The Venue-Based Video Lottery Model – A Popular Direction for North American Lotteries

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In today's venue-based environments, lotteries and their players are seeking games and machines similar to those found in traditional casinos. Players expect to find their favorite games in these properties, and lotteries are taking steps to meet those demands. As more jurisdictions consider adopting a venue-based Video Lottery Terminal (VLT) program, the move is one that is gaining in popularity and acceptance. What was once seen as a way to assist horse racing and other pari-mutuel operations is now considered a mainstream alternative for raising much-needed revenue for the good causes that lotteries support.

Legislation approved in Kansas in April 2007 allows VLTs to be operated in the state, making it the newest VLT jurisdiction in North America. A decade ago, there was a greater likelihood that gaming machines would be installed in licensed establishments distributed across the state. This is not the case today, as Kansas has chosen a venue-based VLT solution over the traditional distributed model. Nevertheless, distributed VLT programs remain very viable solutions as lotteries have implemented several improved system features and site standards over the past decade.

Originally coined "racinos" and developed to provide revenue to a weakened horse racing industry, venue-based VLT programs now include non-racetrack operations. Traditionally, lotteries have been chosen to oversee these operations because of their proven ability to deliver gaming in a socially responsible way. Lotteries have also been able to differentiate these facilities through their responsible gaming programs and specific features mandated for their program and provided by their VLT and central system vendors.

Several lotteries have had some success with this model. In Canada, venue-based VLT programs exist, sometimes alongside wide area programs in British Columbia, Alberta, Ontario, Quebec, and on Prince Edward Island. Lotteries in Delaware, Pennsylvania, New York, West Virginia, Rhode Island, and soon Kansas also operate track or non-track venue-based VLT programs. Massachusetts and Maryland are presently examining the idea of allowing gaming operations in casinos or other venues in their jurisdictions.

There are several reasons for the emerging shift from the wide area or distributed model, common to earlier VLT programs. One reason is competition. With casinos nearby, lotteries understand the need to provide options similar to what is available to play-

ers. Kansas, for instance, currently has Native American casino gaming within its state lines as well as casino-style gaming in neighboring Oklahoma, Nebraska, Colorado, and in nearby New Mexico and Iowa. With large numbers of people venturing out of their home state to gamble, many lotteries feel the best way to keep gaming tax dollars within their state is to permit video gaming at tracks and other venues.

Player preference is also a factor in the movement toward venue-based gaming. As games and gaming have evolved, the venues that

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provide gaming have also changed. Restaurants, entertainment centers, golf courses, and hotels are now commonplace for some gaming venues. Players have also become more sophisticated and they expect much more from their gaming facilities. Gaming states realize this and have already taken steps to become competitive.

Lotteries are also looking closely at the option of venue-based operations as part of their ongoing responsible gaming initiatives. Self-exclusion programs can be better monitored with a venue-based operation and, as in some existing locations, responsible gaming counselors can be located on-site. States sometimes look to their existing lotteries to operate these gaming facilities because it is often easier to gain public acceptance when they are present-

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ing expanded lottery programs versus trying to obtain public approval of casinos. This is made possible, in part, because of the umbrella of social responsibility under which lotteries operate and their long-standing record of integrity.

GTECH and others in the industry are well aware of this new direction and have been making product changes to meet the latest needs of the lotteries. Video lottery central monitoring systems have changed a great deal to address the requirements of venue-based networks. In the traditional distributed model, there are small numbers of terminals in a large number of locations with usually only a few VLT vendors to supply machines. The communication protocol between VLTs and central system is usually proprietary, which raises the cost of game development, keeping the number of vendors to a minimum. It can also limit the number of available games and the frequency of their refreshment.

With players expecting to find games similar to those in casinos, VLT central systems are moving toward casino industry standard communication protocols. This gives lotteries the opportunity to offer more of the most current games to its customers. This has opened the VLT market to other qualified vendors who may have originally stayed away from distributed markets, allowing lotteries to offer more choices to their players.

In addition, lotteries considering the venue-based model are demanding added functionality from central systems. Historically, central systems resided at the lottery offices and provided monitoring of the financial data along with control over VLTs in several locations. Now, central systems have moved beyond that scope to provide support for hundreds or even thousands of VLTs in single or multiple locations. With the focus shifting to venue-based VLT programs, support for coinless solutions, player tracking, bonusing, downloadable games, and game management are becoming standard requirements for VLT central systems and casino management systems alike.

A common misconception about central systems is their effect on the speed of game play and how game outcomes are managed. Part of this misconception is based on a belief that game outcomes reside on or are generated by central systems. In fact, every VLT program in North America, with the exception of one, uses machines where game outcomes are determined by software and a Random Number Generator (RNG) that resides in the gaming machine. Even so, whether game outcomes are generated by the VLT or the central system, game speed does not differ from that of a casino slot machine.

Many central systems have the functionality to speed up or slow down game play in tiny increments, but use of this functionality is determined by the jurisdiction. It is not an inherent characteristic of VLTs or the result of having a connection to a central system. Even in those rare situations where a jurisdiction elects to increase game play

time, the difference appears transparent to the player. Similarly, slot machines are connected to casino accounting systems with no affect on game play.

It is not only central systems that are changing. There was a time when VLTs looked different than the slot machines that were found in casinos. They were large, bulky units resembling older video arcade games. As VLTs evolved and migrated into tracks and other venues, voucher redemption was replaced with coins and coin trays, plexi-glass inserts were replaced with colorful glass, and multi-button finger boards appeared along with player tracking card readers.

Many machines now use at least one, if not two LCD monitors. Powerful processors and additional memory are used to drive stereo sound, high resolution graphics and animation. To the player, most VLTs at tracks or other venues look and play much like a casino video slot machine. There are several differences often driven by jurisdictional requirements, although these are not always openly apparent to the player.

The most significant difference between VLTs and slots remains unchanged. The way a gaming machine and its game software is configured, monitored, and controlled is how VLTs have been differentiated from casino slots. In almost every case, VLTs are closely monitored by a government lottery organization. The game and gaming machine specifications, pay tables, wager limits, prize amounts, and

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responsible gaming features are often different than those found on casino slot machines and are almost always controlled by the lottery. Aspects of venue operations such as hours of business, complimentary gifts or beverages and marketing activities are often very different than those of commercial casinos.

As the needs of the players and gaming operators change, products and services provided by the vendors will continue to change to meet those needs. Governments may be looking to venue-based gaming programs to meet player demand, however, one thing remains unchanged – a reliance on lotteries or other public agencies for the delivery of gaming in a socially responsible manner while maintaining the highest level of security and integrity in video lottery game software, terminals, and the central systems which monitor and control them. ◆

Editor's Note: Spielo, A GTECH Company will exhibit its video lottery solutions at this year's G2E show Nov. 13-15 in Las Vegas, NV. Booth #1685