



WELCOME TO THE OREGON LOTTERY



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OUR MISSION

“To operate a lottery with the highest standards of integrity and security to earn maximum profits for the people of Oregon commensurate with the public good.”



It Does Good Things®



HISTORY OF THE LOTTERY

1984: <i>Ballot Measure 4</i>	Oregon Lottery voted in to aid economic development
1995: <i>Ballot Measure 21</i>	15% of Oregon Lottery proceeds go to Education Endowment Fund
1997: <i>Ballot Measure 52</i>	Lottery bonds to finance school projects
1998: <i>Ballot Measure 66</i>	15% of Lottery funds go to state parks, watersheds, fish and wildlife
2002: <i>Ballot Measure 19</i>	Conversion of Education Endowment Fund to Education Stability Fund. Increases education support to 18%
2005: <i>HB 3466</i>	Repealed statute dealing with games on sporting events Dedicated 1% for sports programs at public universities
2010: <i>Ballot Measure 76</i>	15% to parks and natural resources made permanent
2016: <i>Ballot Measure 96</i>	1.5% of net proceeds to Oregon Veterans
2016: <i>Ballot Measure 99</i>	Outdoor School Education Fund to receive 4% of net proceeds, not to exceed \$22 million

*profits or net proceeds means the funds left over after payment of prizes and operating expenses (3.1%)



OUR PRODUCT PORTFOLIO

TRADITIONAL GAMES

- Currently there are 1,695 Oregon Lottery retailers offering just these games.
- To play any of these games, players must be at least 18 years old.
- In Fiscal Year 2016, the Lottery's Traditional games had revenues of \$353 million.
- The top three revenue-producing Traditional games were Scratch-its with \$131.6 million, Keno with \$95.8 million and Powerball with \$63.8 million.





OUR PRODUCT PORTFOLIO

VIDEO LOTTERY GAMES

- There are currently 1,766 retail locations offering both Traditional games and Video Lottery games, as well as 480 Video Lottery-only locations.
- Retail locations with Video Lottery games must have an age-restricted area where the games are located and are required to possess an “on premise” OLCC license.
- To play Video Lottery games players must be at least 21 years old.
- There are three types of games offered on a Video Lottery terminal – poker and assorted “line games” and Video Keno.
- In Fiscal Year 2016, Video Lottery games brought in \$876.5 million in revenues.

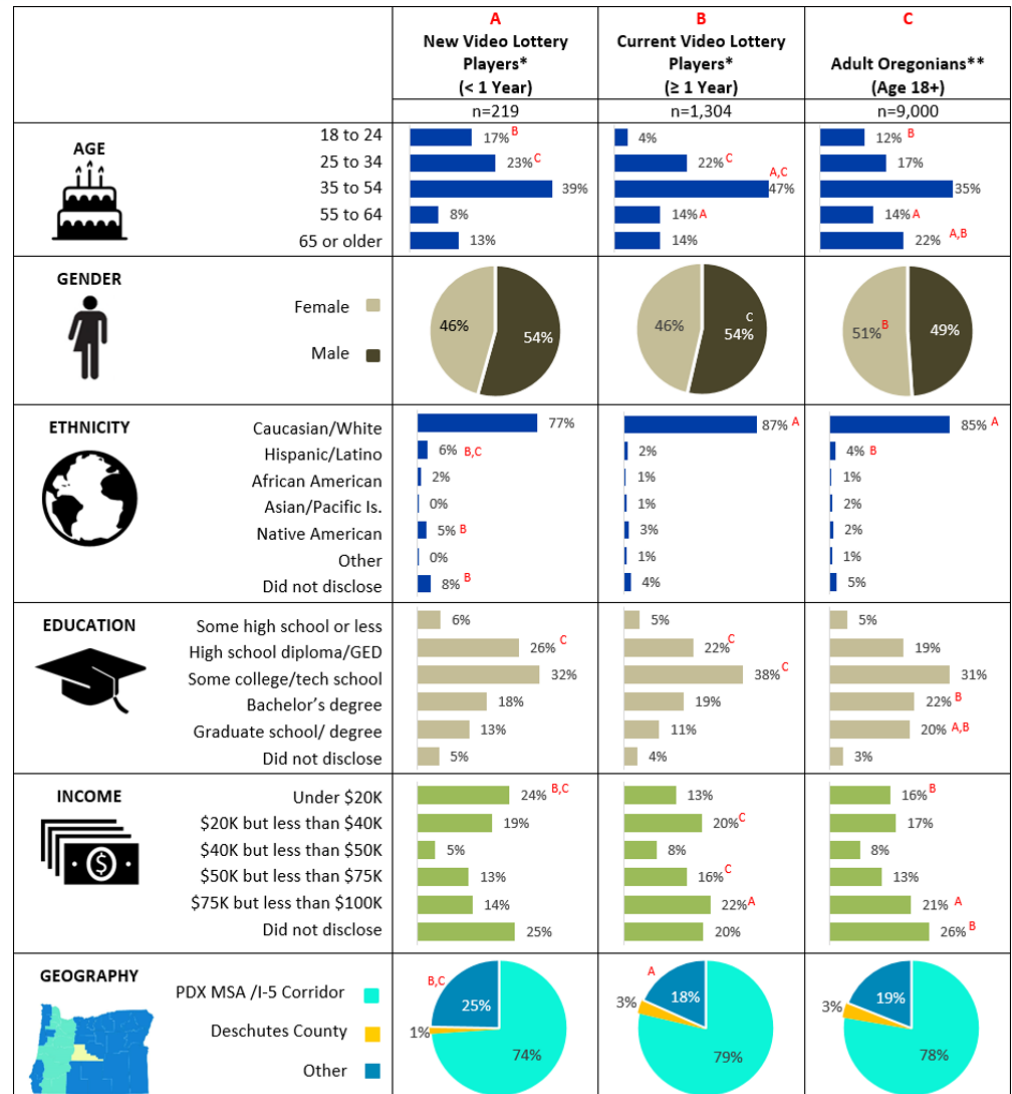


TOTAL NUMBER OF ACTIVE RETAILERS: 3,941



OUR PLAYERS

- Video Lottery players are similar to the general population. The demographic profile of Video Lottery players is generally consistent with the profile of Oregonians aged 18 and above.



A,B,C = Statistically significant at the 95% confidence level

Source: Lottery Behavior and Attitude Tracking Study combined waves May 2011 to May 2015.

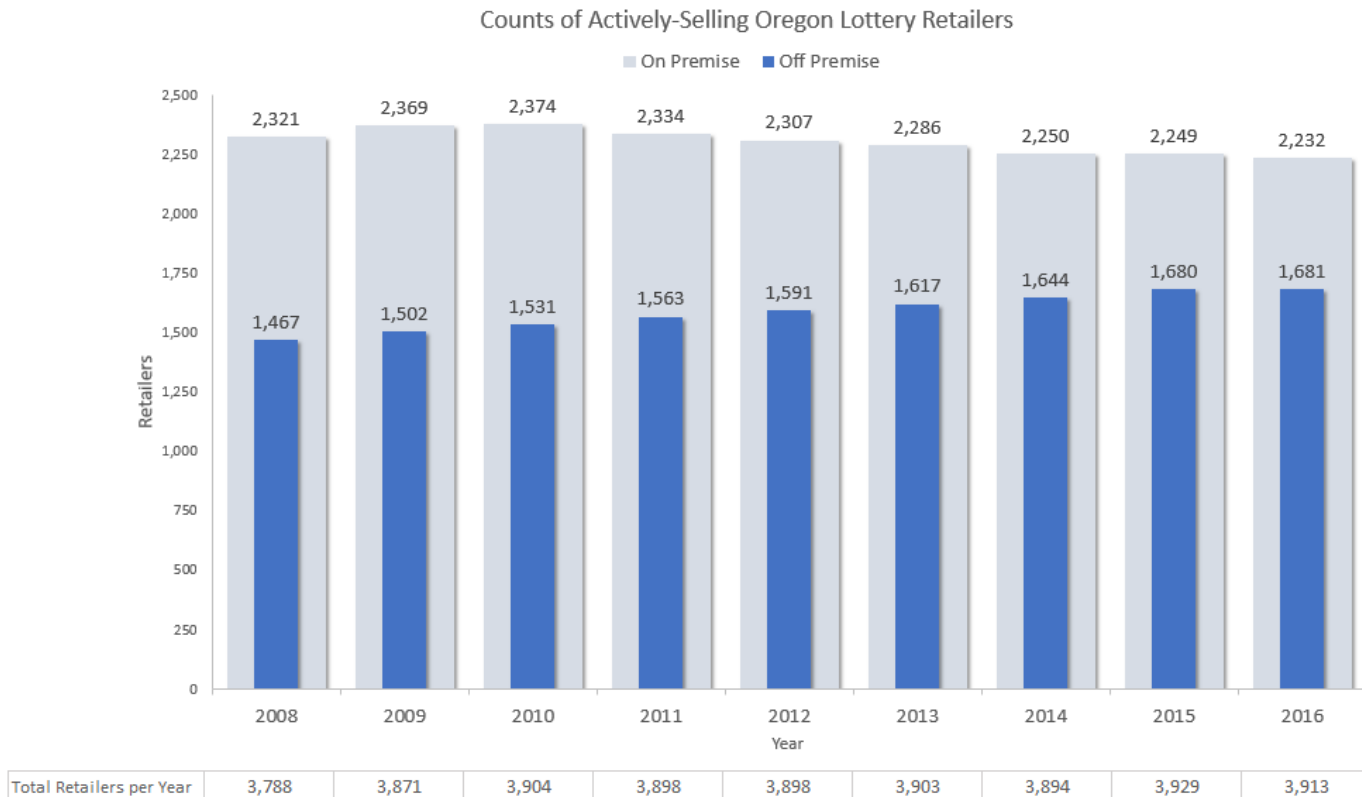
* Includes Video Lottery Oversamples for waves Nov 2013 to May 2015

** General Population sample only



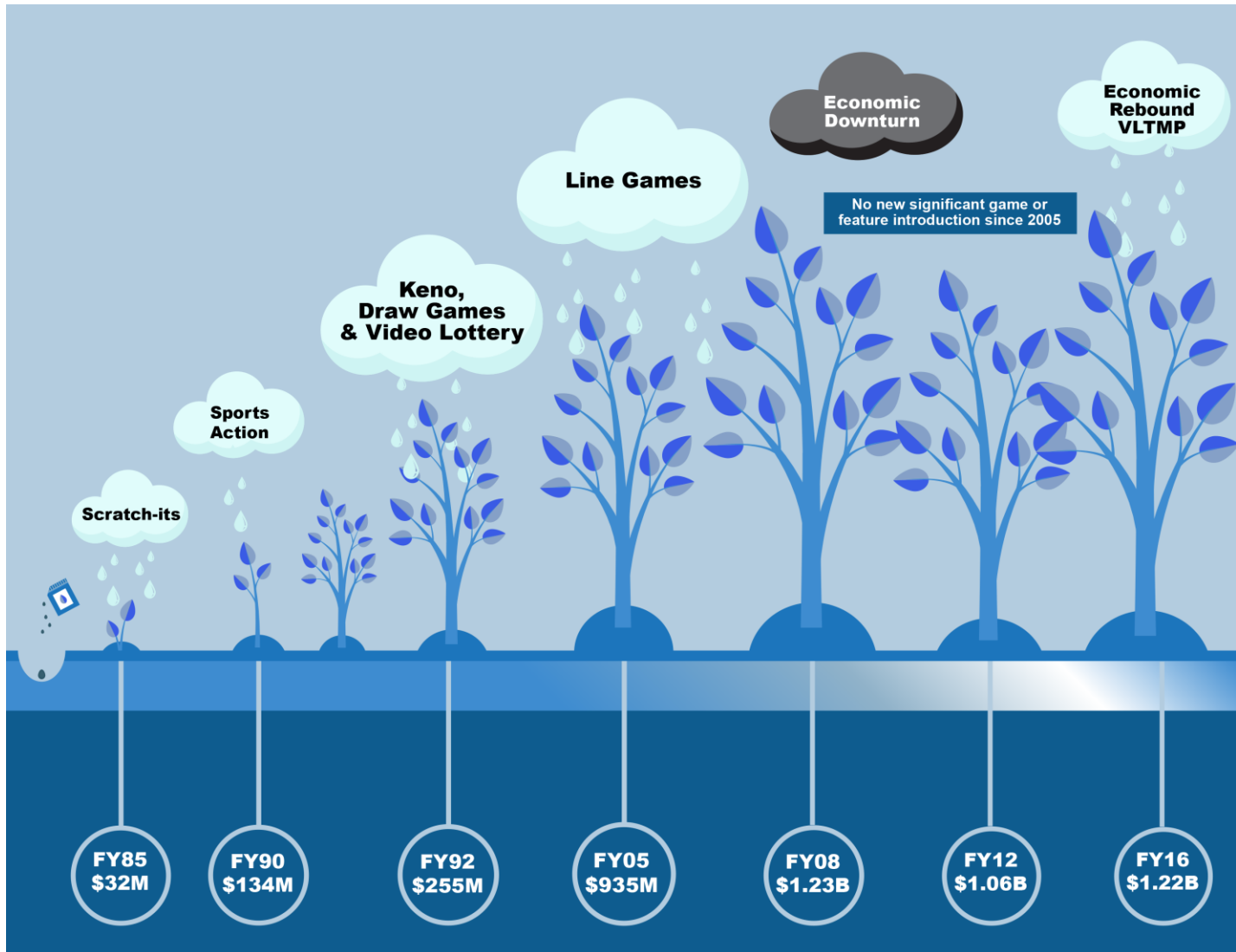
OUR RETAILERS

- 70% of revenue comes from Video Lottery.
- 77% of Video Lottery retailers are located in major metropolitan areas (47% in PDX).



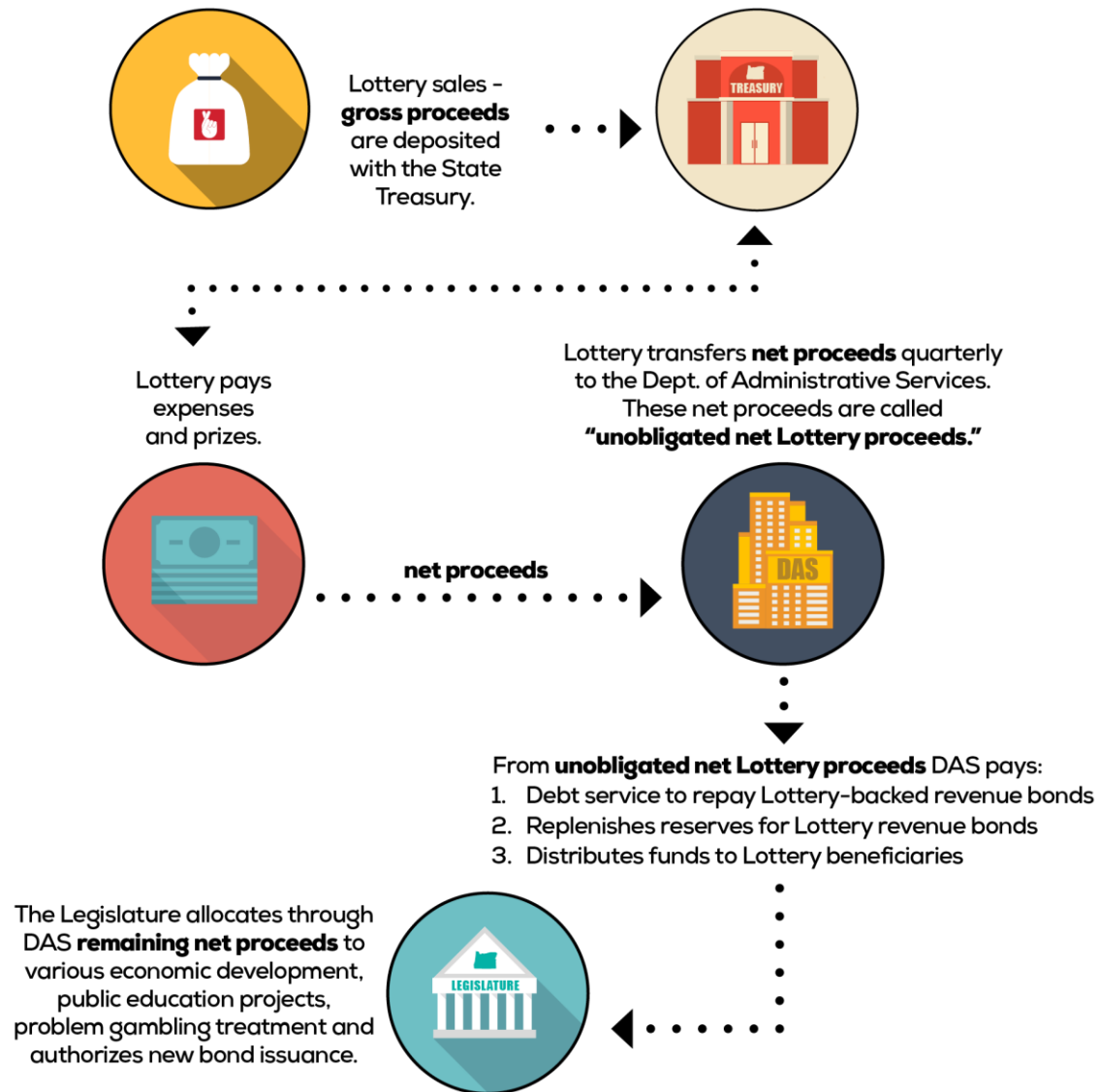


GROWTH AT A GLANCE





WHERE THE MONEY GOES





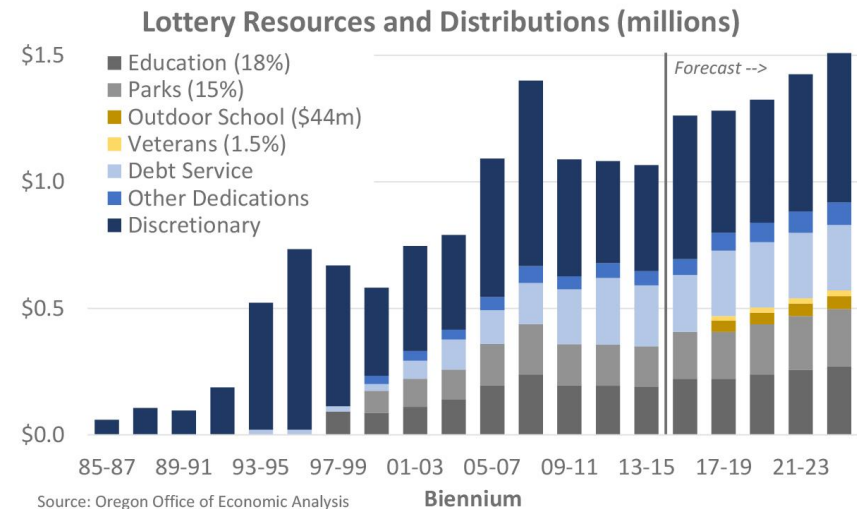
PAST BENEFICIARY ALLOCATIONS

2015-2017 = \$1.2 BILLION

- Education: \$662.2 million
- Economic Development: \$297 million
- Parks & Natural Resources: \$338.8 million
- Gambling Addiction Treatment: \$11.3 million

HISTORICAL TOTALS = \$11 BILLION

- Education: \$6.7 billion
- Economic Development: \$2.9 billion
- Parks & Natural Resources: \$1.2 billion
- Gambling Addiction Treatment: \$92.7 million





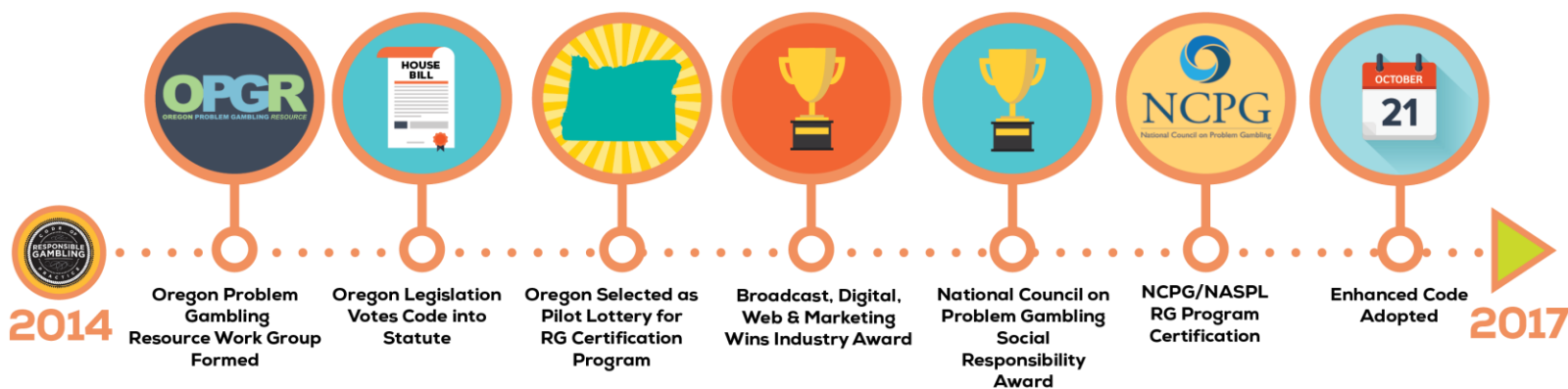
CORPORATE SOCIAL RESPONSIBILITY

Our nationally recognized Responsible Gambling Program promotes healthy gambling behaviors and creates awareness of the availability of the free and effective treatment that Lottery revenues fund.

PLAY RESPONSIBLY



keep your entertainment entertaining



Implementation

Television • Radio • Digital • "Trigger" • Website • Gam Talk
Retailer Training • Employee Training • Multi-Cultural



WHERE WE ARE HEADING

- Modernize our gaming platforms to keep pace with the industry
- Modernize our internal business operations and systems to leverage efficiencies and data
- Build out a robust Corporate Social Responsibility program
- Develop and execute a responsible revenue strategy
- Welcome our two newest beneficiaries: Outdoor Schools and Veterans' Services





VIDEO LOTTERY MODERNIZATION

- Lottery has deployed 7,676 new Video Lottery terminals
- 10,039 out of 11,906 terminals in retail locations today are ready to convert to G2S*
- Upgraded 88% of retailers to the wide-area network
- Moved 8% to a cellular network
- Successfully converted to new operating system September, 2016

**G2S is the protocol that connects the video lottery terminal to the host systems.*





MARKET PRESSURES: COMPETITION WITH TRIBAL CASINOS IN OR & WA

Competition with tribal casinos increasing

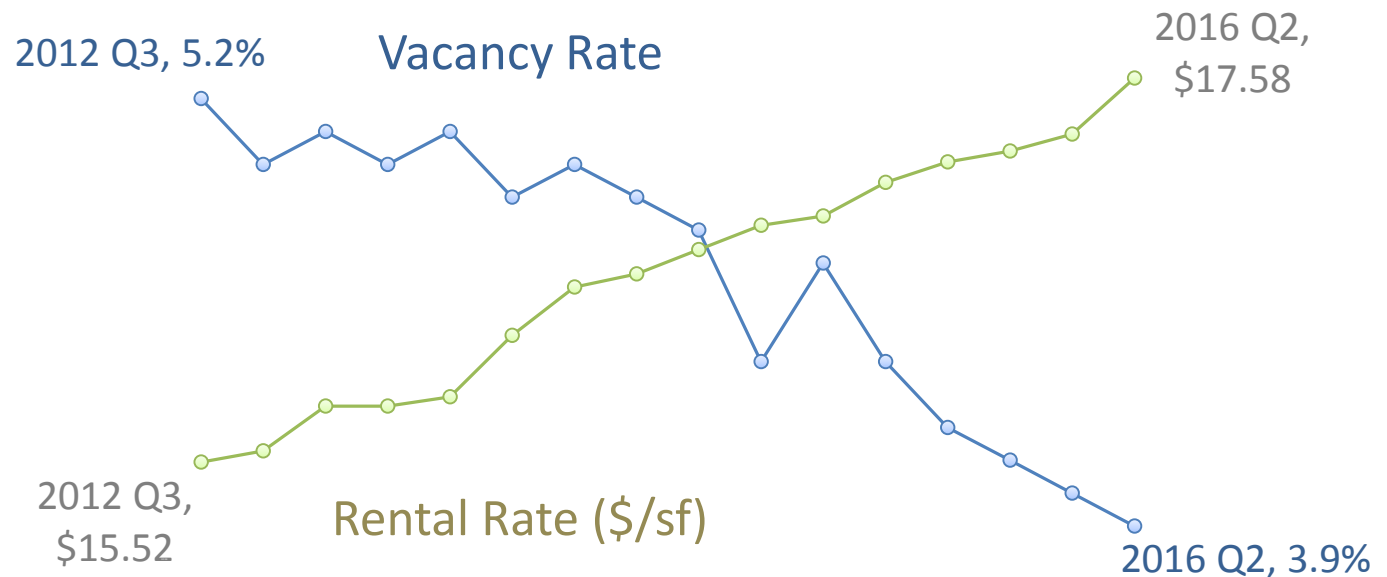
- Ilani Resort in LaCenter opening Spring, 2017
Forecast \$110 million/year reduction (\$72 million in transfers)
- Proposed Coquille gaming center in Jackson County
- Potential redevelopment by Grand Ronde in Wood Village
- Renewed interest by private developers for a private casino





MARKET PRESSURES: COMMERCIAL REAL ESTATE PRICES

- Commercial real-estate pressures are driving out retailers, contributing to a shrinking retailer base, particularly in Portland





MARKET PRESSURES: GAMING IN OR MAY BE NEARING SATURATION

- An analysis of the U.S. casino industry conducted by Nathan Associates, Inc.¹ states that many local and regional markets have shown flat or declining gaming revenue.
- The Oregon gaming market meets or exceeds the saturation thresholds identified by Nathan Associates, Inc.

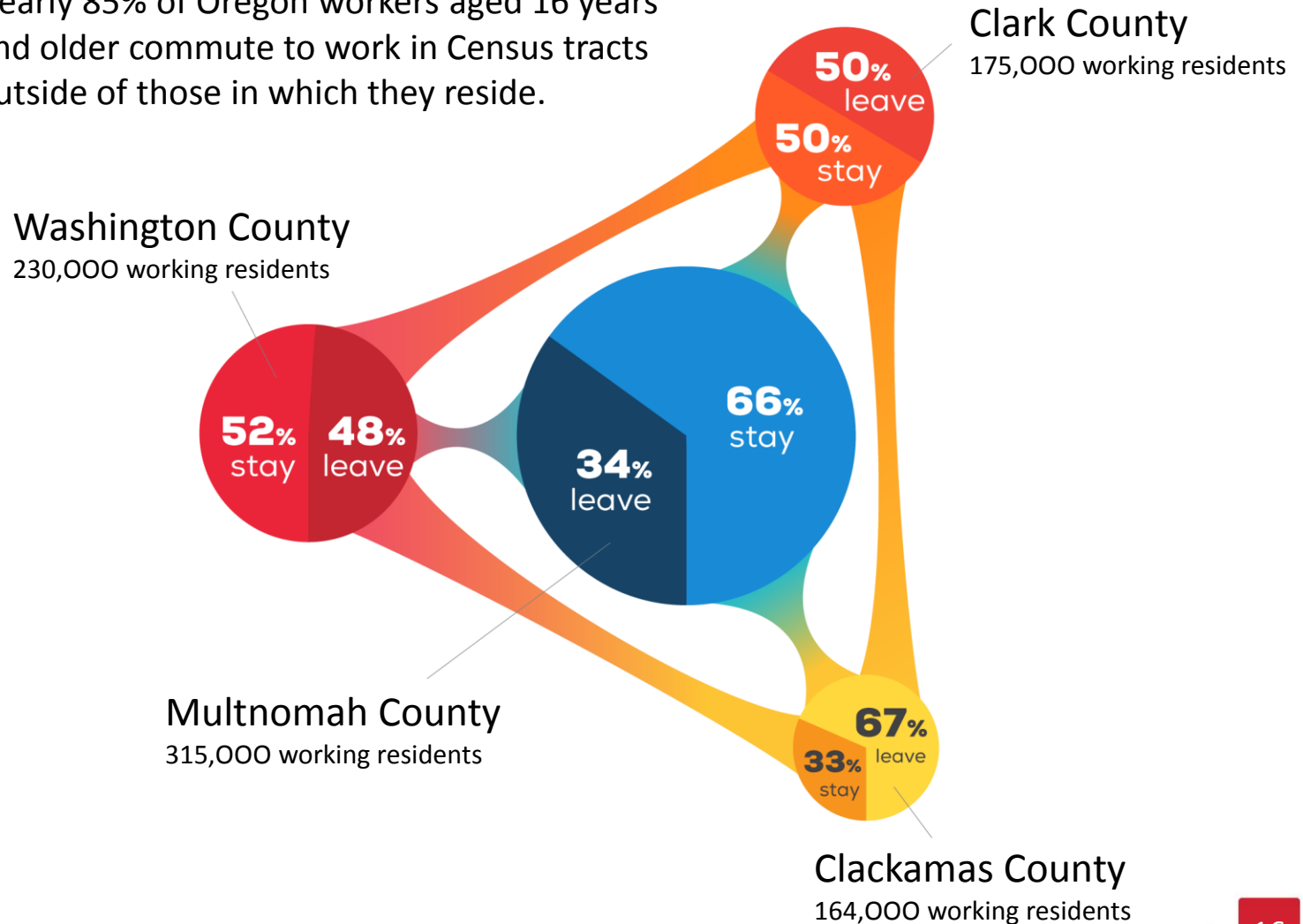
	Oregon Lottery	All Oregon Gaming	Saturation Level
Gaming Machines per 1,000 Adults (21+)	4.1	6.9	6 to 7
Gaming Machines per \$1 Billion in Disposable Personal Income	79.4	133.6	100.0
Gross Gaming Revenue per Capita (21+)	\$425.29	\$632.04	\$500.00
Gross Gaming Revenue as a Ratio of Disposable Personal Income	0.8%	1.2%	0.8%
Win per machine per day	\$200.54	N/A	\$200.00

¹Meister, A. (2016). An Empirical Framework for Assessing Market Saturation in the U.S. Casino Industry. *Gaming Law Review and Economics*, Vol. 20, Issue 5.



VIDEO LOTTERY PLAYERS DON'T NECESSARILY PLAY WHERE THEY LIVE

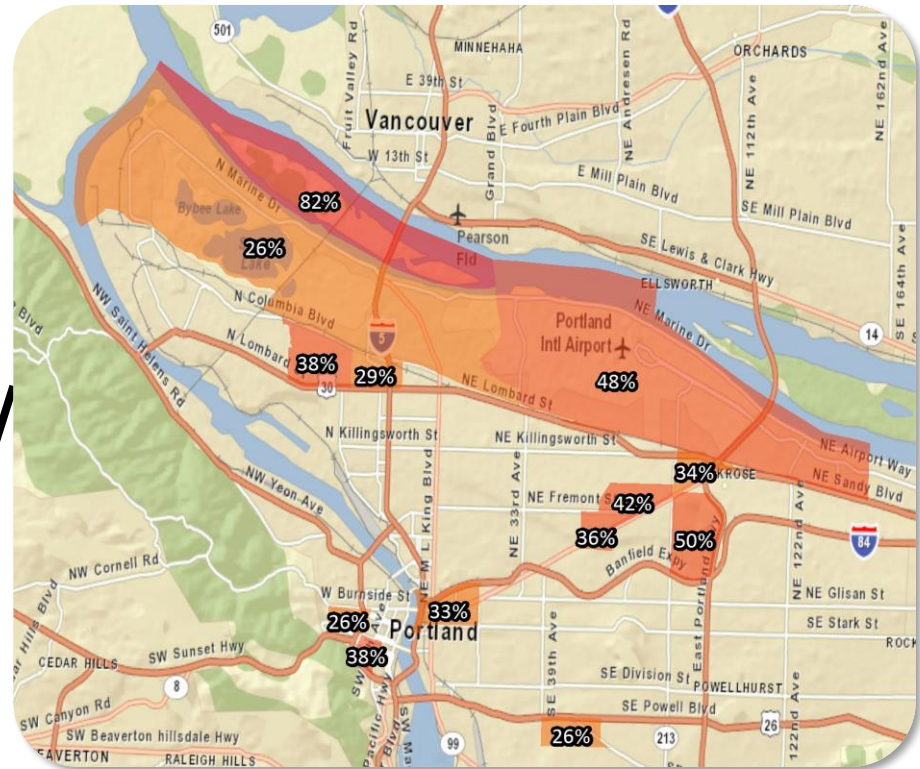
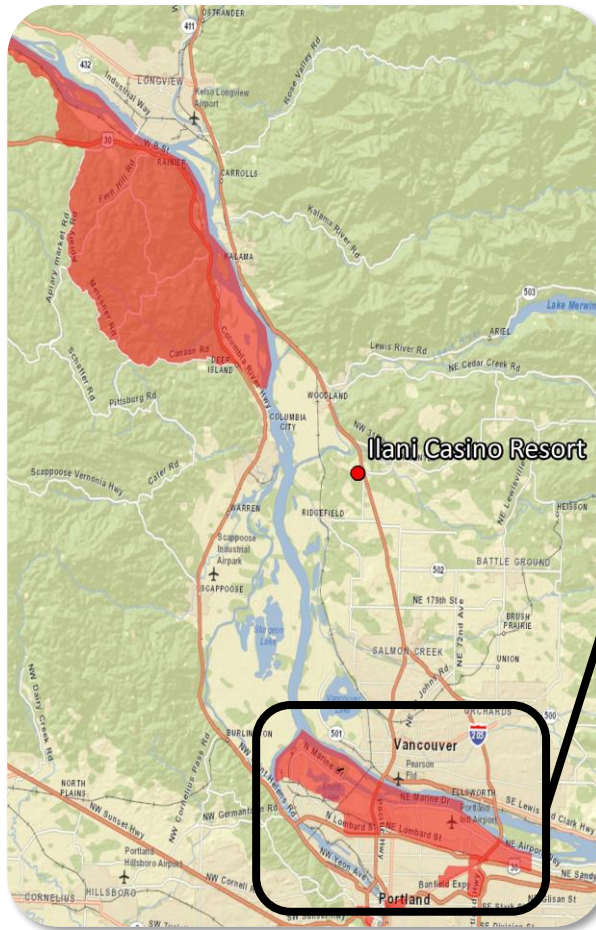
- Nearly 85% of Oregon workers aged 16 years and older commute to work in Census tracts outside of those in which they reside.





IN FACT, MANY PLAYERS IN THE PORTLAND AREA ARE WASHINGTONIANS

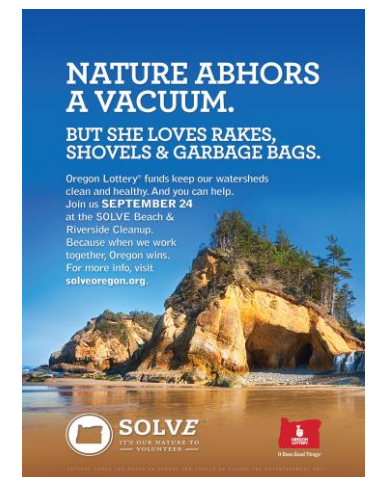
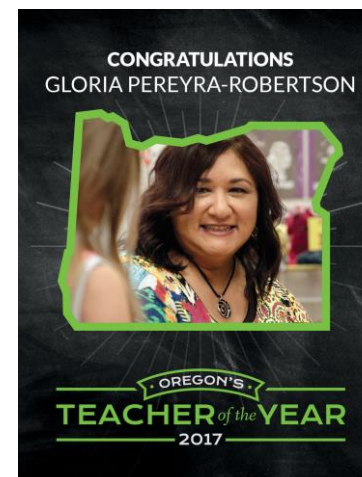
- Areas shaded red have 25% or more of their Video Lottery players from Washington.
- Key areas include Portland (north of Columbia Blvd), Portland (along Sandy Blvd), and Rainier (across from Longview).





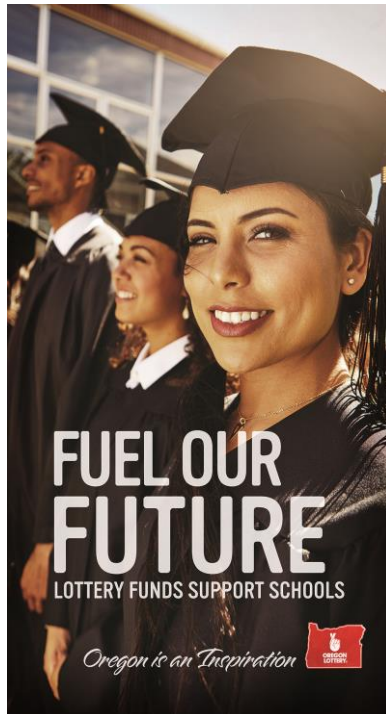
PROMOTING PRODUCTS AND BENEFICIARIES

- Point of purchase promotions
- Sponsorships:
Timbers, Trailblazers, Thorns
- Oregon Wins:
SOLVE, Teacher of the Year





BENEFICIARIES ARE OUR BRAND





BENEFICIARIES ARE OUR BRAND

Oregonians feel positively about the Lottery because Lottery funds support causes they care about

- 65% of adult Oregonians have a positive opinion about the Lottery.
 - Among Oregonians who hold a positive opinion, most (63%) cite Lottery dollars supporting state projects and programs as the reason why.
- When asked to rate how they feel about what Lottery dollars do for Oregon, 72% are positive.
- 91% of adult Oregonians can correctly identify at least one recipient of Lottery dollars. One in three can identify all four. Identification as a Lottery beneficiary is highest for public education:
 - Public education: 74%
 - Problem gambling: 68%
 - State parks/Natural resources: 68%
 - Economic development: 57%



EXAMPLES OF OUR BENEFICIARY ADVERTISING





QUESTIONS

