



Public Comment Report

Date:	January 15, 2025
To:	Director Wells and Oregon State Lottery Commissioners
From:	Kris Skaro, rules and policy analyst
Subject:	Public comment on casino prohibition rule changes

Background

In November, Lottery presented draft rules changes regarding the casino prohibition.

As a reminder, the state constitution prohibits casinos from operating in Oregon, but the term “casino” is not defined. Since the 1990s, Lottery has used its Casino Prohibition Rule in combination with other state laws and rules to prevent retailers from operating as a casino, such as a cap on the number of Video Lottery Terminals (VLT) that can be placed at each retailer, restrictions on the public visibility of VLTs, and the requirement that a retailer be a viable business before applying for a Video Lottery retailer contract.

The draft rule changes would require business models that are most at risk for violating the casino prohibition to meet minimum food service standards, such as offering a certain number of menu items and having at least eight dining seats for patrons. The rules would also restate the inspection criteria to be more objective, bringing more certainty to retailers and Lottery staff about what is required for compliance.

Public Comment

Lottery notified Video Lottery retailers, certain legislators, tribal representatives, media contacts, and interested parties about the proposed rule changes. The Lottery provided five weeks for the public to comment in writing and held a virtual rulemaking hearing to take comments.

Lottery received three written comments. To summarize, the comments were from three current Video Lottery retailers who believe the rules do not go far enough to prohibit casinos. They argue that Lottery should require that at least half of each retailer’s revenue is from non-lottery sources. They also suggest other incentive mechanisms, such as providing a lower commission rate to retailers who have more than half their income from lottery commissions.

The original text of each comment is attached to this report for your review. As a reminder, Lottery is required by law to consider all comment received before taking final action on the rules.

If you have questions, please let me or Director Wells know.

From: [Commenter email address redacted](#)
To: [Oregon Lottery Admin Rules](#)
Subject: This is silly
Date: Monday, November 18, 2024 4:20:19 PM

We all know that small (usually strip mall) organizations operate as “Deli Casinos”. Adding TV’s (sports) is a tiny cost add, that they all would all be willing to do, without fundamentally changing anything. You’d just be giving cable providers more money.

Most of them sell cigarettes at a minuscule profit, just to pump up their gross sales to compete with lottery sales.

End of the day, if you don’t want “casinos”, more than 50% (or really 60%) of revenue shouldn’t come from Lottery.

Commenter name redacted

Dear Oregon Lottery~

I am writing in responses to the proposed changes to Oregon's Casino Prohibition rules. If the SBA will not lend to a business that derives more than 33% of its business from gambling, then why doesn't the Oregon Lottery follow the same rules for determination of a business being considered a casino? Ask any business owner that is acquiring 50% or more of their revenues from lottery driving funds the following question: Would you be in operation if you lost the Oregon lottery business? If their answer is no, then that should be your answer. What viable business would stick around with only 50% or less of the remaining revenue. To me, that is a casino. Also, that violates the spirit of the rule that the Oregon Lottery is to be a partner and an auxiliary stream of revenue to a business, not the main source of income.

Having all of these little "Casinos" that are pretending to be a deli does not strengthen the brand of support the businesses that are trying to utilize the lottery for added revenue and support, not to be their source of income.

Commenter name redacted

From: [Commenter email redacted](#)
To: [Oregon Lottery Admin Rules](#)
Subject: Casino prohibition
Date: Friday, December 27, 2024 2:19:02 PM

To the Oregon Lottery

Lottery first retailers are cheaper to run, easier, and provide no intrinsic value to the community, besides a convenient and close casino experience.

Full restaurants must provide additional employees to accommodate lottery guests and run a bar, and service tables, and provide cooks.

These objective criteria provide no tangible repercussions. Lottery first retailers already know how to drive more non-lottery sales, bigger spaces, quality food, full liquor licenses, and additional employees. They do not do these already because of the cost and business model. There is no true incentive to be better, their goal is absolutely to be running neighborhood casinos.

This rule relaxation will absolutely make it easier for lottery first retailers to focus on strengthening their business model as mini casinos. To add additional requirements for Lottery first retailers, seems fair. To dismiss the strongest case for a community positive business, quality food sales made by actual cooks, would be a gross violation of Oregon Lottery's trust for rule abiding and positive lottery retailers.

The real question is what is being done about Lottery first retailers? It is common knowledge that lottery first retailers joke about the requirements and lack of enforcement done by the Oregon lottery. I've heard it first hand. Lottery First Retailers say that Oregon Lottery won't ever do anything about them being bad actors because the state knows they bring in more money. Currently, there is no real form of enforcement, only thinly veiled threats. If we really wanted to better follow Oregon law, Oregon Lottery would actually enforce the already established rules of lottery sales compared to total revenue. The retailers that start Lottery businesses, do so because the business model is "low costs, no food, one person working, pretend that they're running a business that isn't reliant on only lottery".

If we want to follow the rules we must act with a carrot and a stick. Enforce already established rules without hesitation or debate, and create incentives for retailers whose ACTUALLY ARE participating in what the Oregon Lottery and Oregon Legislative meant when they created legislation for lottery. Otherwise, we are willingly creating a state of mini casinos, where bad actors are rewarded by breaking the rules, and good actors are punished by going out of their way to run a real business that serves lottery, instead of a business that serves lottery (casino). Honestly, I've heard retailers say they pick locations next to low income housing, that they don't even hide that they don't "actually" serve food, and that this is the only business model that makes sense in the bar and restaurant industry right now. By not making stricter rules or incentives, you're actively endorsing this kind of behavior.

The only real way bad acting retailers will fall in line and not create "neighborhood casinos" is for them to get a lower percentage of Dollars Played. Start them off at 1.5% and see how quickly these retailers actually put some effort into creating a real business that doesn't rely on being a casino. Or incentivize them by saying that businesses with 50% food and liquor sales will stay at the higher percentages (total dollars played gets moved up). If you did this, some of the full service retailers would actually stay in business. Yes, full service businesses rely on the Oregon Lottery; locations that actually hire full teams of employees and serve the community.

I understand that there are a lot of things going against Oregon Lottery, technology updates, sports betting, Washington Casinos, etc.. But we should solve those issues by improving our systems, not by allowing bad actors to thrive and take the easy money.

As a retailer that tries really hard to be a positive for my local community, I hope you make the decision to be bolder and not sacrifice our communities for easy money.

Thank you,