

House Bill 2720

Sponsored by Representative TOMEI; Representative HARKER (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Oregon State Lottery Commission to survey sample of video lottery game retailers and to study compensation rates for video lottery game retailers.

Prohibits commission from entering into contract with video lottery game retailer that extends beyond June 30, 2016, until commission has reviewed survey and study, and determined appropriate rate of return for video lottery game retailers in specified income categories.

Prohibits compensation rates on or after July 1, 2016, that are intended to result in average annual net income that exceeds 50 percent for video lottery game retailers in specified income categories.

A BILL FOR AN ACT

1
2 Relating to compensation of video lottery game retailers; creating new provisions; and amending
3 ORS 461.310.

4 **Be It Enacted by the People of the State of Oregon:**

SECTION 1. (1) As used in this section:

5
6 (a) "Net income" means the amount by which the gross annual compensation for hosting
7 video lottery games exceeds the annual cost of hosting video lottery games, including:

8 (A) Labor costs that are attributable to hosting video lottery games on the premises of
9 an establishment licensed by the Oregon Liquor Control Commission and that are over and
10 above the labor costs that would be associated with operating a similar establishment that
11 does not host video lottery games on premises.

12 (B) Space costs, determined on the basis of cost per square foot per year, that are at-
13 tributable to hosting video lottery games on the premises of an establishment licensed by the
14 Oregon Liquor Control Commission and that are over and above the space costs that would
15 be associated with operating a similar establishment that does not host video lottery games
16 on premises.

17 (C) Other direct operational costs that are attributable to hosting video lottery games
18 on the premises of an establishment licensed by the Oregon Liquor Control Commission.

19 (D) Other capital costs that are attributable to hosting video lottery games on the
20 premises of an establishment licensed by the Oregon Liquor Control Commission and that
21 are over and above the capital costs that would be associated with operating a similar es-
22 tablishment that does not host video lottery games.

23 (b) "Rate of return" means the annual net income of a video lottery game retailer ex-
24 pressed as a percentage of the annual costs of the video lottery game retailer.

25 (c) "Video lottery game retailer" has the meaning given that term in ORS 461.217.

26 (2) On or before February 1, 2014, the Oregon State Lottery Commission shall:

27 (a) Conduct a study of video lottery game retailers and the costs attributable to hosting
28 video lottery games.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 **(b) Survey at least 100 video lottery game retailers, including at least 10 retailers with**
 2 **annual net income from video lottery, in the most recent year reported, in each of the fol-**
 3 **lowing income categories:**

- 4 **(A) \$0 to \$50,000.**
- 5 **(B) More than \$50,000 to \$100,000.**
- 6 **(C) More than \$100,000 to \$200,000.**
- 7 **(D) More than \$200,000 to \$400,000.**
- 8 **(E) More than \$400,000 to \$800,000.**
- 9 **(F) More than \$800,000.**

10 **(c) Determine what constitutes a reasonable rate of return as the basis for establishing**
 11 **compensation rates for video lottery game retailers for fiscal years beginning on or after**
 12 **July 1, 2016.**

13 **(d) Based on the information gathered in the study and survey required by this section,**
 14 **issue an estimate for each income category of video lottery game retailers identified in this**
 15 **subsection of:**

- 16 **(A) The representative costs as a percentage of commissions; and**
- 17 **(B) The rate of return.**

18 **(3) Before March 1, 2014, the Oregon State Lottery Commission shall report its findings**
 19 **from the study and the survey required by this section to the Legislative Assembly in the**
 20 **manner provided by 192.245.**

21 **(4) Notwithstanding ORS 461.310 or 461.440, the Oregon State Lottery Commission may**
 22 **not enter into a contract with a video lottery game retailer to host video lottery games for**
 23 **a term that extends beyond June 30, 2016, until the commission has completed the study and**
 24 **survey required by this section and determined appropriate compensation rates for the in-**
 25 **come categories of video lottery game retailers identified in subsection (2) of this section.**

26 **SECTION 2.** ORS 461.310 is amended to read:

27 461.310. **(1)** Upon recommendation of the Director of the Oregon State Lottery, the **Oregon**
 28 **State Lottery** Commission shall determine the compensation to be paid to lottery game retailers for
 29 their sales of lottery tickets or shares. Until the commission shall otherwise determine, the com-
 30 pensation paid to lottery game retailers shall be five percent of the retail price of the tickets or
 31 shares plus an incentive bonus of one percent based on attainment of sales volume or other objec-
 32 tives specified by the director for each lottery game. In cases of a lottery game retailer whose rental
 33 payments for premises are contractually computed in whole or in part, on the basis of a percentage
 34 of retail sales, and where such computation of retail sales is not explicitly defined to include sales
 35 of tickets or shares in a state-operated lottery, the compensation received by the lottery game
 36 retailer from the Oregon State Lottery shall be deemed to be the amount of the retail sale for the
 37 purposes of such contractual computation.

38 **(2) The commission shall establish compensation rates for hosting video lottery games**
 39 **that are intended to result in an average rate of return that does not exceed 50 percent for**
 40 **video lottery game retailers in each of the following categories of annual net income from**
 41 **hosting video lottery games:**

- 42 **(a) \$0 to \$50,000.**
- 43 **(b) More than \$50,000 to \$100,000.**
- 44 **(c) More than \$100,000 to \$200,000.**
- 45 **(d) More than \$200,000 to \$400,000.**

1 (e) More than \$400,000 to \$800,000.

2 (f) More than \$800,000.

3 (3) As used in this section:

4 (a) "Net income" and "rate of return" have the meanings given those terms in section 1
5 of this 2011 Act.

6 (b) "Video lottery game retailer" has the meaning given that term in ORS 461.217.

7 SECTION 3. The amendments to ORS 461.310 by section 2 of this 2011 Act become oper-
8 ative July 1, 2016.

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