

The Oregon State Lottery

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Joint Subcommittee on General Government

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Agenda

01 Lottery's Origin and How We Operate

02 Retailer Spotlight

03 Financial Flow of Funds

04 Responsible Gaming

Origin of Lottery

In 1984, voters approve two ballot measures to establish the Oregon State Lottery to fund **job creation** and **economic development** programs.

Measure No. 4 STATE OF OREGON

Submitted to the Electorate of Oregon by Initiative Petition, to be voted on at the General Election, November 6, 1984.

BALLOT TITLE

4 **CONSTITUTIONAL AMENDMENT ESTABLISHES STATE LOTTERY, COMMISSION; PROFITS FOR ECONOMIC DEVELOPMENT**

QUESTION—Shall a state lottery operated by commission be established, profits to be used to create jobs and further economic development?

EXPLANATION—Constitutional amendment establishes state lottery and lottery commission to operate games other than bingo, parimutuel racing or social games. Profits to be used to create jobs, employment. Requires 50% of proceeds to fund initial costs, repaid and other constitutional initiative(s) pass, only measure with most votes

YES

NO

FINANCIAL EFFECT—Passage of the integrity, security and integrity, security Commission shall provided by law.

The Governor by the Senate who Director shall be operations of a state able for managing appoint and preside Directors as the Directors shall be security, integrity administration of the Assistant Director experience, including and known

The Governor the Director with the Director pursuant to the rule Within 105 days Director and at least public sales of tickets

Measure No. 5 STATE OF OREGON

Submitted to the Electorate of Oregon by Initiative Petition, to be voted on at the General Election, November 6, 1984.

BALLOT TITLE

5 **STATUTORY PROVISIONS FOR STATE OPERATED LOTTERY IF CONSTITUTIONALLY AUTHORIZED**

QUESTION—Shall legislation be enacted to regulate state lottery, establish qualifications for commission, director, retailers, vendors and contractors, if constitutionally authorized?

YES

NO

EXPLANATION—Measure regulating and providing for state operated lottery becomes effective if separate constitutional amendment passes. CONTAINS MANY DETAILS NOT MENTIONED HERE. Requires legislature to lend \$1,800,000 to fund initial costs, repaid

Lottery's Mission

“

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

A Partnership

Lottery raises money by selling tickets or shares in Lottery games, according to **Commission** and **Governor** policy directives, and within constitutional and statutory guidelines.

Lottery Commissioners, and the Director, are appointed by the **Governor**, confirmed by the **Senate**.

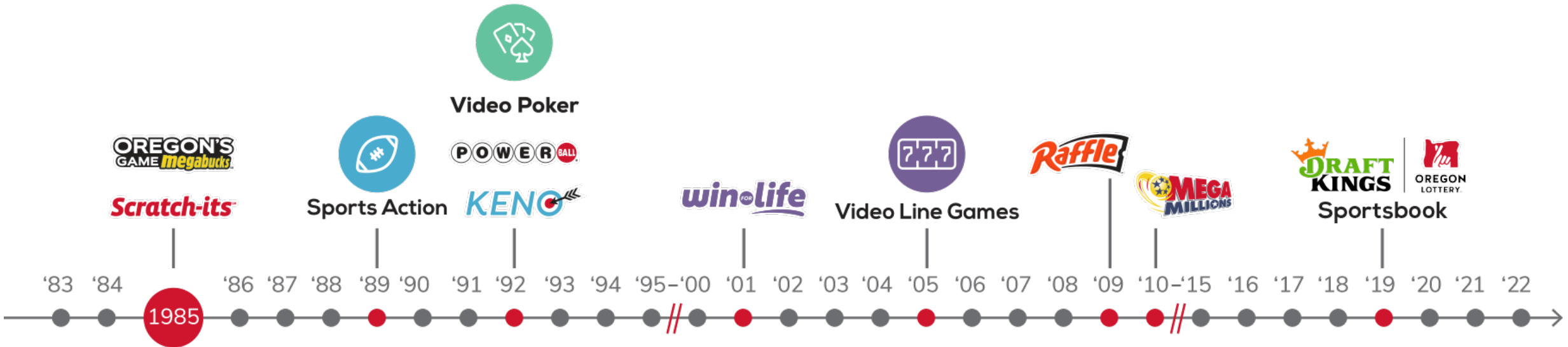
The **Commission** oversees Lottery policy and budget - approves games, rules, budget, and major procurements.

The **Legislature** appropriates Lottery revenue, approves bond sales and projects, and sets gambling policy.

Businesses around the state sell Lottery games.



Lottery Game Portfolio Evolution



Retail Partners

Overview of Retail Sales

Retailer Requirements & Types

Geographic Distribution

Video Lottery Ecosystem



Retail Sales

- ~ **3,800 Businesses** contract with Lottery to sell games.
 - Bars, restaurants, taverns
 - Delis, small cafes, and eateries
 - Grocery stores, gas stations, and convenience stores
 - Large multi-state retail chains
- Lottery retailers are the **primary sales channel**.
- Responsible for more than **\$1.6 billion** in sales BY22.
- More than **\$310 million in commissions** in BY22.
- Sell Video Lottery, Keno, Scratch-It, and draw games.





Application Considerations

- Financial Responsibility
- Background, Character, Integrity
- Compliance History
- Criminal History
- Accessibility and Security of the Premises
- Sufficiency of Existing Retailers
- Not Exclusively in the Business of Selling Lottery Products
- Business Viability Considerations

Retailer Types

Traditional Lottery

- Draw games, Scratch-its, Keno
- Convenience stores, gas stations, grocery stores, bars, restaurants, etc.
- Earn 8% on sales plus bonuses
- 3,266 Traditional Lottery Retailers*

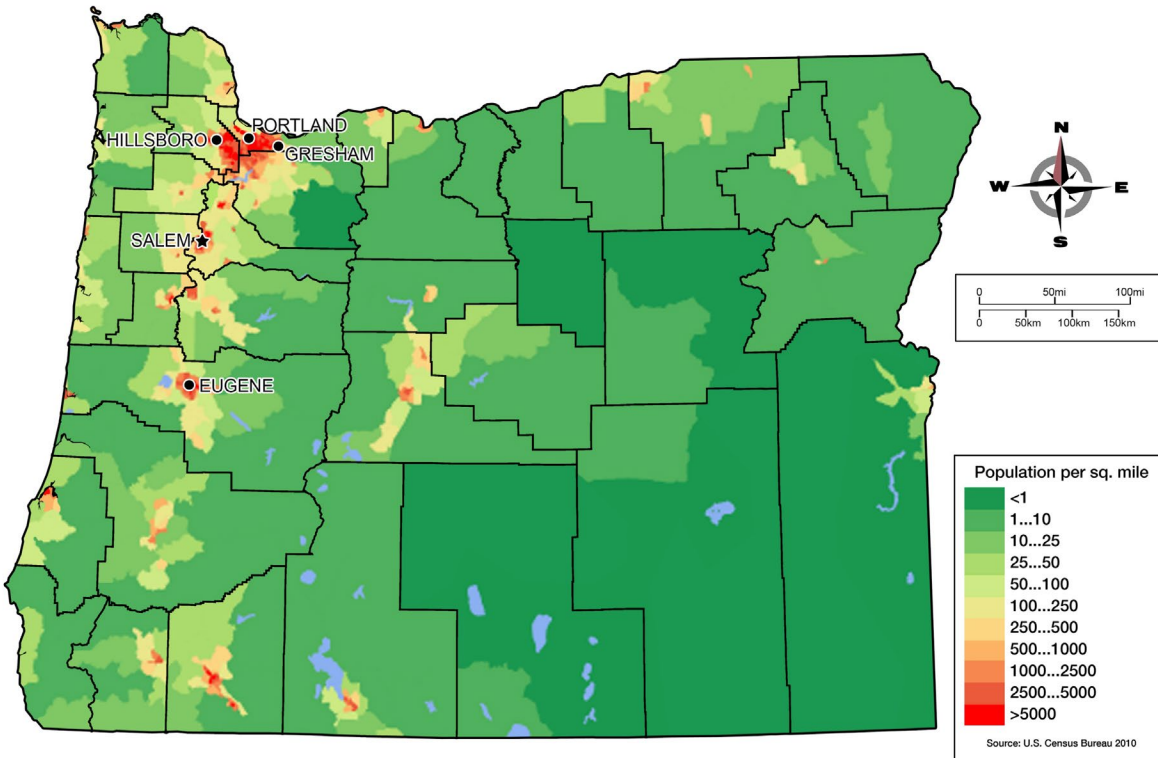
Video Lottery

- Video Lottery/VLTs
- Bars, restaurants, taverns, delis, etc.
- OLCC license required
- VLTs in area closed to minors
- Open and operating requirements
- 3 VLTs to start (limited to 6 by state law)
- Tiered Commission Structure (1.34% - 2.20%)
- 2,079 Video Lottery Retailers*
- 10,846 VLTs

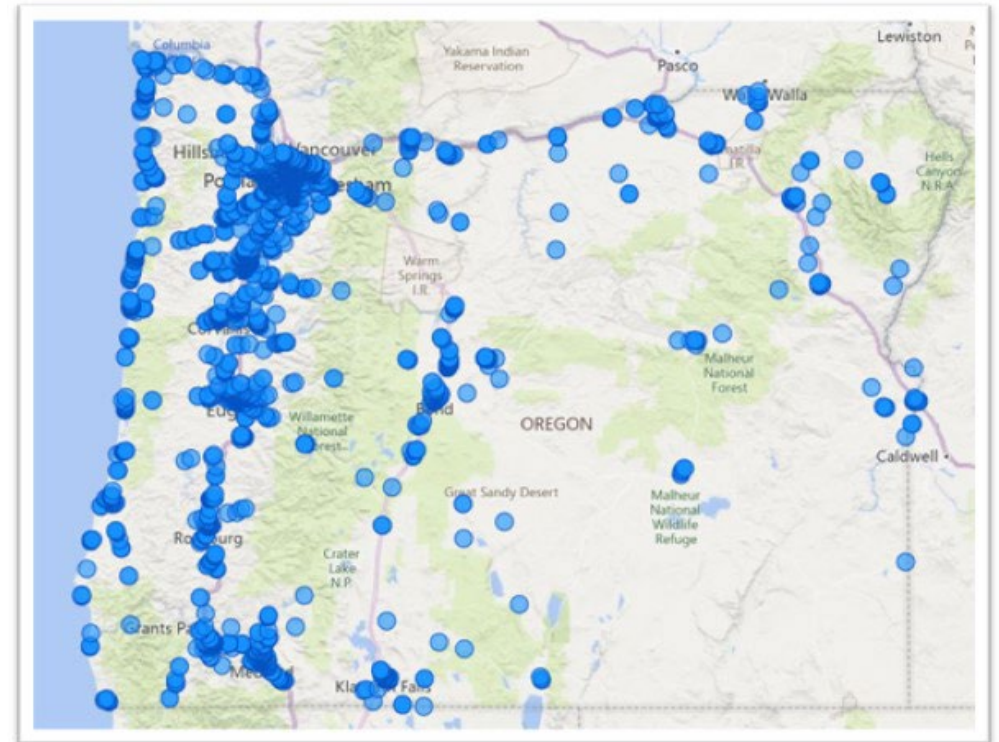
*Traditional Only: 1,710
Traditional & Video: 1,556
Video Only: 523

Map of Retailers

Oregon's Population Density



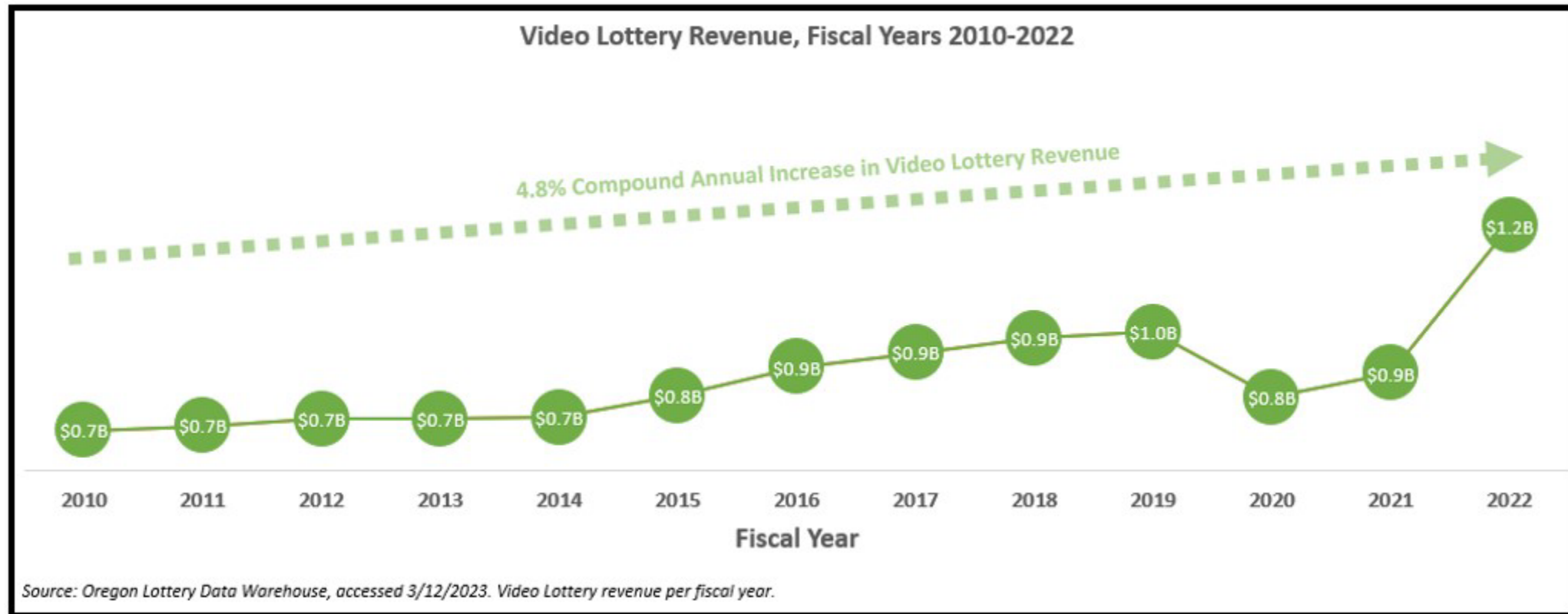
Oregon's Lottery Retailers



Video Retailers Over Time



Video Revenue Over Time





Video Lottery Ecosystem

- Pandemic closures resulted ~\$500 million loss in lottery revenue
- Behind in funding Video Lottery Terminal replacements
- Led to a 'pause' in new applications being accepted to reevaluate the entire ecosystem
- Lottery plans to lift the 'pause' on July 1st and adopt other changes:
 - Dedicated funding for VLT replacements
 - More efficient placement of VLTs among retailers
 - New contract application process and requirements

Lottery Financial Process

Overview of Lottery's Funding Model

Visual Flow of Funds

Sales

Transfer

Where the Money Goes





Funding Model

Lottery is an **enterprise fund** that is **100% self-funded**. The **Lottery cannot borrow money**, nor may the legislature appropriate money to the Lottery.

The **Lottery Commission approves the Lottery's budget and strategic plan** to meet or exceed expected transfers.

The **Commission must ensure sufficient capital to operate the Lottery** and meet revenue expectations.

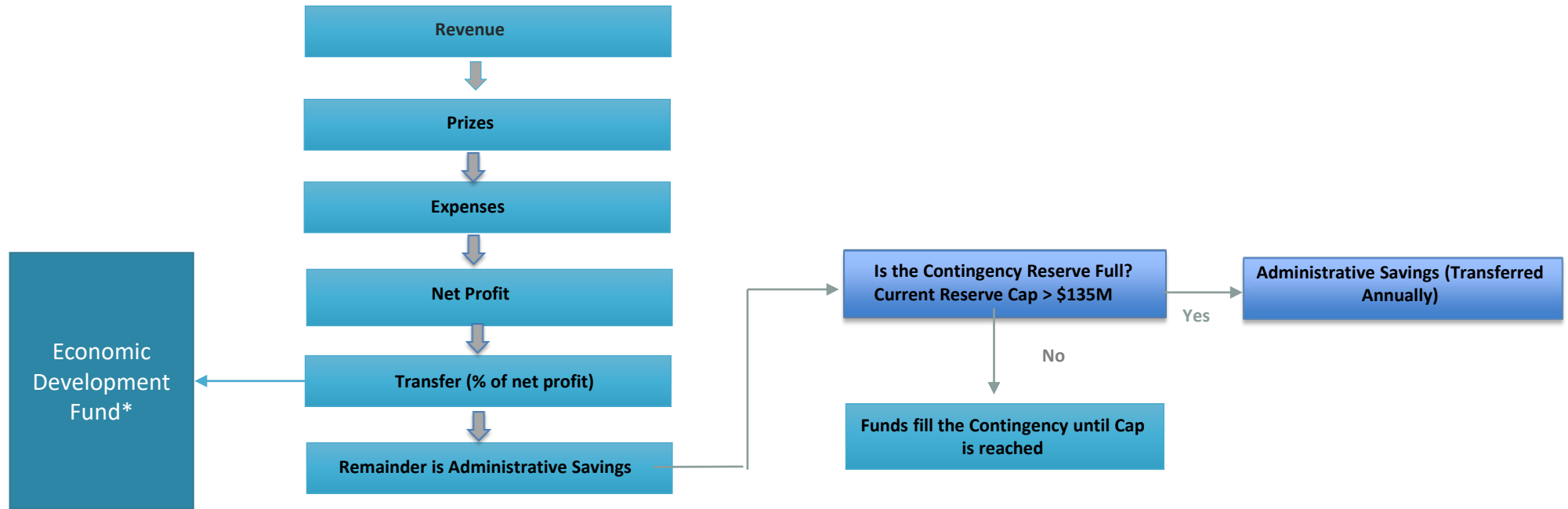
The Commission sets a “cap” level for the **Contingency Reserve Fund**, currently at \$135 million. This fund must cover **capital investments and anticipated transfers** in the event of a sales shortfall.

Lottery is **obligated to transfer a portion of Net Profits** (determined by a calculation) to the **Economic Development Fund (EDF)** which are then distributed by the fund for public purposes allowed in law.

Lottery financials are **audited annually** by the Secretary of State Audits Division.

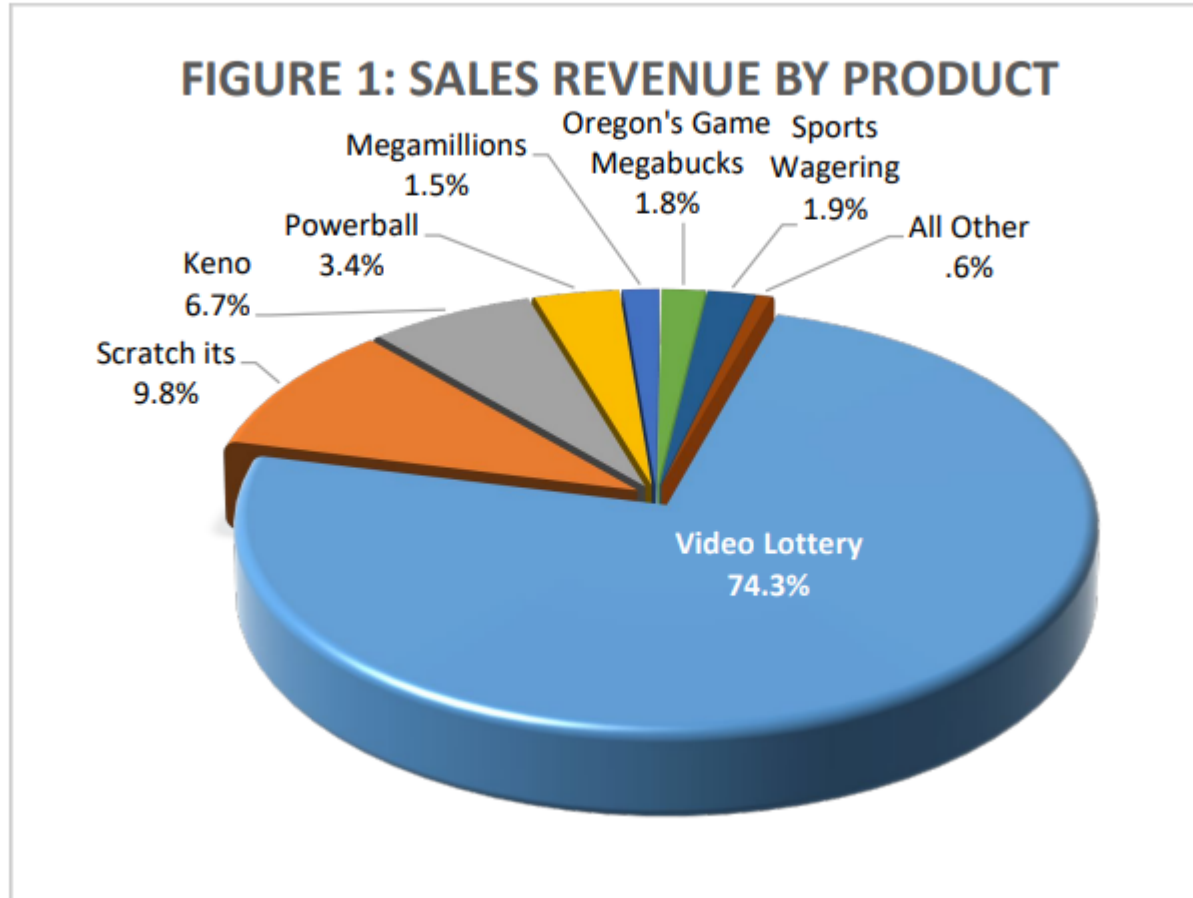
Annual Comprehensive Financial Report Fiscal Year 2022 <https://www.oregonlottery.org/wp-content/uploads/2023/01/FY-2022-Oregon-Lottery-ACFR-Final.pdf>

Visual Flow of Funds



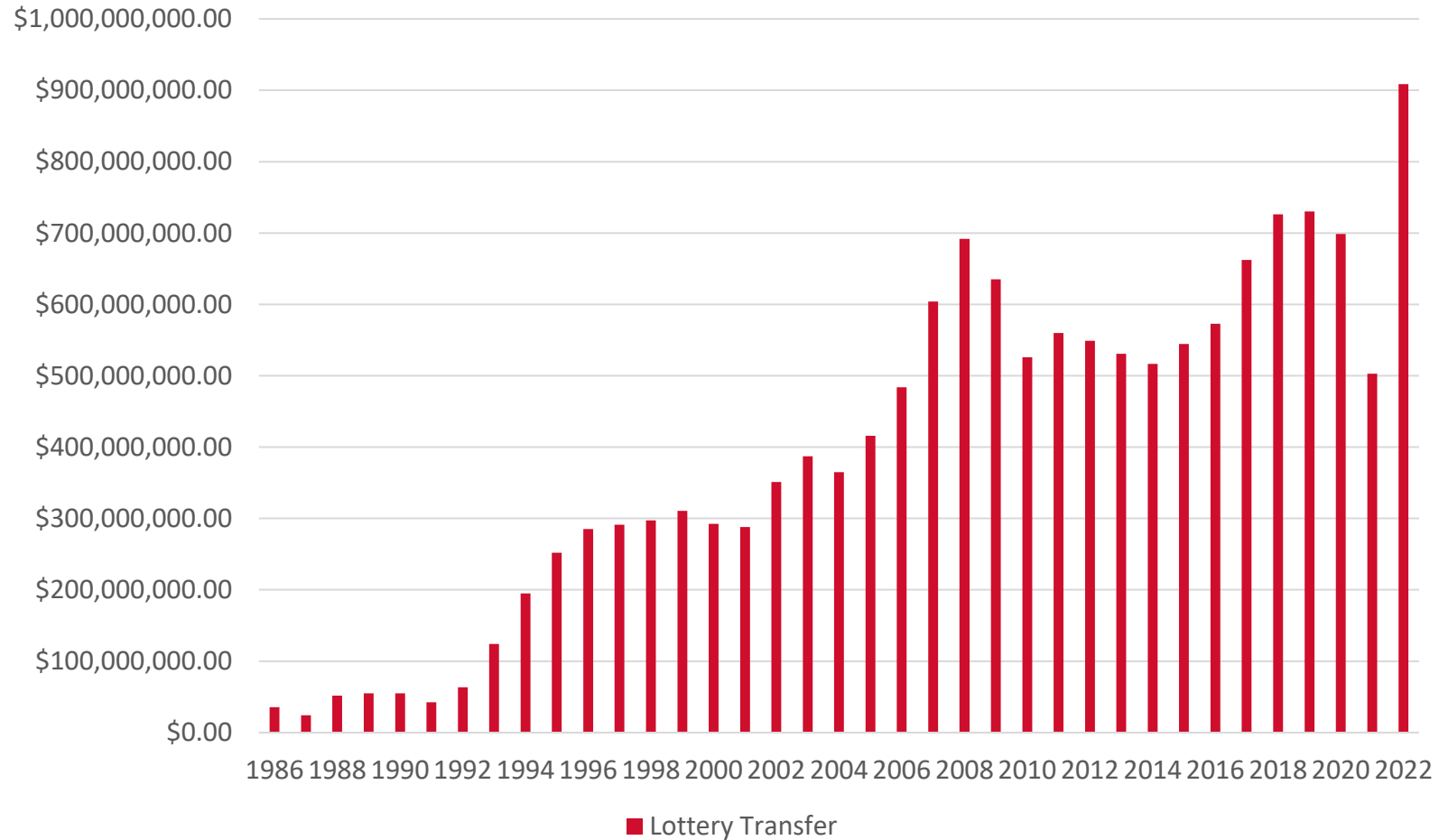
*Expected EDF transfer for 2023-25 is ~\$1.8 billion.

Sales by Game



Source: Lottery FY22 CAFR <https://www.oregonlottery.org/wp-content/uploads/2023/01/FY-2022-Oregon-Lottery-ACFR-Final.pdf>

Annual Transfers to Economic Development Fund



Source: Oregon Lottery Record of Transfers to the Economic Development Fund 1986-2022

Lottery Revenue Forecast (in millions)

	2021-23	2023-25
Traditional Lottery	\$188.725	\$161.992
Video Lottery	\$1,596.917	\$1,620.009
Sports Betting	\$32.716	\$33.154
	\$1,818.358	\$1,815.155

SOURCE: March 2023 Oregon Economic and Revenue Forecast (Table B.9) <https://www.oregon.gov/das/OEA/Documents/appendixb.pdf>



Where Does the Money Go?

Debt Service:

- Must be paid before any other appropriations are made

Constitutional:

- Education Stability Fund (18%)
- Parks and Natural Resources Fund (15%)
- Veterans' Services Fund (1.5%)

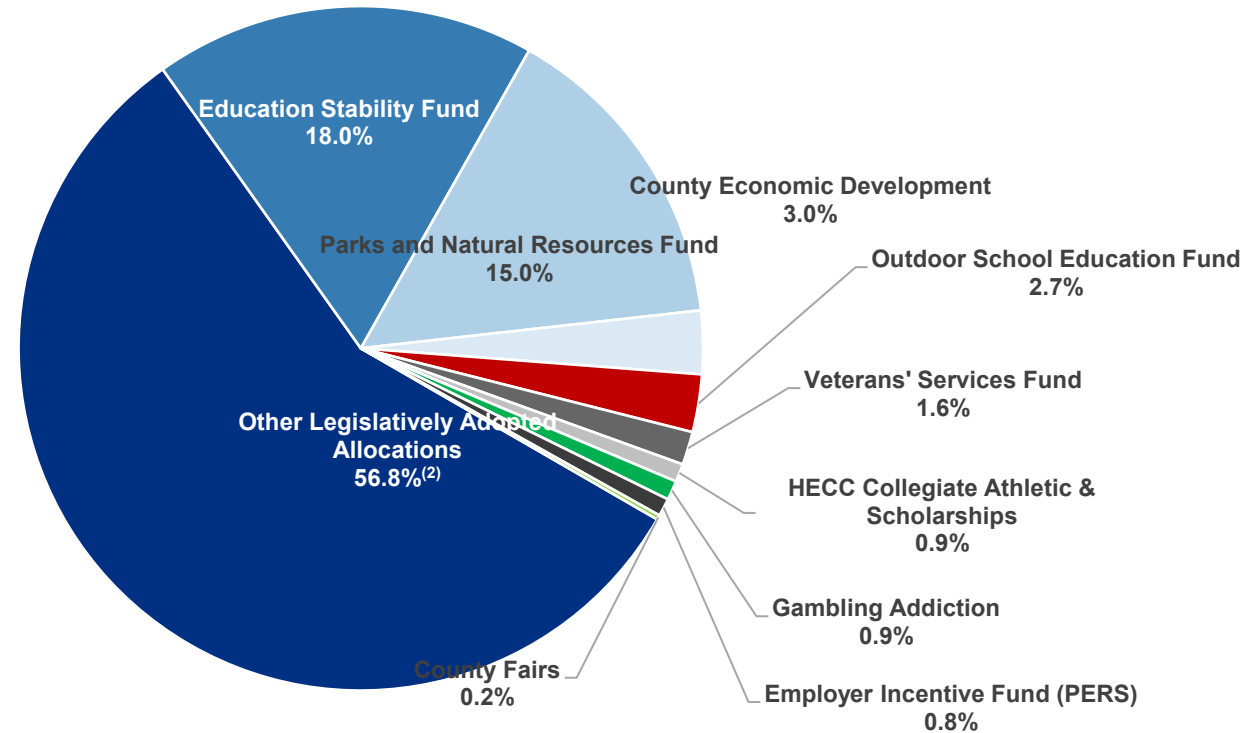
Statutory (with legislative approval):

- Problem Gambling Treatment and Prevention (1%)
- County Economic Development (2.5% of video sales)
- County Fairs (1% but currently capped at \$1.53 million)
- College Athletics (1%)
- Outdoor School (The lesser of 4% or \$5.5 million not to exceed \$22 million)
- Employer Incentive Fund (variable amount of sports betting revenue)

Other Legislative Allocations:

- Legislature may allocate remaining funds (subject to constitutional purposes)

Use of Lottery Resources 21-23 Forecast



Source: Oregon Office of Economic Analysis March 2023 Economic Forecast
1. Includes allocations to State School Fund and Other Agency Allocations, Resources also include allocations of prior year balances
2. Includes allocations for debt service

Responsible Gaming

Commitment

Activities

Accountability & Impacts





Devote energy, funding, and resources to have the *most positive impact* on the promotion of safer gaming practices and awareness of resources.

The Responsible Gaming Program is Guided by the *Oregon Lottery RG Code of Practice* and commits Lottery to:

Provide information and tools that help customers **to make informed choices about playing Lottery games** and enable them to enjoy games responsibly

Ensure that players and concerned others know **how to access available resources for gambling issues**, and that free, professional help is available for those seeking treatment resources.

Engage in ongoing review and improvement. **Measure & report** performance. Develop new practices in response to emerging **research, evolutions in technology, emerging market trends**, and new game introductions.

Promote a shared sense of responsibility with our retail partners, **engage with the Responsible Gaming community**. Ensure **cultural relevancy and diversity** are considered in the implementation of the code, demonstrate a **commitment to the communities in which we operate**.




Responsible Gaming Program: What We Focus On



Guided by the [Code of Practice](#) we focus on:

1. Investment in Research
2. Employee Engagement
3. Stakeholder Engagement
4. Retailer Engagement
5. Retail Gaming
6. Online Gaming
7. Player Education
8. Treatment & Referrals
9. Advertising and Promotion

Current Key Initiatives

<p>SCENARIO ONE</p>  <p>How Scratch-it Games Work</p>	<p>SCENARIO TWO</p>  <p>Video Lottery Risky Play</p>	<p>SCENARIO THREE</p>  <p>Offering Help and Information</p>
<p>SCENARIO ONE</p> <p>How Scratch-it Games Work</p> <p>Learn how they work and how to talk to players about odds and payouts.</p> <p>Watch Video ▶</p>	<p>SCENARIO TWO</p> <p>Video Lottery Risky Play</p> <p>How to identify risky play and navigate supporting players.</p> <p>Watch Video ▶</p>	<p>SCENARIO THREE</p> <p>Offering Help and Information</p> <p>How to offer information in non-judgmental ways and support responsib...</p> <p>Watch Video ▶</p>

- Research: Founding and recurring investments in the Oregon Council on Problem Gambling (OCPG) Research Center.
- Employee Engagement: Conducted 18 interactive webinars for player and retailer facing staff to offer self-care techniques and scenario based training - we believe taking care of our staff is required to successfully take care of players.
- Retailer Engagement: In addition to annual RG required training for retail staff who sell Lottery games, offered optional advanced training for specific retail types and situations
- Stakeholder Engagement: Elected to Board of Directors for Responsible Gambling Council of Canada – broaden industry insights and connections.

Treatment Referral Advertising & Promotion



The Oregon Lottery plays a vital role in the treatment referral ecosystem. Our partners at the Oregon Health Authority administer the funds and manage the service system, and it is Lottery's role to ensure that players and those affected by problem gambling know about available resources and how to access them

[Link to Oregon Problem Gambling Resources webpage](#)



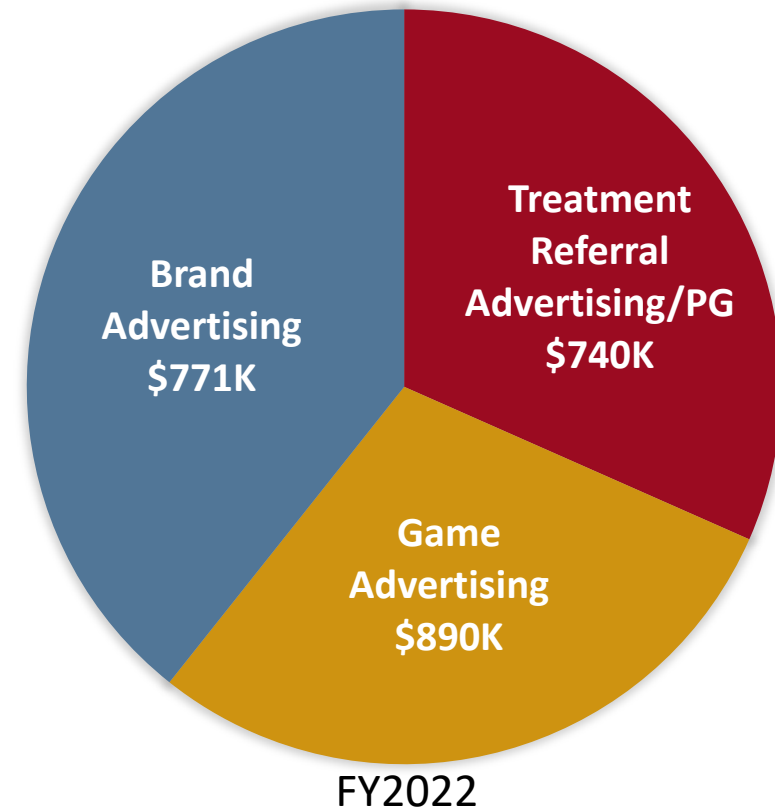
CY2022

1423 - Calls the Helpline

1548 - Find a meeting

Treatment Referral Advertising & Promotion

- The Oregon Lottery has an “always on” digitally focused marketing strategy for promoting Problem Gambling (treatment referral) resources
- Diversity and cultural relevancy are always considered, and 10% of the budget is dedicated to multicultural advertising
- We typically spend similar budget amounts advertising both treatment resources and our games



Accountability & Impacts

- Lottery achieves and maintain relevant, independent industry accreditations and certifications for our responsible gaming program.
 - World Lottery Association (WLA) Level Four- This certification is the highest level of responsible gaming certification recognized internationally.
 - National Council on Problem Gambling (NCPG)/North America State and Provincial Lotteries (NASPL) – Oregon was the in the first cohort to receive the highest-level designation “*Sustaining*” in the program
- Lottery publishes an annual impacts report using a combination of internal monitoring and independent assessments. We report on annual measures and key accomplishments for the year.

120+ Million
Problem Gambling Funding since 1999

\$740,000
Additional Player Education Marketing Outreach spend

21
Times the average Oregonian views RGM messaging

2100
Calls to the helpline

400+
Oregon Lottery Staff Trained Annually

72,565,000
Digital Media Impressions

Thank You



**OREGON
LOTTERY®**

Together, we do good things.