

Bars turn profit with video poker

SALEM (AP) — Video poker has made high rollers of many Oregon tavern owners, some of whom are raking in \$300,000 a year in commissions from the state.

The No. 1 retailer is Joe's Cellar, a northwest Portland tavern that received \$334,000 in commissions in the past 12 months, according to Lottery figures. Owner Jean Swanson makes no apologies for that.

"The reason I'm successful with this is because I run it like a separate business," she said. "I've hired extra people who do nothing but take care of the Lottery, and I've put up a booth where players can get their change and their payoffs."

The Lottery pays bars and taverns 35 percent of video poker revenue as commissions, well above the rates of 10 percent to 15 percent that are paid to businesses for handling other Lottery games such as keno.

The average retailer with video poker is paid \$65,000 a year in commissions, according to a study done for the Joint Legislative Task Force on Lottery Oversight.

One critic, state Rep. Mike Burton, D-Portland, says the 35 percent commission is "way too high" and does not maximize net state revenue, which the Lottery is required to do by state law.

Net revenue from the Lottery goes to economic development programs.

"The purpose of the Lottery is to benefit the people of Oregon in general," Burton said. "We're required under the state constitution to ensure that the maximum possible return comes to the people, not to the tavern owners."

Partly because of criticism from Burton and others, Lottery officials have decided to take a look at the commission issue.

Lottery Director Dan Simmons and members of the Lottery Commission plan hearings around the state in late April. The commission might propose a reduction in the rate paid to retailers.

"We're going to look at it, but I don't know at this stage where we're going to end up," Simmons said. "I hope to get this issue behind us by mid-summer, say July or so."

At the same time, Simmons says the Lottery must be careful not to take steps that could harm what even critics concede has been a financial success story for the state.

"I don't want to get into a position where we discourage people from making money for the state of Oregon," he said.

The Lottery now has 6,300 video poker terminals in 1,350 retail outlets across the state, with a limit of five machines per establishment.

Video poker games net the state about \$120 million a year and make up about 60 percent of the revenue from all lottery games. The video poker money has flowed in at a time when the Legislature has been forced to deal with a budget squeeze

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— Rep. Mike Burton, D-Portland

brought on by the Measure 5 property tax limit.

The Oregon Restaurant Association, a trade group representing 3,000 retail establishments, says video poker is a proven success and that the Lottery shouldn't fiddle with retailer compensation rate.

"The system in Oregon is working very well," association spokesman Michael McCallum said. "The state is making more money than it ever thought it would, the game remains clean and free of any corruption, and the dollars just keep coming in."

McCallum and others in industry say some retailers might get rid of video poker if compensation rates were sharply reduced, thus cutting the amount of money the state nets from video poker.

"If they're talking about cutting it to 15 percent, those machines would be out of here," said Jerald Case, owner of the Towers Inn, a Salem tavern that received \$217,000 in video poker commission in the past year.

Case says the commission he receives from video poker doesn't tell the whole story. He says video poker also requires him to hire extra help, and that there are other costs involved including monthly on-line charges to the Lottery and electricity bills.

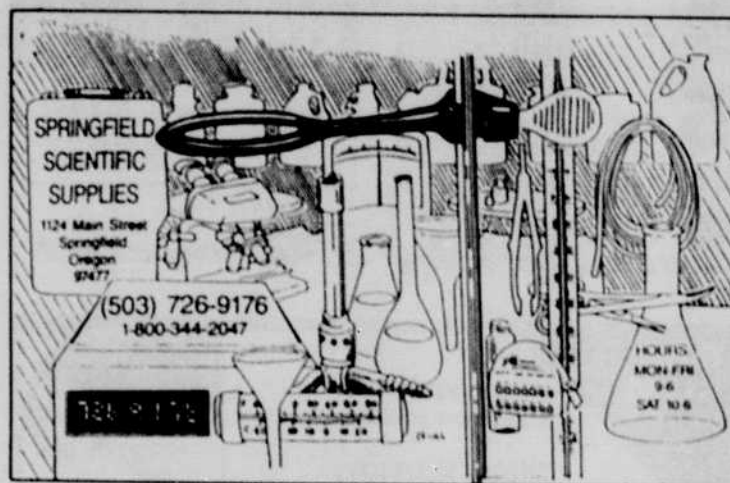
Burton says he doesn't believe that most retailers would get rid of video poker if commissions were reduced.

He cites the study done for the Legislature saying that the Lottery could cut its commission payments to video poker retailers by two thirds and almost all would continue making a profit.

"The question is, how much is a decent amount of money for them to make vs. them gouging the state?" Burton said. "It's true that video poker has been successful beyond anyone's wildest dreams. But I think it's time to go back and re-examine the arrangement that we have with our dealers."

The issue could become moot, of course, if the Oregon Supreme Court agrees with a lawsuit filed by opponents of video poker. They argue that the poker machines have created casinos, which are illegal under the state constitution.

The Supreme Court heard arguments in the case in January, and a ruling is expected before summer's end.



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