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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
April 21, 2023**

Lottery Commission: MardiLyn Saathoff, chair
Maulin Patel
Marty Ramirez
Julie Wilcox

Interim director: Mike Wells

Chair Saathoff called the April 21, 2023, Oregon State Lottery Commission meeting to order and stated for the record that the commissioners are attending today's meeting via a web meeting, and a quorum of commissioners is present.

Commissioners present at roll call: Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment and confirmed with the clerk that no written public comment was received.

B. DIRECTOR'S REPORT

Presenter: Mike Wells, interim director

Lottery news

Interim Director Wells reminded the Commission that in December 2021, Lottery had to pause processing applications for new Video Lottery contracts due to inventory issues. Since then, Lottery has reviewed its entire Video Lottery ecosystem and is ready to propose lifting the pause and move forward with a more comprehensive approach to managing the Video Lottery system. Kris Skaro will share more information during today's meeting. Wells thanked the staff for their hard work and planning and noted that this is a step forward to ensure the long-term health and success of the program.

Lottery will be launching a new Win for Life campaign on its app and social media this month in hopes of introducing new players to the game.

Lottery employees will have the opportunity to join SOLVE's Oregon Spring Beach Cleanup events throughout the state this week through the Beneficiary Involvement Volunteerism Leave program. The events coincide with Earth Month.

Winners - Interim director Wells shared stories about the following winners:

- David W. of Portland won \$78,581.60 playing Keno.
- Tina T. of Portland won \$14,614 playing Video Lottery.
- Sheila L. of Estacada won \$10,520 playing Video Lottery.

C. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the March 24, 2023, Oregon State Lottery Commission meeting draft minutes, which were circulated in advance of the meeting. There were no recommended changes.

Chair Saathoff called for a motion.

Commissioner Patel moved that the minutes of the March 24, 2023, Oregon State Lottery Commission meeting be approved as final, as presented today. Commissioner Wilcox seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

D. FINANCIAL REPORT, Exhibit 2

Presenter: Kathy Ortega, chief financial officer

Financial statements, March 2023

Ortega provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies, balance sheet, capital outlay status report and business modernization program. Ortega noted that the remaining budget in the modernization program budget should be spent this year.

- Commissioner Ramirez asked about the underspend on the year-to-date services and supplies budget and Ortega shared that this is a timing issue and should level out as Lottery gets closer to the end of the fiscal year.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the month ended March 31, 2023, be approved for the record as presented today.

Commissioner Patel seconded the motion.

The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.

E. RULEMAKING

Presenter: Kris Skaro, rules and policy analyst

Skaro reported that Lottery is ready to move into the next phase of the Video Lottery Terminal (VLT) equipment management, including lifting the pause on processing applications that has been in effect since December 2021. Skaro shared that during the pause, Lottery evaluated the VLT ecosystem to look for a more sustainable approach, with the results being reflected in the proposed changes to the Video Lottery Program and related rules. Skaro noted the five main changes are to repeal the pause, replace it with a quarterly waitlist process, increase the weekly sales requirement, impose new Video Lottery contract application requirements, and limit the use of Video Lottery temporary contracts. Skaro provided a summary of each item, including the potential impacts on retailers, and noted that more information can be found in the meeting materials.

- Chair Saathoff asked about the purpose of the exemption for Tribally owned businesses and Skaro noted that this is a policy choice to promote positive relations with the federally recognized tribes in Oregon and shared that this is also in support of Lottery's Tribal Consultation Policy.
- Commissioner Wilcox asked how long the Tribal Consultation Policy has been in effect and Skaro noted that Lottery started working on the policy in 2021 and it was finalized in 2022.

Skaro informed the Commission of next steps, including continuing to engage interested parties, especially current Video Lottery retailers, to explain the proposed changes, answer questions and inform the public of their ability to provide comment during the rulemaking process. In addition to retailers, Lottery has also contacted interested legislators and presented information to a legislative committee earlier this week.

Skaro will report back with the comments that were received in early June and present the final recommended rules for consideration at the June 23 meeting. If approved, the rules will go into effect on July 1.

- Chair Saathoff asked Skaro about any feedback or questions that have been received and Skaro shared that people are concerned about the impact to the retailers but understand the need to find efficiencies. People seem to be supportive of the concept but need to understand what it means to them directly. Interim Director Wells shared that the proposed rules bring significant changes to the application process and noted that the changes will ensure the resiliency of the program and consistency with how we operate. Wells noted that people want to understand why the changes are being made, how this will improve the ecosystem, and what effect it will have on their business. Wells believes that over the next year, the waitlist will shrink and there will not be a significant impact. Chair Saathoff appreciates all of the work that has been put into this process and the rationale behind it.
- Commissioner Wilcox agrees with the proposed rule changes and believes that Lottery needs to maximize funds for the state and operate like a business, while also helping retailers maximize their profits.

F. STAFF UPDATES

Presenters: Tina Erickson, lottery products portfolio manager; Sar Richards, video gaming products manager; Kerry Hemphill, sports betting products manager; and Shad Barnes, digital marketing senior manager

Erickson noted that the third quarter had 12 weeks, versus the usual 13 weeks, and noted that the sales should even out by the end of the year.

Lottery products

Erickson provided a quarterly update on Scratch-its, Keno, Jackpot games, and Raffle.

- Scratch-it sales for the quarter were over \$37 million and down almost five percent compared to last year at this time. Sales are still ahead of pre-pandemic levels.
 - Chair Saathoff noted that people seem to be attracted to the big jackpots and asked if attitudes toward the Scratch-it games are changing and if other jurisdictions are experiencing similar situations related to sales. Erickson replied that it is hard to compare Oregon to other jurisdictions since we also have Video Lottery. Outside of Video Lottery, Scratch-it sales tend to be the highest contributor when looking at the overall portfolio and noted that jackpot game sales tend to be lower if there is not a high jackpot. Erickson noted that the profit on the Scratch-it product is lower due to the related costs of producing and distributing the tickets.
- Keno sales were \$26.1 million for the quarter, which is down just under one percent year-over-year. The largest 8 spot jackpot this quarter was \$78,138.
- Jackpot sales were \$38.9 million, with climbing Mega Millions and Powerball jackpots contributing to the increase in sales.
- Raffle sold out March 9 and four sisters claimed the \$1 million prize.

Video Lottery

Richards provided a quarterly update on Video Lottery, noting the \$279 million in sales were flat compared to the forecast and weekly averages were down about five percent year-over-year. Richards shared

information about game launches and the Cascada field trial, noting that there have been some technical issues that are being worked through but overall, the trial is doing very well.

Sports betting

Hemphill provided information about the sports betting product and the forecasting process for this product. Hemphill noted that the forecast does not come from the Office of Economic Analysis, but rather internally. Lottery is cleaning up the process that is used to create the forecast, including considering how many weeks are in the quarter, which was not done prior to this quarter. Hemphill also noted that this forecasting model does not impact transfers to the state.

Hemphill reported that the turnover this quarter was \$153 million and noted that Lottery saw a drop in revenue this quarter compared to last quarter but on a percentage bases, the weekly revenues were higher this quarter over last quarter. This drop was attributed to the football season ending. The growth is being driven by an increase in unique active players this quarter and the dollars play increased this quarter, but the per bet average has gone down. This indicates more recreational play is occurring. Popular sports this quarter were football and basketball and the Superbowl was the marquee event during the quarter.

Year-over-year growth included:

- Number of bets placed up 48 percent
- Turnover up 28 percent
- Gross Gaming Revenue up 82 percent
- Number of unique active players up 55 percent

Hemphill followed up on a question that was asked during last month's meeting as to if the sports betting product is performing where Oregon Lottery thought it would be. Hemphill shared that within the market, things are positive. Many players are playing a little, which is what Lottery is striving for, based on consistent registration growth. Lottery is hitting the marks that it anticipated but noted the gross gaming revenue per capita is lower than other peer states who offer this product due to constraints on the product that Oregon Lottery offers. These factors include the absence of college sports, lack of retail distribution, the tax structure, and the low-level marketing investment, the latter, which is intentional.

Play It Forward

Barnes reminded the Commission that the Play It Forward campaign ran last fall and shared that the purpose of the campaign was to connect responsible Lottery game play and the programs and places funded by voter-approved beneficiary transfers across Oregon. The objectives of the multichannel campaign were to bring awareness and encourage brand favorability; conversion, which are tracked by the taps and clicks that drive sessions to Lottery digital channels; and engagement, which are the actions the audience takes once they visit Lottery's digital channels.

Barnes shared some of the metrics and sentiments gathered during this campaign including:

- Over 24.5 million impressions were delivered during the campaign
- 91 percent of ad-generated traffic came from mobile devices
- Over 70,000 *oregonlottery.org* site sessions occurred as a result of the campaign
- Nearly 16,000 Oregonians completed a web survey
- Over 125,000 sessions devoted to viewing Oregon Wins content between October and December
- Registered mobile app users grew by 58,000 over the course of this campaign

– Chair Saathoff thanked the staff and shared that she is very impressed with the data and this campaign.

G. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Commissioner Wilcox thanked the Lottery staff for their consistent hard work and shared that she is proud to serve as a commissioner.

The next monthly commission meeting is scheduled on May 19, 2023.

The Oregon State Lottery Commission approved the minutes of the April 21, 2023, Oregon State Lottery Commission meeting on May 19, 2023.



Alisa Zavala
Senior Executive Assistant
Lottery Director's Office

Approved by:



[Maulin P. Patel \(May 19, 2023 12:31 PDT\)](#)

Commissioner Maulin Patel, Acting Chair
Oregon State Lottery Commission