

April 1, 2025

The Honorable Chris Gorsek, Co-Chair
The Honorable Greg Smith, Co-Chair
Members of the Joint Ways and Means Subcommittee on General Government
Oregon Legislature
900 Court St NE
Salem, OR 97301

Co-Chairs and Members of the Committee:

The Oregon State Lottery was invited to present to the Joint Ways & Means Subcommittee on General Government on March 26, 2025. This letter follows up on questions asked during the meeting. Please let us know if you have additional questions or want more information.

1. Senator Anderson and other committee members asked for clarification on what specific policy decisions are the responsibility of the Governor, Legislature, and Commission.

The Lottery and its Commission were established in the state constitution through ballot initiative in 1984. The voters also adopted [ORS chapter 461](#), which are the laws that govern the operations of the Lottery and the Commission. (See ballot measures [4](#) and [5](#) from the November 1984 election.)

Under the state constitution, the Lottery Commission authorizes games and provides policy and budgetary oversight to the Lottery. In that respect, the Lottery is more like a semi-independent agency because Lottery doesn't go through the Ways & Means budget approval process that other state agencies do.

But other than those differences, the Lottery is much like any other state agency in which the Commission, Governor, and Legislature all have a role in regulating Lottery and setting gambling policy in the state.

First, the Commission has certain duties under the state constitution like authorizing games and providing policy and budget oversight to the Lottery.

Second, the Legislature can and has amended Lottery's original governing statutes to provide direction to Lottery. For example, the Legislature authorized video poker and line games but limited the number of Video Lottery Terminals (VLTs) that can be placed in each retail location and set requirements for the type of locations in which VLTs can be placed. See [ORS 461.217](#). For more information on the Legislature's role in regulating Lottery, this [Legislative Counsel opinion](#) may be of interest. It argues that the voters intended that the Legislature would have a role in regulating the Lottery.

Third, the Governor oversees the Lottery as a state agency that is part of the executive branch. Under the state constitution, the Governor appoints the director and commissioners, subject to Senate confirmation, and they serve at her pleasure. As an example of policy direction given to Lottery by the



Governor, both the previous and current governor have prohibited the Lottery Commission from offering new digital games.

2. Co-Chair Gorsek asked what’s the turnover rate on the businesses who sell Lottery products, and how does this affect the waitlist for Video Lottery.

Table 1: Oregon Lottery Retailer Contract Turnover Rate, 2010-2024

Year	Start of Year Active Contracts	End of Year Active Contracts	Average Active Contracts	Number of Inactive Contracts	Turnover Rate
2010	4,204	4,247	4,226	314	7%
2011	4,247	4,198	4,223	349	8%
2012	4,198	4,180	4,189	333	8%
2013	4,180	4,136	4,158	369	9%
2014	4,139	4,149	4,144	283	7%
2015	4,149	4,115	4,132	349	8%
2016	4,116	4,107	4,112	287	7%
2017	4,107	4,129	4,118	280	7%
2018	4,129	4,096	4,113	250	6%
2019	4,096	4,088	4,092	289	7%
2020	4,088	4,014	4,051	274	7%
2021	4,014	3,999	4,007	243	6%
2022	3,999	3,914	3,957	281	7%
2023	3,914	3,883	3,899	247	6%
2024	3,883	3,805	3,844	354	9%

Number of Inactive Contracts: The total number of Oregon Lottery retailer contracts that became inactive during the period.

Average Active Contracts: The average number of active contracts during the same period.

Turnover Rate: Number of Inactive Contracts/Average Active Contracts

Source: Oregon Lottery Data Warehouse, accessed 3/31/2025

Key Insights:

- The turnover rate fluctuates between 6% and 9% over the years.
- The highest turnover rates are observed in 2013 and 2024, both at 9%.
- The lowest turnover rates are seen in 2018 and 2021, both at 6%.
- The number of active contracts at the start and end of each year shows a general decline from 2010 (4,204) to 2024 (3,805).

General Business Stability: The relatively stable turnover rates (mostly between 6% and 9%) indicate a consistent level of active contracts and terminations, suggesting a generally stable business environment for the Oregon Lottery retailers.

External Influences: Significant events like group closures (e.g., the Shari's closure in 2024), the COVID pandemic, or the aftermath of the Great Recession can cause spikes in turnover rates, highlighting the importance of monitoring external factors that may affect contract stability.

Waitlist Implications: The Video Lottery retailer applicant waitlist, established in mid-2022, is a beneficiary of increased turnover rates and Video Lottery terminal (VLT) availability. Oregon Lottery continues to methodically progress through the retailer applicant waitlist, balancing available VLT inventory as well as workload and resource capacity alongside overall VLT inventory utilization. As of February 2025, 95% of the all-time Video Lottery waitlist had been addressed and is continually worked through on a quarterly basis.

3. Co-Chair Smith asked who determines the rate of return (or prize payout percentage) for each game.

The Commission and the Lottery manage the prize payout percentages subject to [ORS 461.500\(2\)](#), which requires that at least 50% of Lottery’s total annual revenue should be returned to the public in the form of prizes.

Each Lottery game has a different rate of return. As discussed at the committee meeting, Video Lottery has a higher rate of return, as this is an industry standard, and having a lower payout rate can reduce player interest in the game. That said, even for Video, the payout rate varies across games or even from wager to wager. We set a target that allows us to be attractive to players and competitive with other locations that offer video-style lottery products but to also earn revenue for the state and our retail partners.

Games other than Video may have a lower average payout rate. For sports betting, we don't have a set payout percentage given the variables in sports betting. To see prize payout percentages for each game for FY 24, see image below.

Co-Chair Smith asked if the Legislature has the authority to set the prize payout in statute. That is a question for Legislative Counsel but probably. As noted in our response to question #1, this [Legislative Counsel opinion](#) states that the Legislature can regulate the Lottery so long as it does not unduly burden Lottery's constitutional mission.

<i>Game Information by Product (Economic Development Earnings report)</i>			
	Total Sales	Total Prizes Won	Avg Prize Payout
Instant	\$159,752,047	\$110,450,889	69.1%
Keno	\$106,957,338	\$74,036,807	69.2%
Lucky Lines	\$1,771,950	\$1,196,412	67.5%
Mega Millions	\$55,896,152	\$27,956,894	50.0%
Megabucks	\$31,061,082	\$15,109,947	48.6%
Pick 4	\$1,975,348	\$1,125,592	57.0%
Powerball	\$95,639,778	\$47,647,997	49.8%
Raffle	\$2,499,630	\$1,300,000	52.0%
DraftKings	\$770,739,199	\$695,622,419	90.3%
Video	\$16,119,825,839	\$14,929,269,334	92.6%
Win For Life	\$5,066,137	\$3,894,477	76.9%
	\$ 17,351,184,500	\$ 15,907,610,768	91.7%

4. In our presentation, we provided a pie chart showing sales by game and transfer by game and Rep. Reschke asked for a pie chart showing the costs associated with each game. For example, if 69% of our revenue is from Video Lottery, are 69% of our costs from Video?

Lottery currently tracks expenses by product line internally and is working to enhance cost accounting so that we will be able to track expense detail by individual product, but that level of detail is not yet available. Percentage of total operating expense (including traditional prizes, consistent with ACFR presentation) by product line were as follows: 45% traditional, 49% video, and 6% sportsbook.

5. Rep. Reschke mentioned the minimum sales floor for Video Lottery and asked if we have a similar sales floor for traditional products.

Yes, Lottery uses the retailer's average sales over the previous weeks to make decisions about adding or removing equipment in retailers who sell traditional Lottery products like draw game tickets, Scratch-It tickets, and Keno. For example, there's a standard equipment allocation for new retailers, but if a

retailer doesn't maintain average sales of \$250 over the previous 52 weeks, they could be subject to having equipment removed. A retailer needs to have higher average weekly sales (~\$1,500) to have additional equipment added to the location, such as the Game Touch terminals, which are self-service, vending machine style terminals. We are currently reviewing these thresholds and will likely increase the sales thresholds to align with current costs of acquiring and maintaining the equipment. We don't, however, terminate retail contracts for low sales performance, for either traditional or Video Lottery retailers.

6. Rep. Gomberg asked for more information about how the money for college athletics is used and what schools it goes to.

Sports Lottery resources are provided to support athletic programs and student scholarships. Statute requires that 88% of all available funding be spent on athletic programs, of which 70% shall be for non-revenue producing sports, 30% for revenue producing sports, and at least 50% for women's athletics. The remaining 12% of funding shall be spent on scholarships, equally split between scholarships based on merit and financial need. The HECC allocates the funding to the universities based on amounts provided in the budget report. The methodology has changed over time, but for the last three biennia it has been 17.3% of the total to EOU, OIT, SOU, and WOU; 16.2% to PSU; and 7.3% to OSU and UO.

The 2023-25 distributions were:

Sports Lottery 2023-25	
EOU	3,172,762
OIT	3,172,762
OSU	1,339,014
PSU	2,960,867
SOU	3,172,762
UO	1,339,014
WOU	3,172,762
Total	18,329,943

See also [Budget Report for HB 5029A](#) and [ORS 461.543](#).

7. Co-Chair Smith asked if we know the level of addiction for each game. Also, are treatment dollars targeted appropriately to the most addictive games?

Data suggests that video/slot style games are the highest risk. Therefore, we focus our responsible gambling/safer play outreach, tools, and messaging to video players. We have also funded a research study that will be published soon that will have more information on prevalence of problem gambling behaviors associated with different games.

As discussed at the committee meeting, the Legislature allocates 1% of Lottery revenue to the Oregon Health Authority Problem Gambling and Addiction Fund. For context, in the 23-25 biennium, this was \$18.473 million. (See [Table B.9 in Appendix B](#) to the March 2023 Revenue Forecast.)

To the question of whether our treatment dollars are targeted toward the most addictive game types, we think the answer is yes. OHA reports that the primary gambling activities reported by people seeking treatment services is Video Poker (46%) followed by line games (23%) and slot machines (19%). In that respect, we could say that services are in line with the most addictive game. That said, OHA aims to serve anyone with any type of gambling behaviors and any severity.

For more information about OHA's Problem Gambling Program, [click here](#) to view their presentation to the House Committee on Gambling Regulation in 2023 or contact Greta Coe, Problem Gambling Services Manager, at greta.l.coe@oha.oregon.gov

In closing, thanks to the committee members for your interest in the Lottery and your engagement during our presentation. If you have questions or want more information, please contact me at 503-540-1181 or at kris.skaro@lottery.oregon.gov.

Sincerely,

Kris Skaro

Kris Skaro
Oregon State Lottery