

VLT Equipment Management Recommended Rule Changes



Overview of Changes

01

Repeal the pause on processing new Video Lottery contract applications.

02

Establish a waitlist for anyone interested in applying for a Video Lottery contract.

03

Increase the per-VLT weekly sales requirement from \$2,667 to \$10,000 average dollars played.

04

Unless a waiver is approved, **require a business to be open and operating for at least nine months** before applying for a Video contract.

05

Limit the use of the temporary contract process for Video applications.

Public Notice and Comment

- Notified legislative and media contacts and other interested parties about the proposed rule changes and opportunity to comment.
- Notified current Video Lottery retailers (~2,000) by email and in person:
 - FAQ on the rules
 - Instructions on how to comment
- Provided six weeks for written comment and held a hearing.
- Received 39 comments.
 - For most of the current retailers who commented, an account manager visited the retailer to discuss concerns in person.

Lottery Response to Comments

- In response to the comment that the quarterly process would create uncertainty for businesses and make it difficult to plan, Lottery updated the recommended rules to establish an annual process.
 - Lottery can make determinations more often if needed and/or adjust the planned number of applications when necessary.

Lottery Response to Comments

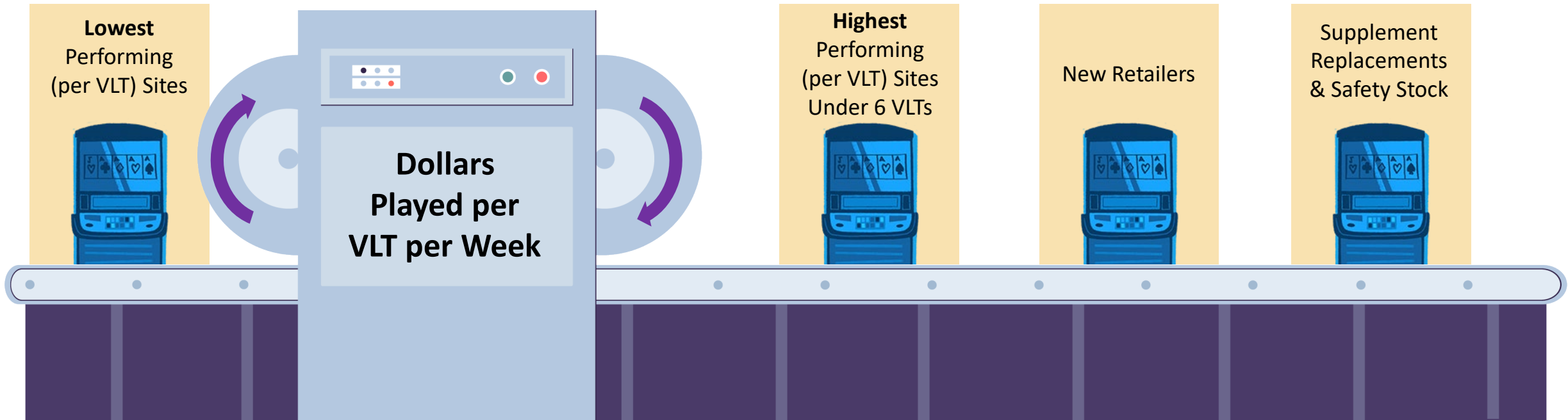
Lottery considered the comments opposing the change to the sales floor but continues to recommend increasing the weekly sales requirement to \$10,000:

- This floor ensures a reasonable return on the considerable investment each VLT requires.
- Most (~89%) current retailers meet the \$10,000 floor.
- The group of retailers under \$10,000 averages less than 60 minutes of play per day per VLT.
- Data shows the loss in commissions to a retailer is mitigated as most play migrates to remaining VLTs.



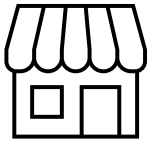
Equipment Management

- **Goal:** Optimal number and allocation of terminals to meet Video Lottery demand
- **Strategy:** Conveyor Belt Model



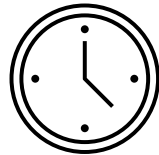
Metrics: VLT Removals

236



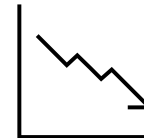
Video Lottery
retailers currently
under
\$10,000/VLT/week

54



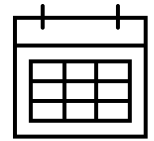
Avg minutes played
per terminal per
day

-5%



Historical Video
Lottery sales impact
with VLT removal,
2015-2019

2x



Annual frequency of
VLT removals
(October & April)

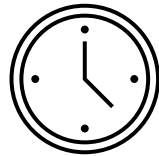
Metrics: VLT Additions

50



Video Lottery
retailers with VLT
additions in 2023
(thus far)

303



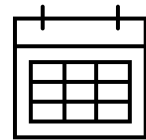
Avg minutes played
per terminal per
day
(prior to receiving
another terminal)

+10%



Historical Video
Lottery sales impact
with VLT addition,
2023

4x



Annual frequency of
VLT additions
(quarterly &
inventory
dependent)

Moving Forward with Intention



Monitoring and evaluating all equipment management efforts



Ensuring a net benefit between both terminal removals and terminal reallocations



Learning with every iteration to best inform future policy choices

VLT Removals Slow and Phased

- Removals will begin with a subset of retailers under the threshold (tentatively 25-50), beginning with the lowest-performing locations.
- Removals will only occur twice per year.
- A retailer will only lose one VLT each year even if they continue to fall below the floor.
- Will review impacts of each round of add/removals.
- Will not remove a VLT if a retailer only has one VLT.

Recommendation

- Interim Director Wells recommends the Commission approve the rules as they are presented in your meeting materials today to be effective on July 1, 2023.

Thank You



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