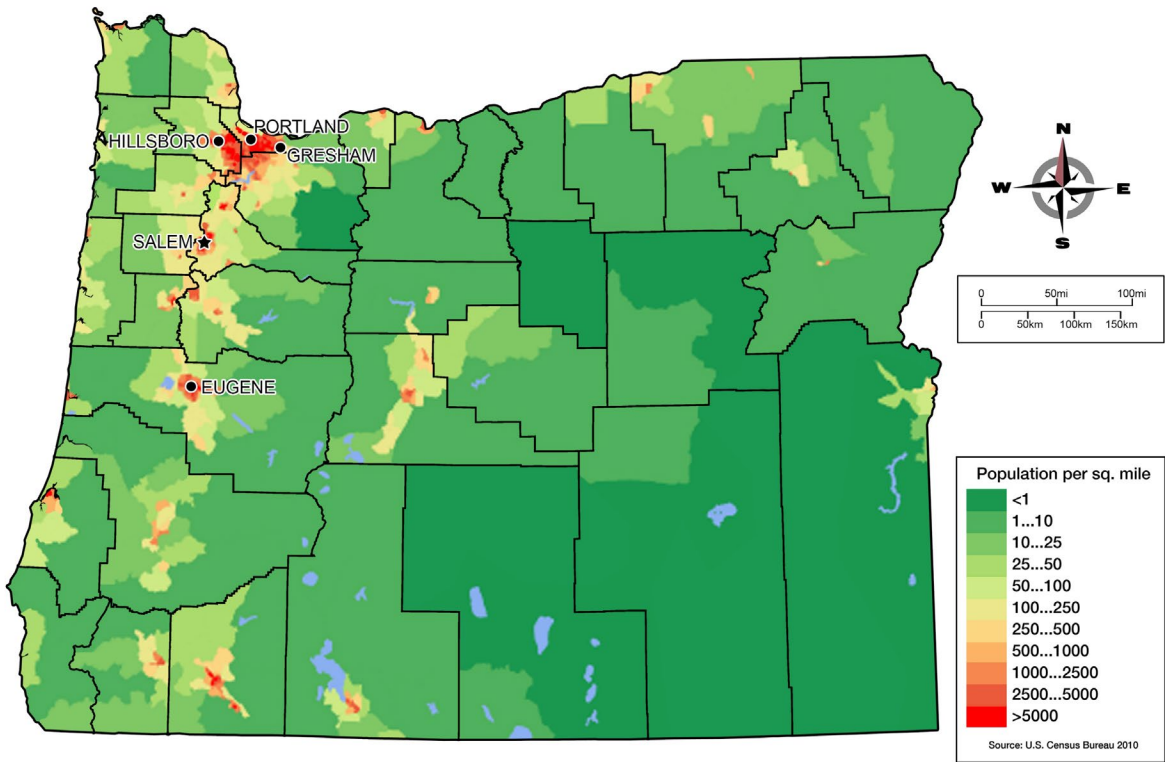
Analysis reflects counts of physical locations with sales recorded at some point throughout the fiscal year.

Geographic Distribution of Retailers

Oregon's Lottery Retailers



Oregon's Population Density



Contract Application Process

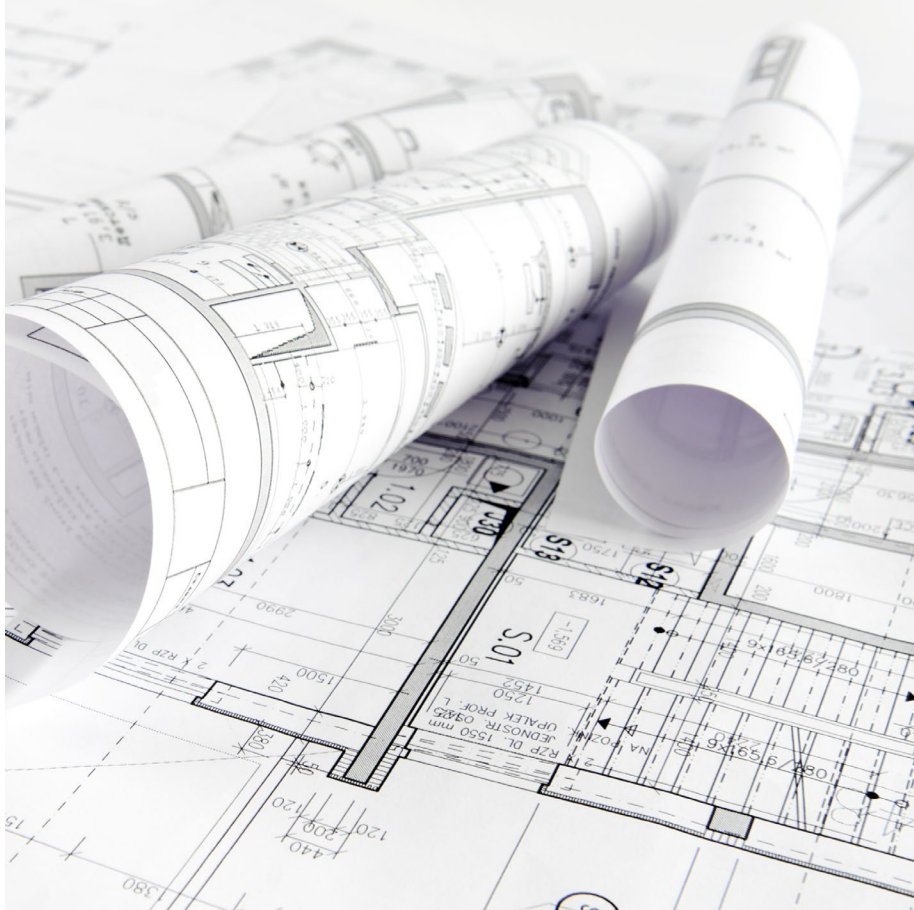
Guiding principles for Retail Contracts

Application requirements

Application denial



Guiding Principles for Retail Contracts



- **Lottery's Mission and the "FISH"**
 - Operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good.
 - **Fairness, Integrity, Security, and Honesty.**
- **Governing Laws and Rules**
 - Oregon state law sets standards for retailers.
 - Lottery's rules and the retailer contract impose additional requirements.



Contract Application Considerations

- Financial Responsibility
- Background, Character, Integrity
- Compliance History
- Criminal History
- Accessibility and Security of the Premises
- Business Viability
- Not Exclusively in the Business of Selling Lottery Products

See ORS 461.300 at https://www.oregonlegislature.gov/bills_laws/ors/ors461.html and OAR chapter 177, division 40 at <https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=661>.

Contract Application Requirements

- Completed Application
- Provide business, financial, tax, and criminal history
- Consent to background check for all “key persons”



Purpose of Background Check

- To exclude persons with a known criminal history.
- To contract with persons that are financially responsible.
- To contract with persons of good character, honesty, and integrity.
- To contract with persons whose background and reputation are consistent with the public interest.
- To ensure the business is adequately funded and ongoing business income is sufficient to maintain the business.
- To ensure the business funding sources do not pose a threat to the FISH.





Additional Requirements for Video

- OLCC license that allows on-premise consumption
- VLTs in area closed to minors
- Viable business without benefit of Video
- Some businesses are not eligible for Video Lottery:
 - Movie Theaters
 - Bed and Breakfast Lodging Facilities
 - Clothing Stores
 - Liquor Stores
 - Beauty Salons
 - Other businesses not normally associated with the on-premise consumption of food and alcoholic beverages

Application Denial

Reasons for Denial

- Criminal history
- Financial history
- Compliance history
- Material omissions or misstatements

Applicant Rights

- Applicant can request **reconsideration** from Lottery.
- If upheld, applicant may request **judicial review**.
- May **reapply in one year** (or less if approved by the Director for good cause).

Contract Compliance



Compliance Activities



Casino Prohibition



Contract Compliance Activities

- Retailers must inform Lottery when certain things occur, such as criminal conviction, loss of OLCC license, changes in key persons, or business closure.
- An annual inspection to verify compliance such as:
 - Safety or security issues
 - Wheelchair accessibility
 - For Video:
 - OLCC liquor license
 - Signage restricting minors is posted
 - No line-of-sight issues for minors
- Lottery investigates reports of non-compliance from Lottery staff, retailer employees, or the public.



Contract Compliance Basics (cont.)

- In most cases, if a compliance issue is discovered, Lottery works with the retailer to gain compliance.
- In some cases, contract termination is required or warranted.
 - Retailers have the right to request reconsideration of the contract termination from the Lottery.
 - If upheld by Lottery, they may seek judicial review.

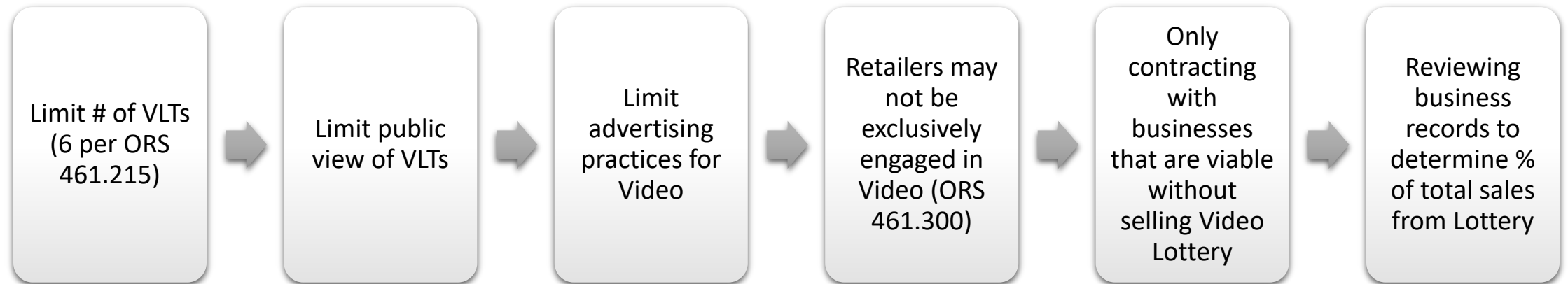


The Casino Prohibition

"The Legislative Assembly has no power to authorize, and shall prohibit, casinos from operation in the State of Oregon."

Or Const, Art XV, § 4(10)

Casino Prohibition Framework





Compliance Reviews

- High-risk business types are assessed annually to determine % of non-Lottery sales.
 - If less than 50% of total, other factors are reviewed:
 - Business name
 - Appearance
 - Food service accoutrements
 - Advertising
 - Atmosphere
 - Meals and menus
 - Compliance plan is required if Lottery determines the retailer is not in compliance.
 - Can be grounds for contract termination.

Thank You



**OREGON
LOTTERY®**

Together, we do good things.

Total Sales, Prizes, Commissions, and Transfers by County

In addition to net sales, the table below summarizes dollars returning as prizes to players, along with dollars flowing into each county as retailer commissions and transfers generated from Video Lottery and Lottery Products sales.

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Sorted by net sales

County	Net Sales (Gross-Prizes)	Prizes (Dollars Won)	Retailer Commissions	Transfers	County	Net Sales (Gross-Prizes)	Prizes (Dollars Won)	Retailer Commissions	Transfers
Multnomah	\$393,946,417	\$3,806,991,291	\$74,066,303	\$217,908,297	Benton	\$16,013,750	\$141,879,765	\$3,063,060	\$8,317,615
Washington	\$188,517,465	\$1,776,268,393	\$34,467,661	\$103,055,007	Coos	\$17,456,728	\$135,298,764	\$3,196,081	\$8,172,594
Marion	\$152,144,721	\$1,491,435,010	\$29,167,123	\$84,111,690	Tillamook	\$13,966,265	\$126,803,273	\$2,795,857	\$7,375,381
Clackamas	\$152,784,618	\$1,460,465,773	\$29,070,582	\$83,203,847	Wasco	\$12,224,638	\$119,130,686	\$2,403,616	\$6,649,646
Lane	\$138,483,230	\$1,359,311,197	\$26,523,185	\$75,901,462	Crook	\$10,909,187	\$100,094,898	\$2,124,107	\$5,704,522
Jackson	\$83,674,003	\$785,821,816	\$15,588,459	\$44,692,884	Hood River	\$8,444,245	\$79,715,336	\$1,607,819	\$4,573,346
Deschutes	\$67,819,028	\$654,841,718	\$12,749,064	\$37,124,870	Union	\$7,434,042	\$67,886,170	\$1,464,997	\$3,940,604
Linn	\$52,692,078	\$487,625,354	\$9,807,976	\$27,998,789	Baker	\$6,820,254	\$62,634,896	\$1,384,558	\$3,585,657
Douglas	\$42,165,373	\$384,273,646	\$8,139,058	\$21,935,249	Jefferson	\$6,584,553	\$60,460,783	\$1,302,400	\$3,539,283
Josephine	\$36,610,249	\$344,585,311	\$6,877,420	\$19,569,934	Curry	\$6,334,692	\$45,920,546	\$1,090,619	\$2,864,133
Columbia	\$32,768,034	\$317,158,306	\$6,302,374	\$17,991,431	Morrow	\$2,714,278	\$25,134,477	\$534,458	\$1,447,443
Malheur	\$25,763,788	\$282,372,713	\$5,094,119	\$15,380,767	Grant	\$2,558,556	\$21,785,447	\$506,203	\$1,284,232
Clatsop	\$26,798,258	\$260,622,630	\$5,509,082	\$14,812,467	Harney	\$2,153,070	\$21,141,193	\$463,093	\$1,164,139
Yamhill	\$29,563,628	\$262,610,651	\$5,461,353	\$15,170,765	Lake	\$2,266,192	\$16,387,548	\$394,562	\$1,020,433
Klamath	\$28,051,822	\$255,291,184	\$5,341,242	\$14,878,104	Wallowa	\$1,414,228	\$12,708,334	\$311,315	\$728,569
Umatilla	\$25,637,751	\$237,916,266	\$4,901,411	\$13,461,127	Sherman	\$1,366,347	\$11,163,473	\$225,590	\$674,875
Lincoln	\$22,544,197	\$192,570,990	\$4,276,527	\$11,247,865	Gilliam	\$558,303	\$3,732,803	\$105,406	\$246,040
Polk	\$20,159,328	\$177,300,464	\$3,706,515	\$10,430,068	Wheeler	\$117,650	\$580,411	\$18,845	\$42,333
ALL Counties						\$1,639,460,967	\$15,589,921,516	\$310,042,038	\$890,205,466

Source: Oregon Lottery Data Warehouse; analysis by OSL Analytics & Insights dept

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Video Lottery: Sales, Prizes, Commissions, and Transfers by County

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Multnomah	\$304,971,271	\$3,751,319,197	\$66,948,291	\$198,841,269	Benton	\$11,334,099	\$138,876,640	\$2,688,688	\$7,389,832
Washington	\$143,083,596	\$1,747,868,445	\$30,832,952	\$93,290,505	Coos	\$10,508,463	\$130,783,297	\$2,640,220	\$6,851,518
Marion	\$119,399,861	\$1,470,192,308	\$26,547,534	\$77,848,709	Tillamook	\$10,218,115	\$124,367,997	\$2,496,005	\$6,662,211
Clackamas	\$116,287,927	\$1,437,192,671	\$26,150,846	\$75,819,728	Wasco	\$9,346,888	\$117,268,851	\$2,173,396	\$6,094,171
Lane	\$106,996,386	\$1,339,002,066	\$24,004,238	\$69,761,643	Crook	\$7,863,233	\$98,113,991	\$1,880,431	\$5,126,828
Jackson	\$62,036,539	\$771,891,407	\$13,857,462	\$40,447,823	Hood River	\$6,444,980	\$78,407,172	\$1,447,878	\$4,202,127
Deschutes	\$52,013,232	\$644,777,092	\$11,484,600	\$33,912,627	Union	\$5,444,891	\$66,605,818	\$1,305,865	\$3,550,069
Linn	\$38,998,766	\$478,694,566	\$8,712,511	\$25,427,196	Baker	\$4,951,462	\$61,422,415	\$1,235,055	\$3,228,353
Douglas	\$30,072,990	\$376,443,704	\$7,171,667	\$19,607,589	Jefferson	\$4,935,751	\$59,396,962	\$1,170,495	\$3,218,110
Josephine	\$27,236,739	\$338,523,144	\$6,127,539	\$17,758,354	Curry	\$3,572,752	\$44,135,215	\$869,663	\$2,329,434
Columbia	\$25,515,823	\$312,421,563	\$5,722,197	\$16,636,316	Morrow	\$2,001,658	\$24,678,238	\$477,448	\$1,305,081
Malheur	\$22,698,877	\$280,379,286	\$4,848,926	\$14,799,668	Grant	\$1,727,115	\$21,245,189	\$439,688	\$1,126,079
Clatsop	\$21,059,759	\$256,883,795	\$5,050,003	\$13,730,963	Harney	\$1,610,724	\$20,799,569	\$419,705	\$1,050,192
Yamhill	\$20,627,875	\$256,826,009	\$4,746,493	\$13,449,375	Lake	\$1,295,974	\$15,748,023	\$316,944	\$844,975
Klamath	\$20,613,384	\$250,481,074	\$4,746,167	\$13,439,926	Wallowa	\$978,978	\$12,432,999	\$276,495	\$638,294
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Lincoln	\$15,082,379	\$187,717,217	\$3,679,581	\$9,833,711	Gilliam	\$305,876	\$3,567,373	\$85,212	\$199,431
Polk	\$14,173,230	\$173,461,264	\$3,227,627	\$9,240,946	Wheeler	\$38,860	\$531,224	\$12,542	\$25,337
					ALL Counties	\$1,242,923,998	\$15,336,649,482	\$278,319,080	\$810,386,447

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