

SECTION L - LOTTERY

History

The Oregon State Lottery and the five-member State Lottery Commission were created by an initiative petition in 1984. Commission members are appointed by the governor and charged to produce the maximum amount of net revenue to benefit the public purposes listed in the Constitution.

The Lottery currently offers nine games through a little over 3,800 retailers, and online sports betting through DraftKings. Adults (age 18 and over) can play traditional lottery games (i.e., Scratch-its, Powerball, etc.). Video Lottery (poker and line games) is played on nearly 11,000 terminals in approximately 2,150 premises that contract with the Lottery. People aged 21 or older can play Video Lottery and participate in sports betting.

The Constitution specifies that at least 84% of the total annual revenues from the sale of all lottery tickets or shares be returned to the public in the form of prizes and net revenues benefiting public purpose. The Constitution originally dedicated net lottery proceeds to creating jobs and furthering economic development. Dedication of net lottery proceeds has been expanded over the past 20 years by several ballot measures and legislation.

Measure 21 in May 1995 expanded the scope of using net proceeds to include financing public education. It also gave lottery bonds first claim on lottery proceeds and dedicated 15% of net proceeds to the Education Endowment Fund.

Measure 66 in November 1998 further expanded the use to include restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats. It required that 15% of net proceeds be deposited to the Parks and Natural Resources Fund, with 50% dedicated to parks and recreation areas and 50% to fish and wildlife habitats.

Measure 19 in September 2002 transferred \$150 million of the Education Endowment Fund to the State School Fund, converted the fund to an education stability fund. It required 18% of net lottery proceeds be deposited to this fund. If the fund balance reaches 5% of the prior biennium's General Fund revenue, further deposits to the fund stops and 15% of the net proceeds accrue to a school capital matching fund.

The 2005 legislature (HB 3466) repealed lottery games on sporting events starting in July 2007. The same bill also dedicated 1% of lottery proceeds to fund sports programs at Oregon universities.

SB 1049 of the 2019 legislature has brought back sports betting games and dedicated the net proceeds of these games to the Public Employees Retirement System's (PERS) Employer Incentive Fund established by SB 1566 in the 2018 legislature. Sports betting revenue in the Employer Incentive Fund will be used to fund the state's 25% match to a participating employer contribution.

Measure 76 in November 2010 made the 15% dedication to parks and natural resources permanent and allocated a minimum of 12% of the parks and recreation areas portion to local and regional grants.

Measure 96 in November 2016 created the Veterans' Services Fund and dedicated 1.5% of net proceeds to the fund. Measure 99 in the same election required the lesser of 4% of lottery transfers or up to \$22 million per year be allocated to the Outdoor School Education Fund.

Traditional Games

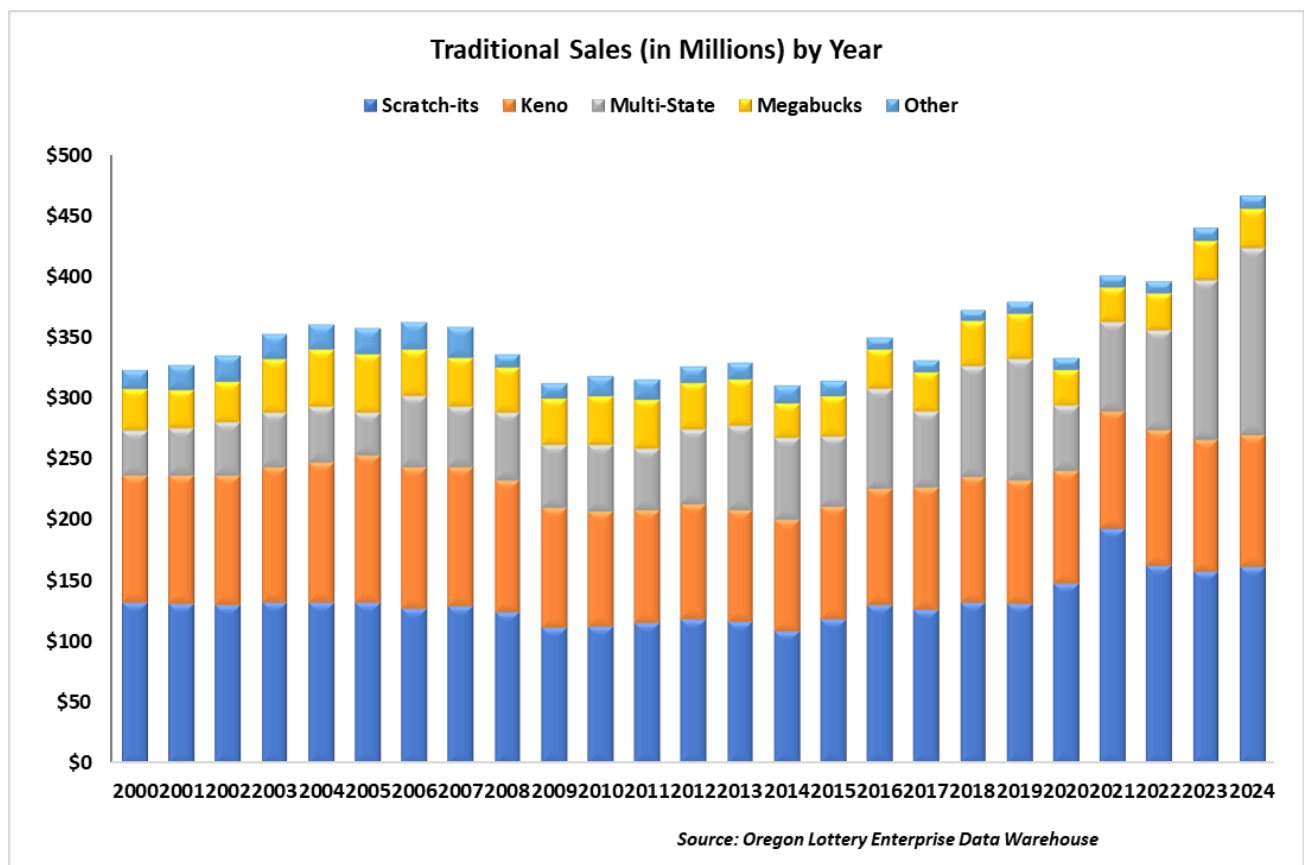
The first Traditional games were instant games (Scratch-its) in 1985. A number of other games followed, some of which have been discontinued or modified. Multi-State includes Powerball and Mega Millions.

Legislation in 1989 initiated Sports Action as an additional lottery game with the proceeds of the game dedicated to intercollegiate athletics in Higher Education. However, 2005 legislation repealed sports games as of July 2007 and the intercollegiate athletic funding was revised to be 1% of total lottery proceeds. This amount has pushed funding of university athletic programs to approximately \$10 million per biennium.

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The following exhibit (Exhibit L-1) shows the gross sales by fiscal year for Traditional games since 2001. The “Other” group includes Breakopens, Sports Action, Scoreboard, Raffles, Pick 4, Win for Life, and Lucky Lines.

EXHIBIT L-1



Video Lottery

In addition to Sports Action, legislation in 1989 authorized Video Lottery. However, the Governor suspended its implementation. Two years later, the Legislature reauthorized the commission to offer Video Lottery, beginning with video poker in 1992.

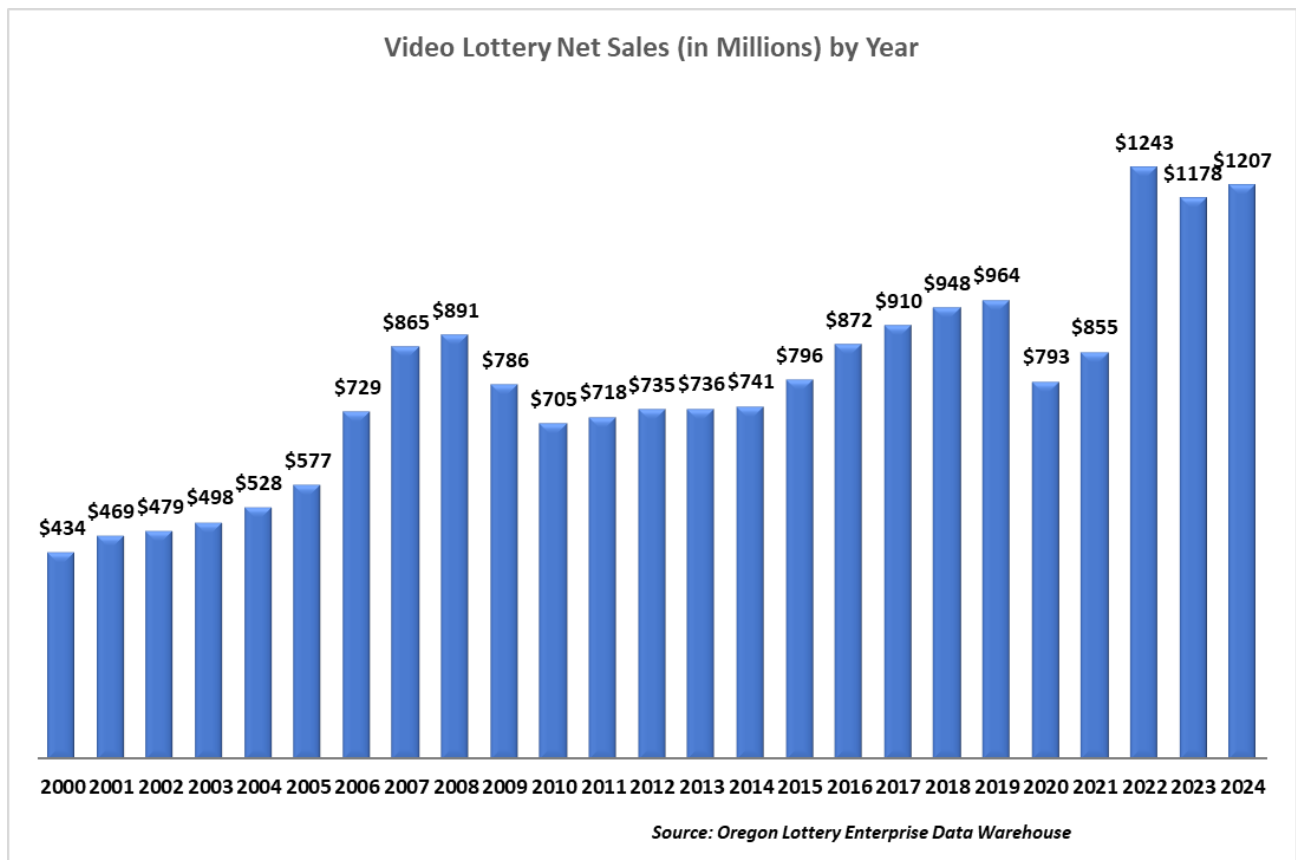
Only retailers that have Oregon Liquor and Cannabis Commission licenses may be given a contract to have up to six (five prior to 2004; ten at Portland Meadows) Video Lottery terminals (VLTs) on supervised premises. Video Lottery games are restricted to persons over the age of 21.

Video Lottery revenue (often called net sales or net receipts) is the sum of the dollars wagered less the sum of the dollars won (i.e., prizes). 2.5% of Video Lottery net receipts are dedicated to counties for economic development.

In May 2005, the Lottery started offering line games (in addition to video poker) and revenue grew substantially. However, the 2008 recession coupled with the smoking ban that started in 2009 reduced revenue by double digits with no sign of recovery until 2014. Video Lottery revenue has since grown steadily year-over-year and is currently reaching over \$1.5 billion dollars each biennium.

The following Exhibit L-2 shows the Video Lottery Sales by fiscal year.

EXHIBIT L-2



Lottery Revenues

Lottery revenues include non-game revenues such as interest earnings, penalties, and allowances for bad debts, in addition to game revenues. The net non-game revenue was \$2.7 million in the fiscal year 2015-16.

The table below (Exhibit L-3) shows the history of Traditional and Video Lottery game revenues for the past 25 years. The introduction of Video Lottery games in 1991-92 quickly enhanced the revenue stream, and during the same period Traditional games also grew to \$78.1 million in 1994-95.

Traditional net revenue averages approximately \$60 million a year and comprises approximately 10% of total revenue, while Video Lottery represents approximately 90% of total revenue.

The introduction of line games in 2005 generated significant growth in total revenue, but its rapid growth stabilized after a couple of years, and was further affected by the economic downturn and smoking ban in 2008-2009 causing net revenue to decline by a combined 20%. However, revenue recovered most of its declines and is forecasted to grow at a sustainable long term average of about 2%. Impact from the Covid-19 pandemic is uncertain. Today, Lottery proceeds surpass \$1.5 billion dollars each biennium.

EXHIBIT L-3

LOTTERY REVENUE (\$ millions)								
Fiscal Year	Traditional Games*				Video Games			
	Gross		Expense	Net Revenue	Gross		Expense	Net Revenue
	Revenue	Prizes			Revenue	Prizes		
1990-91	147.3	79.5	24.3	43.6	-	-	-	-
1991-92	244.1	140.8	37.9	65.5	217.3	192.5	17.5	7.4
1992-93	258.6	154.5	40.8	63.3	1,548.4	1,376.0	84.7	87.7
1993-94	288.4	171.6	45.8	71.0	2,211.8	1,964.8	107.6	139.4
1994-95	340.9	208.2	54.7	78.1	2,983.2	2,652.1	137.9	193.2
1995-96	344.2	213.7	53.9	76.6	3,285.1	2,929.5	149.8	205.9
1996-97	333.1	207.6	52.6	72.8	3,636.7	3,243.5	168.7	224.5
1997-98	310.4	195.1	50.6	64.8	4,245.2	3,837.8	179.0	228.5
1998-99	325.9	206.0	49.0	70.9	5,660.1	5,257.5	172.0	230.5
1999-00	323.7	210.5	56.6	56.6	6,566.3	6,129.8	183.4	253.2
2000-01	323.3	211.9	56.8	54.5	7,293.4	6,831.0	194.7	267.7
2001-02	336.8	223.5	57.4	55.9	7,725.0	7,244.8	199.8	280.4
2002-03	354.8	235.5	60.1	59.2	8,133.3	7,634.6	201.8	297.0
2003-04	362.3	234.9	59.5	67.9	8,587.6	8,056.6	209.4	321.6
2004-05	360.2	234.2	58.6	67.9	9,189.0	8,609.3	206.1	373.6
2005-06	363.1	239.5	58.1	66.4	10,928.8	10,195.9	236.0	504.4
2006-07	354.6	233.6	60.1	61.0	12,093.0	11,239.5	271.8	581.7
2007-08	338.7	220.0	56.9	61.8	12,118.4	11,223.3	289.8	605.3
2008-09	313.8	205.3	55.1	53.3	10,582.9	9,796.2	277.0	509.8
2009-10	320.7	206.0	52.9	61.8	9,402.8	8,695.9	249.7	457.3
2010-11	317.5	206.4	51.9	59.2	9,550.5	8,830.0	254.0	466.6
2011-12	323.2	221.9	50.9	50.4	9,704.3	8,977.2	251.9	475.2
2012-13	330.5	211.4	51.0	68.0	9,915.0	9,177.6	238.9	498.4
2013-14	310.1	202.0	50.6	57.5	9,975.3	9,232.6	245.2	497.6
2014-15	318.3	206.4	51.7	60.2	10,733.8	9,935.2	263.4	535.2
2015-16	353.0	225.6	58.7	68.7	11,503.4	10,626.9	303.3	573.1
2016-17	332.2	212.6	55.6	64.0	11,782.7	10,868.6	312.8	601.3
2017-18	368.4	227.4	61.4	79.5	11,991.5	11,057.5	323.2	610.8
2018-19	380.1	235.0	63.5	81.6	12,615.2	11,648.7	343.6	622.8
2019-20	452.7	326.7	77.5	48.6	10,451.4	9,653.9	295.1	502.4
2020-21	722.1	546.3	99.2	76.5	11,463.2	10,602.8	306.1	554.2
2021-22	796.9	621.4	81.3	94.2	16,619.1	15,373.0	363.4	882.7
2022-23	1,006.1	781.0	109.5	115.6	16,099.5	14,917.7	383.1	798.6
2023-24	1,231.4	978.3	126.3	126.7	16,119.8	14,929.3	401.5	789.1

*Includes Sports wagering

Source: Oregon Lottery

Lottery Transfers and Distributions

Fiscal year revenues don't align precisely with transfers for a variety of reasons. For example, there is a one-quarter lag in transfers, and there are also revenues transferred (such as unclaimed prizes and administrative savings) which are not considered in determining total Lottery revenue. Transfers may also differ from revenues because of the amounts moved in or out of various contingency reserves.

The table in the following page (Exhibit L-4) shows the amounts expected to be transferred in 2023-25 according to the December 2024 Oregon Economic and Revenue Forecast. The purpose of presenting this table is to show details of voter approved constitutional distributions, statutory distributions and other mandatory and discretionary distributions. Two voter-approved distributions have been added in November 2016.

Debt service on lottery revenue bonds has first claim on lottery revenue transferred to the Economic Development Fund. Thereafter, the constitutional dedications for the Education Stability Fund (18% of net proceeds), the Parks and Natural Resources Fund (15% of net proceeds), the Veterans' Services Fund (1.5% of net proceeds), and the Outdoor School Education Fund (lesser of 4% of lottery transfers or \$22 million a year) follow.

After those distributions comes the statutory dedication to county economic development (2.5% of video lottery net receipts), the Higher Education Coordinating Commission (1% of lottery transfers), the Gambling Addiction Fund (1% of lottery transfers), and the County Fair Account.

Any balance available after these transfers will be used by the legislature in any of the areas allowed by the constitution. Amounts available for legislative allocation do not include beginning balances, reversions, or interest earned on the Economic Development Fund.

EXHIBIT L-4

Summary of Lottery Resources

	2023-25
(in millions of dollars)	Current Forecast
LOTTERY EARNINGS	
Traditional Lottery	216.171
Video Lottery	1,559.982
Sports Betting ¹	60.529
Administrative Actions	42.882
Total Available to Transfer	1,879.565
ECONOMIC DEVELOPMENT FUND	
Beginning Balance	84.396
Transfers from Lottery	1,879.565
Other Resources ²	7.685
Total Available Resources	1,971.647
ALLOCATION OF RESOURCES	
Constitutional Distributions	
Education Stability Fund ³	334.248
Oregon Capital Matching Fund ³	0.000
Parks and Natural Resources Fund ⁴	281.935
Veterans' Services Fund ⁵	28.193
Other Distributions	
Outdoor School Education Fund ⁶	36.406
County Economic Development	59.982
HECC Collegiate Athletic & Scholarships ⁷	18.330
Gambling Addiction ⁷	18.473
County Fairs	3.828
Other Legislatively Adopted Allocations ⁸	1,094.384
Employer Incentive Fund (PERS) ¹	28.186
Total Distributions	1,903.966
Ending Balance/Discretionary Resources	67.680

Note: Some totals may not foot due to rounding.

1. Sports Betting revenues are transferred to Economic Development Fund making them subject to the constitutional distributions, after which the remainder is transferred to the Employer Incentive Fund
2. Includes reversions (unspent allocations from previous biennium) and interest earnings on Economic Development Fund.
3. Eighteen percent of proceeds accrue to the Ed. Stability Fund, until the balance equals 5% of GF Revenues. Thereafter, 15% of proceeds accrue to the School Capital Matching Fund.
4. The Parks and Natural Resources Fund Constitutional amendment requires 15% of net proceeds be transferred to this fund.
5. Per Ballot Measure 96 (2016), 1.5% of net lottery proceeds are dedicated to the Veterans' Services Fund
6. Per Ballot Measure 99 (2016), the lesser of 4% of Lottery transfers or \$22 million per year is transferred to the Outdoor Education Account. Adjusted annually for inflation.
7. Approximately one percent of net lottery proceeds are dedicated to each program. Certain limits are imposed by the Legislature.
8. Includes Debt Service Allocations, Allocations to State School Fund and Other Agency Allocations

Source: December 2024 Oregon Economic and Revenue Forecast, Oregon Office of Economic Analysis