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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
Oct. 27, 2023**

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

Director: Mike Wells

Chair Saathoff called the Oct. 27, 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, Commissioner Patel is excused, and a quorum of commissioners is present.

Chair Saathoff welcomed and introduced Commissioner Weller and Commissioner Weller shared information about his background and why he wanted to become a member of the Oregon Lottery Commission.

Commissioners present at roll call: Commissioners Ramirez, Weller, 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: Tai Calandriello, interim deputy director

Lottery news

Interim Deputy Director Calandriello shared that Mandy Vance, an Oregon Trail District middle school teacher, won the Oregon Teacher of the Year award, sponsored by Oregon Lottery. Vance considers herself a relational educator and credits success in the classroom to her ability to take the time to get to know each of her students. Vance will receive \$10,000 for the achievement and the school district will receive \$5,000.

- Chair Saathoff shared that she is proud of the support Lottery gives to education.

Oregon Lottery received a Spotlight Award in Public Service for the Public Relations Society of America for its Oregon Teacher of the Year campaign. The award is designed to "to shine a spotlight on the remarkable contributions made by public relations and communications professionals in our region." Calandriello thanked everyone who supported the Teacher of the Year program.

Warehouse staff have been working behind the scenes to prepare more than 20,000 packs of holiday Scratch-its for more than 1,800 retailers. Tickets are available at retailers and feature new, unique to Oregon holiday designs created by Lottery staff. The holiday gifting ad campaign will begin in mid-November.

The statewide Charitable Fund Drive is underway, and Lottery is on track to raise more money than last year. The drive ends on November 8 and supports more than 800 different charities across Oregon.

Winners - Interim Deputy Director Calandriello shared stories about the following winners:

- Thomas W. of Mill City won \$1 million playing Powerball.
- Heidi M. of Canby won \$10,000 in a Scratch-it Second Chance drawing.
- A sports betting player successfully parlayed 12 UFC fighters to win their match, betting \$150.30 and winning \$136,848.59.

C. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the Sept. 22, 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 Wilcox moved that the minutes of the Sept. 22, 2023, Oregon State Lottery Commission meeting be approved as final, as presented today. Commissioner Ramirez seconded the motion.

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

D. FINANCIAL REPORT, Exhibit 2

Presenter: Kathy Ortega, chief financial officer

Financial statements, September 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 and the business modernization program budget. Ortega commented that the budget for the retailer network expenses will be updated when the specific details related to the upgrade of the wide-area network are finalized.

- Chair Saathoff and Commissioner Ramirez asked about budget variances in public information, professional services, travel and training, and game equipment accounts and Ortega noted that she believes the variances are due to timing issues. Some of the variances are created when expenses were budgeted in one month, or spread out evenly throughout the year, and when they occur. Ortega added that variances will be reviewed during the mid-year budget review and will be adjusted, if needed.
- Chair Saathoff inquired about the capital outlay report and if there are any projects at risk of not being completed or having significant delays this fiscal year. Ortega replied that there are no concerns at this time.

Ortega informed the Commission that Lottery completed a review of the FY24 budget and did not identify any expenses of plus or minus \$1 million that the Commission needs to address. All budget adjustments will be presented as part of the mid-year budget review later this year. Ortega commented that there may be some rate adjustments as part of the mid-year budget review.

- Chair Saathoff asked a clarifying question about the rate adjustments and Ortega explained that

the adjustments will be to right-size the assumptions that were made on the retailer commission rates and payroll expenses when the original FY24 budget was created.

Chair Saathoff called for a motion.

Commissioner Weller moved that the Oregon State Lottery financial statements for the month ended Sept. 30, 2023, be approved for the record as presented today.

Commissioner Ramirez seconded the motion.

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

E. 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 provided an overview of how the transfers to the state are calculated for Video Lottery, Lottery Products, and sports betting, noting that transfers for Video Lottery and Lottery Products are set as a percent of sales after prize payouts. The percent transferred can vary by game, depending on the prize structure. Transfers for sports betting are calculated based on the final profits and Ortega noted that the transfers for sports betting are dedicated to the Public Employees Retirement System.

Lottery products

Erickson provided a quarterly update on Scratch-its, Keno, and Jackpot games and noted that this quarter included 14 weeks of sales, instead of the usual 13 weeks.

- Scratch-it sales for the quarter were even, but when comparing the 13 weeks, are down slightly. Sales of the holiday games began Oct. 3, and the \$5 price point is leading in sales. Erickson shared that the transfer rate is down by 12 percent and that other jurisdictions are evaluating the profitability of sales of lower price point tickets, with some discontinuing sales of the \$1 tickets. Erickson believes the \$1 tickets are still a viable product and shared that she will consult with other jurisdictions to gather more information.
 - Chair Saathoff asked if legislators understand how transfers work and Erickson noted that this would be a good time to provide education on this topic.
- Keno sales were flat for the quarter.
- Jackpot sales were up with higher jackpot levels for Powerball and Mega Millions contributing to the increase in sales and transfers. Erickson shared that she would like to talk to other jurisdictions about jackpot fatigue.
 - Chair Saathoff expressed concern about jackpot fatigue and the impact to the portfolio.

Video Lottery

Richards provided a quarterly update on Video Lottery, noting that sales were down 1.6 percent against forecast for the quarter, but are currently down only .3 percent to forecast as of today. Thunder Stampede and Big City 5 Diamonds were new games that launched later in the quarter and the impact of the Big City 5s Diamond launch will take time to appear as the pots needs to grow for increased sales. Other Video Lottery jurisdictions saw a similar downturn in performance and are currently also seeing improvement.

- Chair Saathoff confirmed with Richards that Lottery is continuing to monitor the Video Lottery sales trends.

Sports betting

Hemphill shared that the sports betting product has now been active with the DraftKings Sportsbook for seven quarters. The last three quarters show DraftKings' ability to continue growth, relative to its own performance. Player engagement has increased due to promotions, product offerings and various betting options.

Year-over-year growth included:

- The number of bets placed was up 75 percent.
- The turnover was up 67 percent.
- The number of unique active players was up 47 percent, which equates to roughly 67,000 additional customers.
- Gross Gaming Revenue was up 58 percent, with a total of over \$15.6 million for the quarter.

Hemphill shared that the top sport this quarter was baseball and the start of the NFL season also boosted numbers. Table tennis was strong this quarter and continues to grow. Sports for the second quarter will include football, basketball, hockey, and baseball.

- Chair Saathoff asked clarifying questions about terminology and registrations.

Win for Life campaign

Barnes provided information about the Win for Life game and shared the purpose and goals of the eight-week campaign that ran during the spring. Barnes shared that the campaign delivered significant increases in Win for Life awareness, social media discussion, positive sentiment, site traffic, mobile app engagement and product sales, and provided some key metrics and insights from the campaign.

- Chair Saathoff commented that the return on investment for this campaign was great and she appreciates the update.

F. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Presenter: MardiLyn Saathoff, chair

No commissioner communications or other business was presented.

Chair Saathoff stated that the next monthly commission meeting is scheduled on Nov. 17, 2023 and adjourned the meeting.

The Oregon State Lottery Commission approved these minutes on Nov. 17, 2023.

Alisa Zavala, Senior Executive Assistant
Lottery Director's Office

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

OSL Commission meeting exhibits are available for one year on the [Oregon Lottery's website](#).