



Memo

Date:	February 16, 2024
To:	Oregon State Lottery Commissioners
From:	Kris Skaro, rules and policy analyst
Subject:	2024 Legislative Session (Update #2)

The 2024 short session began on February 5 and is quickly approaching the half-way point. The primary goals of the session are to balance the state budget, reform Measure 110, and continue efforts to increase affordable housing. This memo provides an update on issues of interest to the Lottery.

Gambling-Related Bills

The House Committee on Gambling Regulation introduced three bills related to gambling policy. Two bills relate to the Oregon Racing Commission and animal racing. ([HB 4051](#) limited Oregon’s role in wagering on dog races and [HB 4052](#) provided additional state financial support to the horseracing industry.)

The third bill, [HB 4053](#), defined a prohibited casino as an establishment whose dominant use or purpose is gambling. The bill also prohibited any establishment that has more than six gaming machines (either Video Lottery terminals (VLTs) or historical animal racing machines or any combination thereof).

At a [public hearing on HB 4053](#), no one testified in support of the bill. Representatives of the horseracing industry opposed the cap on the number of historic animal racing machines. (Lottery took no position.)

At their [meeting on February 13](#), the committee decided not to move any gambling bills forward. The committee discussed have a workgroup on the casino issue to craft a bill for the next legislative session.

Economic and Revenue Forecast

The Office of Economic Analysis presented the latest economic and revenue forecast, showing [additional revenue available to the state](#) over what was previously projected. You can view the presentation [here](#). The Lottery revenue forecast was adjusted slightly downward for the current biennium and slightly upward in future biennia. The portion of the forecast regarding Lottery revenue is enclosed and describes the factors driving the Lottery forecast.

Other Bills and Next Steps

A list of bills the Lottery is tracking is enclosed for reference. We’ll provide a final legislative update to the Commission in March after the session adjourns. If you have questions in the meantime, please let me or Mike know.

**DAS Office of Economic Analysis
March 2024 Lottery Revenue Forecast**

- This is an excerpt from the March 2024 Oregon Economic and Revenue Forecast. The full report is available at <https://www.oregon.gov/das/oea/Documents/revenue0324.pdf>. See also Table B.9 for a summary of Lottery resources for the current and future biennia at <https://www.oregon.gov/das/oea/Documents/appendixb.pdf>.

Overall, total lottery resources are lowered by slightly in the current 2023-25 biennium, and increased in the future biennia relative to the previous forecast.

Near-term there are four changes to the 2023-25 forecast. The forecasts for both traditional lottery and sports betting are increased due to both stronger sales than forecasted, and an improved outlook. These increases are more than offset by a downward adjustment to the video lottery forecast.

In particular the recent ice storms, like previous extreme weather events, resulted in very low levels of sales as Oregonians were sheltering at home and getting out less. While not a long-run issue, or change in player behavior, a couple weeks of low sales does impact the revenue forecast. That said, sales were a bit below forecast in November as well, even as December sales met forecast.

Looking forward, the Lottery outlook calls for record video lottery sales in the coming months in part due to the ongoing strength in the economy, and in addition to the record \$5.6 billion Oregon personal income tax kicker being paid out this tax filing season. Oregonians will spend some portion of the kicker on discretionary purchases be it going out to eat, on exercise equipment, on vacations, on gaming, or any other number of possibilities. The forecast continues to assume the normal share of personal income is spent on video lottery. As such, the historically large kicker presents both upside and downside risks to the near-term forecast. Should Oregonians choose to spend more of their disposable income gains on gaming, Lottery sales are likely to be above the baseline outlook, on the other hand should inflation take its toll on household budgets, or should Oregonians choose to disproportionately spend their kicker credits on other items, then sales may be below the baseline.

On net, between traditional, video, and sports betting, Lottery revenues for 2023-25 are lowered \$7.1 million relative to the December 2023 forecast. However this reduction is nearly offset by reversions in the Economic Development Fund, which is where Lottery transfers go before being distributed to recipient programs, as accountants closed the books on the previous 2021-23 biennium. There were \$5.7 million Lottery (EDF) reversions, meaning the net change to 2023-25 available resource is a reduction of \$1.4 million.

Longer-Term Outlook

At a base level, forecasting Lottery revenues comes down to the number of players and their household budgets. Those are relatively straightforward, and Lottery trends generally follow the overall economy even if it is not a one to one relationship. However, Lottery revenues really are about consumer preferences for entertainment, and how they spend their disposable income. Do Oregonians choose to go out to eat more, or on vacations, or to sporting events, or even to destination-based gaming at tribal casinos or on trips to Las Vegas and the like?

As such, the big picture issues our offices monitors include the broader national trends in gaming markets, demographic preferences for recreational activities, and to what extent consumers increase the share of their incomes spent on gaming.

For much of last decade, consumers remained cautious with their disposable income. Increases in spending on gaming largely matched income growth at best. In fact, from 2010 to 2019, Oregon video lottery sales grew at a 3.7 percent annual pace, while Oregon personal income increased at a 5.3 percent annual pace. Lottery sales as a share of overall Oregonian consumer spending declined. This slow erosion is also seen in terms of the number of video lottery retailers, and Lottery revenues as a share of the state's All Funds budget.

Trends in gaming during the pandemic differed significantly for a period of time. When bars and restaurants were takeout only, video lottery terminals were turned off as to not have Oregonians indoors when a deadly, contagious virus was spreading. Once the health restrictions were lifted, sales returned in full-force, and significantly outstripped expectations. These sales also outpaced current income games. Some of the strong sales since reopening were due to pent-up demand, strong household finances, and the fact that other entertainment options were either not available initially (concerts, spectator sports) or possibly less desirable due to the virus (long distance travel, movie theaters).

Since reopening, it has been an open question to what extent some of those relatively strong sales were part of a more permanent change in player behavior, or were just temporary, pandemic era changes. Over the past year or two it has become increasingly clear that the pandemic sales were more of a temporary change as sales have come off their peak and not kept up with income gains. Today, video lottery sales as a share of personal income is at its lowest point in decades.

Looking forward, our office expects increased competition for household entertainment dollars, increased competition within the gaming industry, and potentially shifts in generational preferences and tastes when it comes to gaming. As such, our outlook for video lottery sales is continued growth, however at a rate that is slightly slower than overall personal income growth. Lottery sales will continue to increase as Oregon's population and economy grows, however video lottery sales will likely be a slightly smaller slice of the overall pie.

The March 2024 forecast is not qualitatively different than previous outlooks. These same broad trends are apparent today as they were last quarter. However, updated player demographic information, alongside new modeling raises the long-term outlook slightly in future biennia. In 2025-27 the forecast change is +\$8.2 million, in 2027-29 it is +\$35.1 million, in 2029- 31 it is +\$35.7, and in 2031-33 it is +\$46.1 million.

For more information on player demographics and the impact of the aging population, see the March 2023 forecast at <https://www.oregon.gov/das/oea/Documents/forecast0323.pdf>.

The full extended outlook for lottery earnings can be found in Table B.9 in Appendix B. (Image below; full table at <https://www.oregon.gov/das/oea/Documents/appendixb.pdf>.)

Table B.9 – Lottery Forecast

TABLE B.9											Mar 2024 Forecast	
Summary of Lottery Resources												
(in millions of dollars)	2023-25			2025-2027		2027-29		2029-31		2031-33		
	Current Forecast	Change from Dec-23	Change from COS 2023	Current Forecast	Change from Dec-23	Current Forecast	Change from Dec-23	Current Forecast	Change from Dec-23	Current Forecast	Change from Dec-23	
LOTTERY EARNINGS												
Traditional Lottery	189.708	2.679	26.012	166.435	0.983	167.737	2.538	166.487	1.317	165.896	0.707	
Video Lottery	1,592.029	(15.793)	(32.956)	1,743.378	(3.924)	1,913.441	19.820	2,048.909	21.220	2,203.540	31.849	
Sports Betting ¹	52.636	6.032	8.321	60.066	11.092	64.159	12.741	66.836	13.145	69.593	13.529	
Administrative Actions	9.152	0.000	9.152	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Total Available to Transfer	1,843.524	(7.081)	10.529	1,969.879	8.151	2,145.337	35.099	2,282.232	35.683	2,439.030	46.084	

Lottery Bill List
Status as of 2/14/24

Topic	#	Relating To	Last Three Actions	Bill Summary	Notes
Gambling Related	HB 4051	Relating to racing; declaring an emergency.	02/13/24 - Work Session scheduled. 02/06/24 - Public Hearing held. 02/05/24 - Referred to Gambling Regulation.	Prohibits wagering on dog races.	This bill will not move forward this session.
Gambling Related	HB 4052	Relating to racing.	02/13/24 - Work Session scheduled. 02/06/24 - Public Hearing held. 02/05/24 - Referred to Gambling Regulation.	Provides that portion of payments made to the Oregon Racing Commission by Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hubs must be expended for purposes related to equine and jockey safety instead of being transferred to the General Fund.	This bill will not move forward this session.
Gambling Related	HB 4053	Relating to casinos.	02/13/24 - Work Session scheduled. 02/06/24 - Public Hearing held. 02/05/24 - Referred to Gambling Regulation.	Prohibits the operation of casinos in this state, except tribal casinos.	This bill will not move forward this session.
Lottery Security	HB 4122	Relating to fingerprint retention.	02/15/24 - Work Session scheduled. 02/08/24 - Public Hearing held. 02/05/24 - Referred to Judiciary.	Provides that a person's participation in the Department of State Police's fingerprint retention program authorizes the department to submit the person's fingerprints to the Federal Bureau of Investigation's rap back system.	
Lottery Security	SB 1546	Relating to information technology; declaring an emergency.	02/14/24 - Work Session scheduled. 02/07/24 - Public Hearing held. 02/05/24 - Referred to Information Management and Technology.	Requires the State Chief Information Officer to contract for an independent assessment of the information technology environment within the executive department, to include recommendations for improving performance, operations and resources.	
Misc. Bills of Interest	HB 4138	Relating to the Oregon Liquor and Cannabis Commission; declaring an emergency.	02/15/24 - Work Session scheduled. 02/13/24 - Work Session scheduled. 02/06/24 - Public Hearing held.	Allows the Oregon Liquor and Cannabis Commission to issue provisional service permits to an applicant for a service permit.	
Public Meetings	HB 4030	Relating to public meetings.	02/05/24 - Referred to Rules with subsequent referral to Ways and Means. 02/05/24 - First reading. Referred to Speaker's desk.	Requires the Oregon Government Ethics Commission to study public meetings.	
Public Meetings	HB 4117	Relating to public meetings; declaring an emergency.	02/13/24 - Work Session scheduled. 02/06/24 - Public Hearing held. 02/05/24 - Referred to Rules.	Authorizes the Oregon Government Ethics Commission to issue advisory opinions on the application of the public meetings law to actual or hypothetical circumstances.	
Public Records	HB 4031	Relating to public records.	02/13/24 - Work Session scheduled. 02/05/24 - Referred to Rules with subsequent referral to Ways and Means. 02/05/24 - First reading. Referred to Speaker's desk.	Requires the Public Records Advisory Council to study public records.	

Lottery Bill List
Status as of 2/14/24

Topic	#	Relating To	Last Three Actions	Bill Summary	Notes
Public Records	SB 1540	Relating to fees charged for public records requests.	02/05/24 - Referred to Rules, then Ways and Means. 02/05/24 - Introduction and first reading. Referred to President's desk.	Requires the Public Records Advisory Council to study fees charged for public records requests.	
Relating to Lottery Revenue (bonds and EDF)	HB 4070	Relating to schools.	02/14/24 - Work Session scheduled. 02/05/24 - Public Hearing held. 02/05/24 - Referred to Behavioral Health and Health Care with subsequent referral to Ways and Means.	Authorizes the issuance of lottery bonds for school-based health center purposes.	
Relating to Lottery Revenue (bonds and EDF)	HB 5201	Relating to state financial administration; declaring an emergency.	02/12/24 - Referred to Ways and Means. 02/12/24 - First reading. Referred to Speaker's desk.	Modifies the recipient of revenues from a previously approved lottery bond.	
State Agency Contracting	HB 4006	Relating to submitting surety bonds in lieu of retainage; declaring an emergency.	02/13/24 - Third reading. Carried by Boshart Davis. Passed. Ayes, 54; Excused, 1--Owens; Excused for Business of the House, 5--Bynum, Diehl, Fahey, Helfrich, Speaker Rayfield. 02/12/24 - Second reading. 02/09/24 - Recommendation: Do pass with amendments and be printed A-Engrossed.	Requires a contracting agency to accept from contractors surety bonds in lieu of retainage for construction projects and public improvement contracts.	
State Agency HR	HB 4050	Relating to compensation differentials under pay equity requirements; declaring an emergency.	02/14/24 - Public Hearing and Possible Work Session scheduled. 02/12/24 - Public Hearing held. 02/05/24 - Referred to Business and Labor.	Provides factors upon which compensation differentials may be based for an employer to lawfully pay employees who perform work of comparable character at different compensation levels.	
State Agency HR	SB 1513	Relating to laws concerning job-protected leave from work.	02/05/24 - Referred to Labor and Business, then Ways and Means. 02/05/24 - Introduction and first reading. Referred to President's desk.	Requires the Bureau of Labor and Industries to study issues related to the different federal and state laws under which a worker may take job-protected leave from work for qualifying reasons.	
State Agency HR	SB 1515	Relating to leave laws concerning time off from work; declaring an emergency.	02/13/24 - Second reading. 02/12/24 - Subsequent referral rescinded by order of the President. 02/12/24 - Recommendation: Do pass with amendments and subsequent referral to Ways and Means be rescinded. (Printed A-Eng.)	Makes changes to laws related to paid and unpaid family and medical leave.	