

Appendix V



**The Georgia Lottery Corporation
Coin Operated Amusement Machine
(COAM) Division**

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Types of Machines



Coin Operated Amusement Machine - A machine used by the public to provide amusement or entertainment whose operation requires the payment or insertion of a coin, bill, other money, token, ticket, card or similar object and the result of whose operation depends in whole or in part upon the skill of a player

• **Class A machine** – A COAM that does not allow a successful player to carry over points won on one play to a subsequent play or plays

- Examples: Jukeboxes, crane machines, skee ball machines

• **Class B machine** – A COAM that allows a successful player to accrue points on the machine or carry over points won on one play to a subsequent play or plays

- Example: Video line-up, match-up machines with some skill

• COAMs **do not include** the following types of machines:

- Examples: Coin operated washers or dryers, gumball machines, pay phones, parking meters

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COAM Licensing Data for 2021 Licensing Year (as of August 2020)



MASTER LICENSES

Master A Licenses: 236

Master B Licenses: 168

LOCATIONS

Location A Licenses: 2,083

Location B Licenses: 4,768

MACHINE COUNT

Class A COAMs: 15,382

Class B COAMs: 24,556

- Manufacturers – 17
- Distributors – 1

*Numbers will increase throughout the licensing year

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Legal Class B Machines



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Illegal Class B Machines



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Redemption



Restriction: Points/vouchers may only be redeemed at the premises on which the game or device is located

Items Allowed as Prizes

- Lottery Tickets (any Price Point)
 - Lottery Retailer
 - Non-lottery Retailer
 - Master License Holders as Lottery Retailers
- Food and Beverages (non-alcoholic)
- Store merchandise
- Fuel
- In-store gift cards

Items Not Allowed as Prizes

- Cash
- Alcohol
- Tobacco
- Firearms
- Gift cards (to other stores)
- Payment of utilities

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Gift Card Pilot



- Intralot (existing COAM central system vendor) will partner with InComm (well-known payment solution company) to lead this project under Georgia Lottery direction.
- Between 100-300 locations for approximately 4-6 months beginning in October.
- MasterCard Gift Card uniquely packaged as a Georgia Lottery product that can be utilized wherever the gift card can be accepted (not to be used at ATM's, for cash, or prohibited items).
- Third party analysis of results at the conclusion of the pilot.

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House Bill 487 (2013)



- House Bill 487 was signed into law on April 10, 2013
- Transferred responsibility for administration and enforcement relating to COAMs from the Department of Revenue (DOR) to the Georgia Lottery Corporation (GLC)
- GLC responsibilities include:
 - Issuance of licenses to owners and operators (Class A and B)
 - Issuance of licenses to manufacturers and distributors
 - Issuance of decals for COAMs (Class A and B)
 - Revenue collection of license and decal fees
 - Collection of net proceeds from Class B machines
 - Compliance of laws, rules, and regulations

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Senate Bill 190 (2015)



- Manufacturer/Distributor pays \$5,000 license fee annually
- Transfer of Master Licenses
 - First Sale \$10,000
 - Second Sale \$25,000
 - Third Sale \$50,000
 - Fourth and subsequent Sales not less than \$50,000
- Auction of Master Licenses up to 220 at least once every three (3) years
- Late Fee Change from \$100 to \$1,000
- Arbitration required to certify there are no disputes between the Master Licensee and Location Licensee
- No more than 9 Class B COAMs in a traditional location

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Senate Bill 388 (2016)



- Operator cannot sell contracts while under consideration for revocation.
- Duplicate decal fee increased to equal original decal fee.
- Unauthorized removal of decal is misdemeanor.
- Gross Retail Receipt changes
 - Attempt at allowing full value of commissioned based items
 - Non-cash redemption not counted as Class B revenue
 - Clean up on fine amount
- 1 year minimum agreement/contracts
- Change of ownerships of locations: have to keep last operator or not have COAMs for 9 months.
- Arbitration:
 - Allows disputes of operator vs. operator instead of just operator vs. location
 - An arbitration hearing may take place more than 90 days from commencement of arbitration for good cause
 - Non-timely payment of arbitration fees leads to default judgment

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Types of COAM Licenses

(Valid from July 1 – June 30)



- **Master Licenses** – The certificate (copy) which every owner of a COAM must purchase and display in the owner's or operator's place of business where the machine is located for commercial use by the public or play in order to legally operate the machine in the state.

Class A Master License

1 to 5 machines	\$ 500.00
6 to 60 machines	\$ 2,000.00
61 or more machines	\$ 3,500.00

Decals

Cost Per Decal	\$ 25.00
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Class B Master License

Unlimited number of machines	\$ 5,000.00
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Decals

Cost Per Decal	\$ 125.00
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Types of COAM Licenses

(Valid from July 1 – June 30)



- **Location Licenses** – The initial and annually renewed license which every business location owner or business location operator must purchase and display in the location where one or more bona fide coin operated amusement machines are available for commercial use by the public for play in order to operate legally any such machine in this state.

Class A License	Cost Per Machine	\$ 25.00
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Class B License	Cost Per Machine	\$ 125.00
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- **Manufacturer and Distributor Licenses** – A "Manufacturer" means a person, individual, partnership, corporation, limited liability company, or any other business entity that supplies and sells major components or parts, including software, hardware, or both, to Class B machine distributors or operators. A "Distributor" means a person, individual, partnership, corporation, limited liability company, or any other business entity that buys, sells, or distributes Class B machines to or from operators.

Manufacturer/Distributor License Cost	\$ 5,000.00
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License Expenditure Sample



- **Master License Holder (Class B) Expenditure**

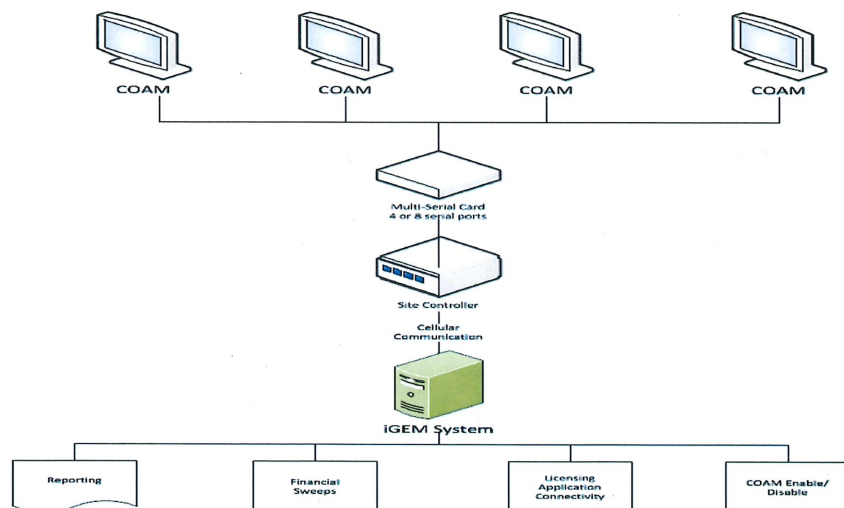
Fee for Master License Class B	\$ 5,000.00
Fee for 1,425 (@\$125/each) Class B Decals	<u>\$ 178,125.00</u>
Subtotal	\$ 183,125.00
Processing Fees (.03% for ACH or 2% for credit card)	<u>\$ 549.38</u>
Total	\$ 183,674.38

- **Location License Holder (Class B) Expenditure**

Fee for Location License Class B for 5 machines (@125/each)	\$ 625.00
Subtotal	\$ 625.00
Processing Fees (.03% for ACH or 2% for credit card)	<u>\$ 22.50</u>
Total	\$ 647.50

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Central Accounting System Blueprint



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Central Accounting System



- Central Accounting System for Class B machines was procured July 1, 2014
- Vendor for the Central Accounting System is Intralot USA
 - 1.2489% of Net Revenue
- Connectivity to COAMs began on January 8, 2015
- Ten (10) months after connectivity began, we connected to 20,410 Class B machines at 4,555 locations

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Central Accounting System (Continued)



- The GLC shall:
 - Retain 5% of net receipts the first year and add 1% each year up to a max of 10% (Currently at max)
 - Remainder of net receipts is split evenly between Location Licensees and Master Licensees (Currently 45% each)
- Location Licensee accounts are swept on Wednesdays
- Master License accounts are pushed on following Tuesday
- Lottery can disable and enable individual machines and en masse

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COAM Financial Reporting



- On the 20th of each month Location Owners/Operators are required to access <https://www.gacoam.com> and report their Gross Retail Receipts
- Inspectors use this data as well as DOR ST-3 forms and compare to Central Accounting System numbers
- Audits
 - Began with Georgia Department of Audits and Accounts
 - Have used KPMG in the past

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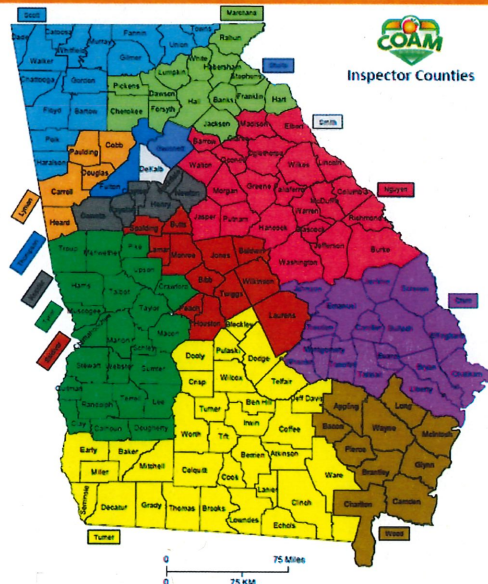
COAM revenues & Returns to Education



2016	2017	2018	2019	2020
<ul style="list-style-type: none"> Over \$2 Billion In \$1.4 Billion Out \$81.00/Class B COAM Per Day 	<ul style="list-style-type: none"> Over \$2.2 Billion In \$1.5 Billion Out \$85.70/Class B COAM Per Day 	<ul style="list-style-type: none"> Over \$2.4 Billion In \$1.7 Billion Out \$90.16/Class B COAM Per Day 	<ul style="list-style-type: none"> Over \$2.6 Billion In \$1.8 Billion Out \$95.98/Class B COAM Per Day 	<ul style="list-style-type: none"> Over \$3 Billion In \$2.1 Billion Out \$102.10/Class B COAM Per Day
GEORGIA LOTTERY REVENUES				
<ul style="list-style-type: none"> \$9.5 Million Licensing & Decals \$1.4 Million Fines & Fees \$35.9 Million Central Account System @6% 	<ul style="list-style-type: none"> \$9.5 Million Licensing & Decals \$1.2 Million Fines & Fees \$47.2 Million Central Account System @7% \$4.5 Million Auction & Admin 	<ul style="list-style-type: none"> \$10.9 Million Licensing & Decals \$3.9 Million Fines & Fees \$58.8 Million Central Account System @8% \$900,000 Auction & Admin 	<ul style="list-style-type: none"> \$9.3 Million Licensing & Decals \$3.5 Million Fines & Fees \$70.6 Million Central Account System @9% \$73,000 Reprints & Admin 	<ul style="list-style-type: none"> \$11.2 Million Licensing & Decals \$9.3 Million Fines & Fees \$88.4 Million Central Account System @10% \$451,000 Reprints & Admin
\$33.5 Million To Education	\$47.5 Million To Education	\$58.1 Million To Education	\$66 Million To Education	\$91 Million To Education

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Compliance Inspector Districts



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Violation Examples



- Cash Payouts
- Inducements
- 50% Rule
- Violation of the 50-50 Split
- "Straw" Owners
- Illegal prize redemption
- Not keeping business records
- Hand Counts
- Tax Issues
- Not Reporting Sales
- Manipulating meters or game
- Failure to notify of owner/operator change
- No written agreement
- Unlicensed location
- Machines without decals
- Illegal games
- No play responsibly and tip-line signage

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Infractions and Penalties



Infraction	Fine	Other Penalties
No License	Up to \$25,000	Loss of all licenses
False Entry on Report/Application	Up to \$25,000	Felony
Cash Payout	Up to \$25,000	Misdemeanor/Felony
Inducements/Enticements	Up to \$50,000	Loss of all licenses
No Written Contract	Up to \$50,000	Loss of all licenses
50 Percent Rule	Up to \$50,000	Loss of all licenses
No Immediate Family Interest	No Less \$50,000	Loss of all licenses
Failure to Report Monthly	\$500 to \$1,000	Loss of license

In-house hearing officer levied over \$9 million in fines last year

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How can you get more information about COAMs?



Go to <https://www.gacoam.com>

- Laws, Rules, and Regulations
- COAM Forms
- COAM Communications
- COAM Video
 - English: https://www.youtube.com/watch?v=HNU9y_VyqB8
 - Hindi: <https://www.youtube.com/watch?v=LQTTJ1DcUFM>
 - Spanish: https://www.youtube.com/watch?v=E_cOo1RAagU

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