



**OREGON
LOTTERY®**

WELCOME TO THE OREGON LOTTERY



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OUR MISSION

“To operate a lottery with the highest standards of integrity and security to earn maximum profits for the people of Oregon commensurate with the public good.”



It Does Good Things®



HISTORY OF THE LOTTERY

- | | |
|--------------------------------|---|
| 1984: <i>Ballot Measure 4</i> | Oregon Lottery voted in to aid economic development |
| 1995: <i>Ballot Measure 21</i> | 15% of Oregon Lottery proceeds go to Education Endowment Fund |
| 1997: <i>Ballot Measure 52</i> | Lottery bonds to finance school projects |
| 1998: <i>Ballot Measure 66</i> | 15% of Lottery funds go to state parks, watersheds, fish and wildlife |
| 2002: <i>Ballot Measure 19</i> | Conversion of Education Endowment Fund to Education Stability Fund. Increases education support to 18% |
| 2005: <i>HB 3466</i> | Repealed statute dealing with games on sporting events
Dedicated 1% for sports programs at public universities |
| 2010: <i>Ballot Measure 76</i> | 15% to parks and natural resources made permanent |
| 2016: <i>Ballot Measure 96</i> | 1.5% of net proceeds to Oregon Veterans |
| 2016: <i>Ballot Measure 99</i> | Outdoor School Education Fund to receive 4% of net proceeds, not to exceed \$22 million |

*profits or net proceeds means the funds left over after payment of prizes (50%) and operating expenses (3.1%)



OUR PRODUCT PORTFOLIO

TRADITIONAL GAMES

- Currently there are 1,695 Oregon Lottery retailers offering just these games.
- To play any of these games, players must be at least 18 years old.
- In Fiscal Year 2016, the Lottery's Traditional games had revenues of \$353 million.
- The top three revenue-producing Traditional games were Scratch-its with \$131.6 million, Keno with \$95.8 million and Powerball with \$63.8 million.





OUR PRODUCT PORTFOLIO

VIDEO LOTTERY GAMES

- There are currently 1,766 retail locations offering both Traditional games and Video Lottery games, as well as 480 Video Lottery-only locations.
- Retail locations with Video Lottery games must have an age-restricted area where the games are located and are required to possess an “on premise” OLCC license.
- To play Video Lottery games players must be at least 21 years old.
- There are three types of games offered on a Video Lottery terminal – poker and assorted “line games” and Video Keno.
- In Fiscal Year 2016, Video Lottery games brought in \$876.5 million in revenues.



TOTAL NUMBER OF ACTIVE RETAILERS: 3,941



OUR PLAYERS

- Video Lottery players are similar to the general population. The demographic profile of Video Lottery players is generally consistent with the profile of Oregonians aged 18 and above.

		A New Video Lottery Players* (< 1 Year) n=219	B Current Video Lottery Players* (≥ 1 Year) n=1,304	C Adult Oregonians** (Age 18+) n=9,000
AGE 	18 to 24	17% ^B	4%	12% ^B
	25 to 34	23% ^C	22% ^C	17%
	35 to 54	39%	47% ^{A,C}	35%
	55 to 64	8%	14% ^A	14% ^A
	65 or older	13%	14%	22% ^{A,B}
GENDER 	Female	46%	46%	51% ^B
	Male	54%	54% ^C	49%
ETHNICITY 	Caucasian/White	77%	87% ^A	85% ^A
	Hispanic/Latino	6% ^{B,C}	2%	4% ^B
	African American	2%	1%	1%
	Asian/Pacific Is.	0%	1%	2%
	Native American	5% ^B	3%	2%
	Other	0%	1%	1%
Did not disclose	8% ^B	4%	5%	
EDUCATION 	Some high school or less	6%	5%	5%
	High school diploma/GED	26% ^C	22% ^C	19%
	Some college/tech school	32%	38% ^C	31%
	Bachelor's degree	18%	19%	22% ^B
	Graduate school/ degree	13%	11%	20% ^{A,B}
Did not disclose	5%	4%	3%	
INCOME 	Under \$20K	24% ^{B,C}	13%	16% ^B
	\$20K but less than \$40K	19%	20% ^C	17%
	\$40K but less than \$50K	5%	8%	8%
	\$50K but less than \$75K	13%	16% ^C	13%
	\$75K but less than \$100K	14%	22% ^A	21% ^A
	Did not disclose	25%	20%	26% ^B
GEOGRAPHY 	PDX MSA /I-5 Corridor	25% ^{B,C}	18% ^A	19%
	Deschutes County	1%	3%	3%
	Other	74%	79%	78%

A,B,C = Statistically significant at the 95% confidence level

Source: Lottery Behavior and Attitude Tracking Study combined waves May 2011 to May 2015.

* Includes Video Lottery Oversamples for waves Nov 2013 to May 2015

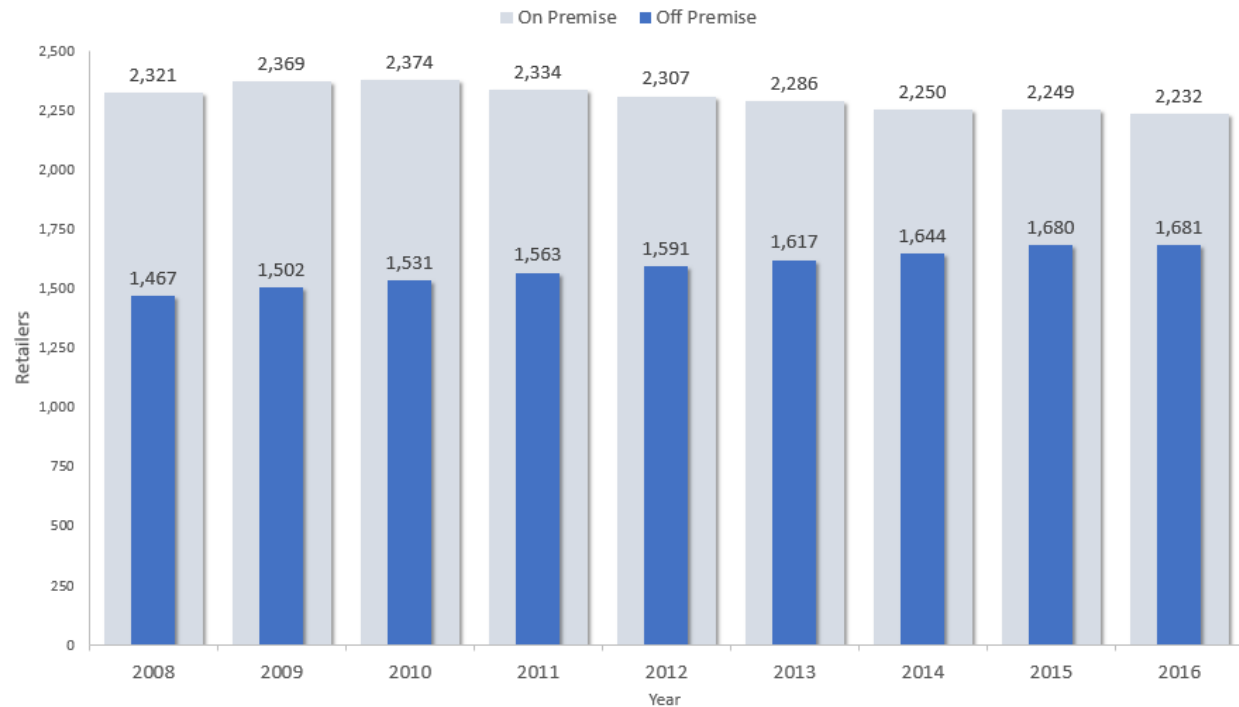
** General Population sample only



OUR RETAILERS

- 70% of revenue comes from Video Lottery.
- 77% of Video Lottery retailers are located in major metropolitan areas (47% in PDX).

Counts of Actively-Selling Oregon Lottery Retailers



Total Retailers per Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
	3,788	3,871	3,904	3,898	3,898	3,903	3,894	3,929	3,913



COMMISSIONS PAID OVER TIME

Commissions Paid Over Time 2013 - 2017

FISCAL YEAR	RETAILER COMMISSIONS
2014	\$ 203,727,883
2015	\$ 215,514,570
2016	\$ 234,963,289
2017	\$ 126,180,456 *

*Actuals through December, 2016



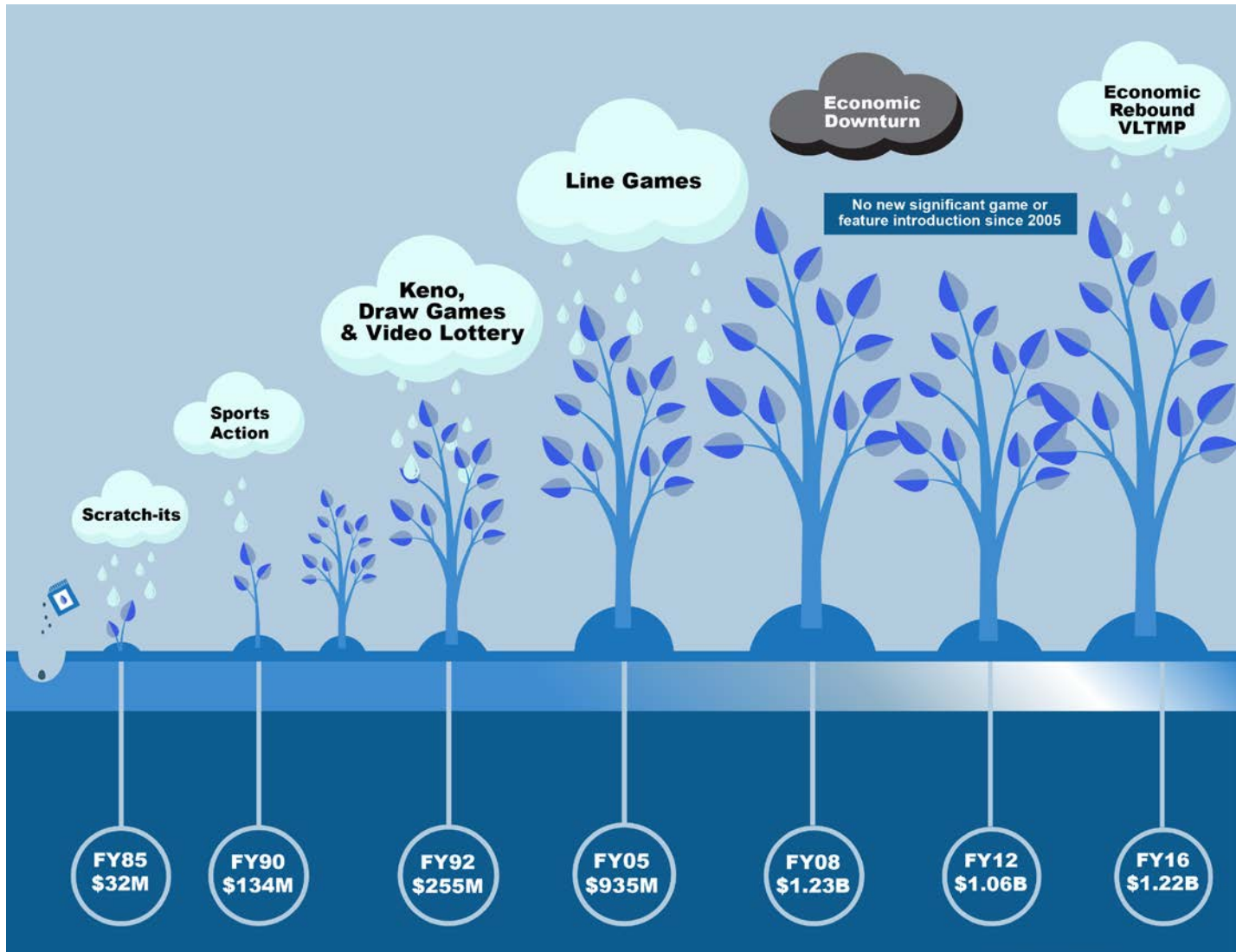
ANNUAL OPERATING EXPENSES

Operating Expenses & Full-time Employee (FTE) Count 2013 - 2017

FISCAL YEAR	OPERATING EXPENSES	FTE
2014	\$ 295,715,734 (actual)	468.25
2015	\$ 315,126,496 (actual)	470.25
2016	\$ 362,149,828 (actual)	475.25
2017*	\$ 397,052,661 (budgeted)	479.25



GROWTH AT A GLANCE

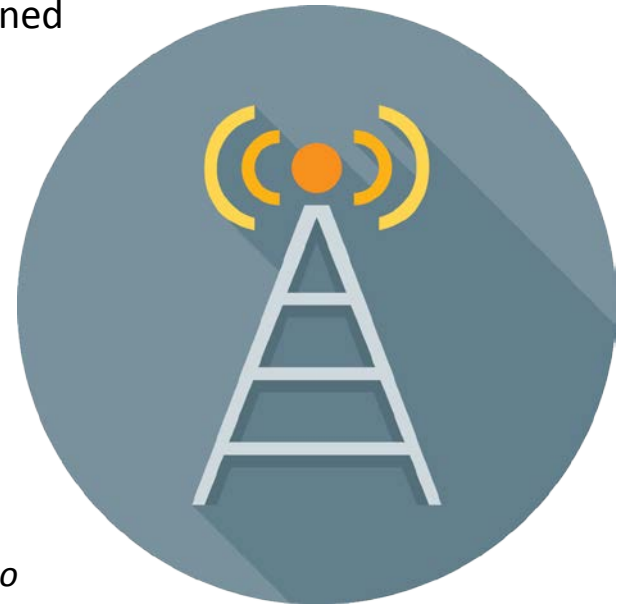




VIDEO LOTTERY MODERNIZATION

- Successfully converted to new operating system September, 2016
- To date, Lottery has received 8,000 of planned 12,000 new Video Lottery terminals
- 95% of retailers upgraded to the new wide-area network
- 95% of retail locations are ready to convert to G2S*

**G2S is the protocol that connects lottery terminals to the host systems.*





PROGRAM BUDGET AND TRANSFER IMPACT

2013-2017

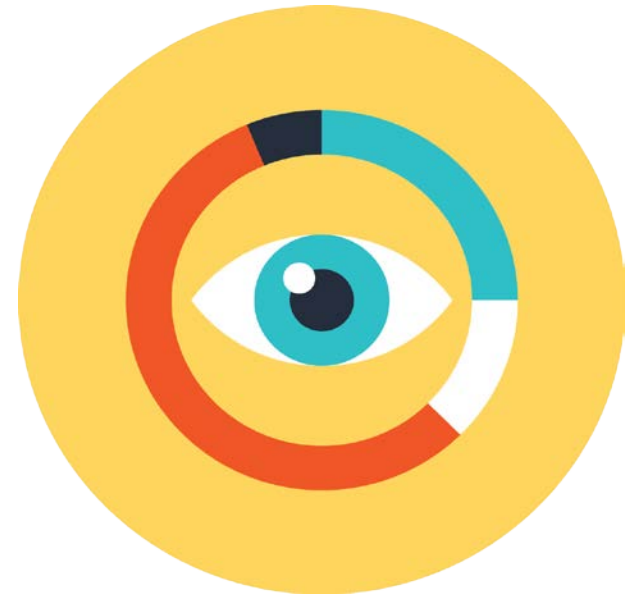
- Total budget for Video Lottery modernization: \$227 million
- Transfers reduced by \$71 million in 13-15
- Transfers reduced by \$59 million in 15-17
- \$97 million funded from Lottery's working capital reserves





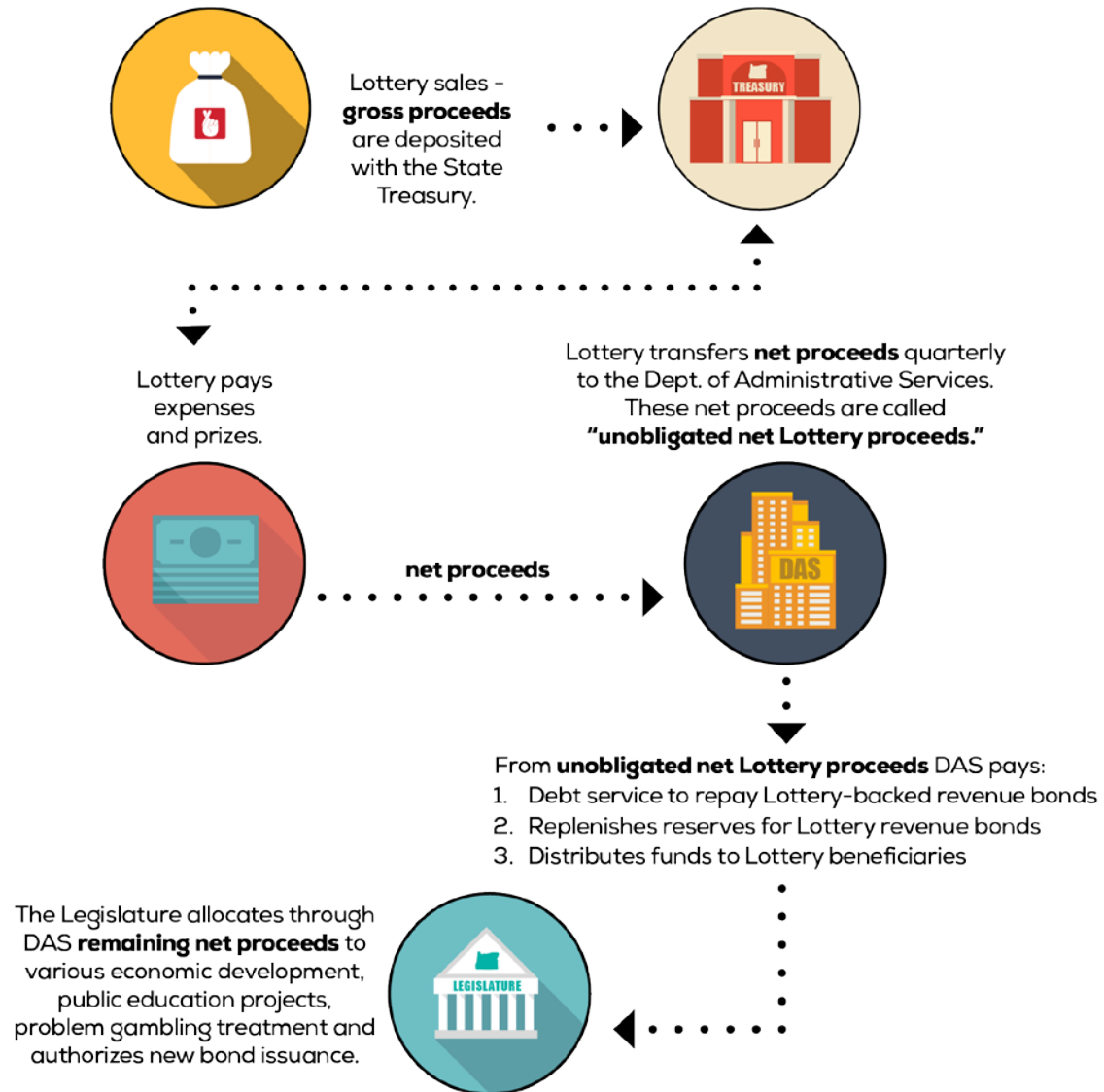
ANNUAL LIFECYCLE REPLACEMENT

- Planning to move to annual lifecycle replacement (5 or 6 year cycle)
- Technology will keep current and allow for smaller tests of new terminals
- Annual procurements will smooth out impact to transfers
- Impact on transfers of annual equipment replacement is unknown at this time - Lottery may be able to finance some costs out of working capital reserves





WHERE THE MONEY GOES





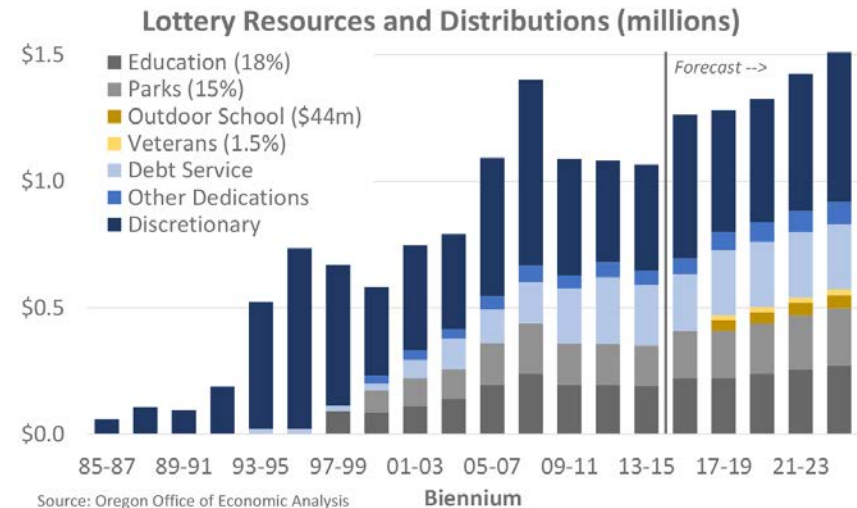
PAST BENEFICIARY ALLOCATIONS

2015-2017 = \$1.2 BILLION

- Education: \$662.2 million
- Economic Development: \$297 million
- Parks & Natural Resources: \$338.8 million
- Gambling Addiction Treatment: \$11.3 million

HISTORICAL TOTALS = \$11 BILLION

- Education: \$6.7 billion
- Economic Development: \$2.9 billion
- Parks & Natural Resources: \$1.2 billion
- Gambling Addiction Treatment: \$92.7 million





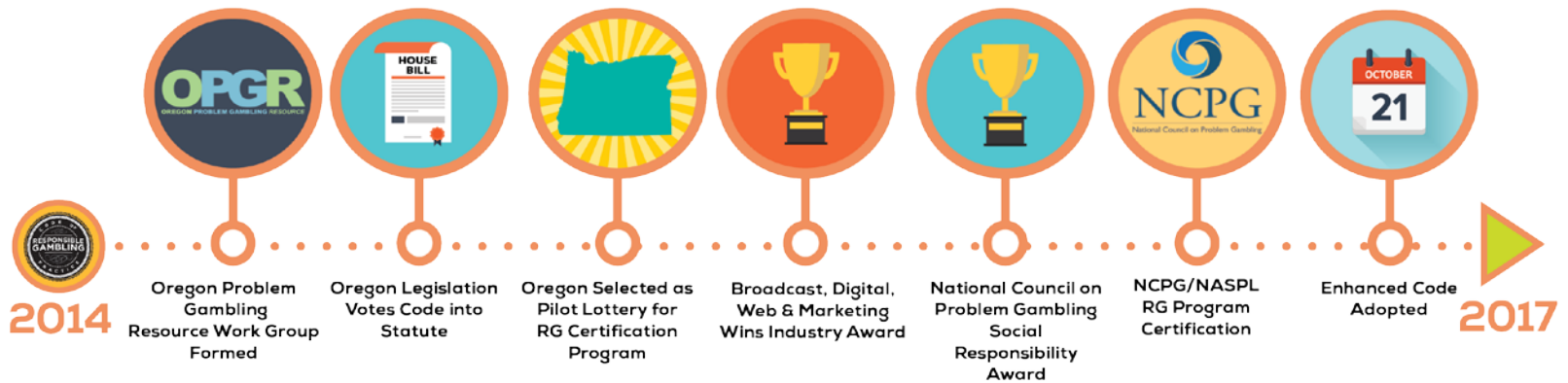
CORPORATE SOCIAL RESPONSIBILITY

Our nationally recognized Responsible Gambling Program promotes healthy gambling behaviors and creates awareness of the availability of the free and effective treatment that Lottery revenues fund.

PLAY RESPONSIBLY



keep your entertainment entertaining



Implementation

Television • Radio • Digital • "Trigger" • Website • Gam Talk
Retailer Training • Employee Training • Multi-Cultural



WHERE WE ARE HEADING

- Modernize our gaming platforms to keep pace with the industry
- Modernize our internal business operations and systems to leverage efficiencies and data
- Build out a robust Corporate Social Responsibility program
- Develop and execute a responsible revenue strategy
- Welcome our two newest beneficiaries: Outdoor Schools and Veterans' Services





MARKET PRESSURES: COMPETITION WITH TRIBAL CASINOS IN OR & WA

Competition with tribal casinos increasing

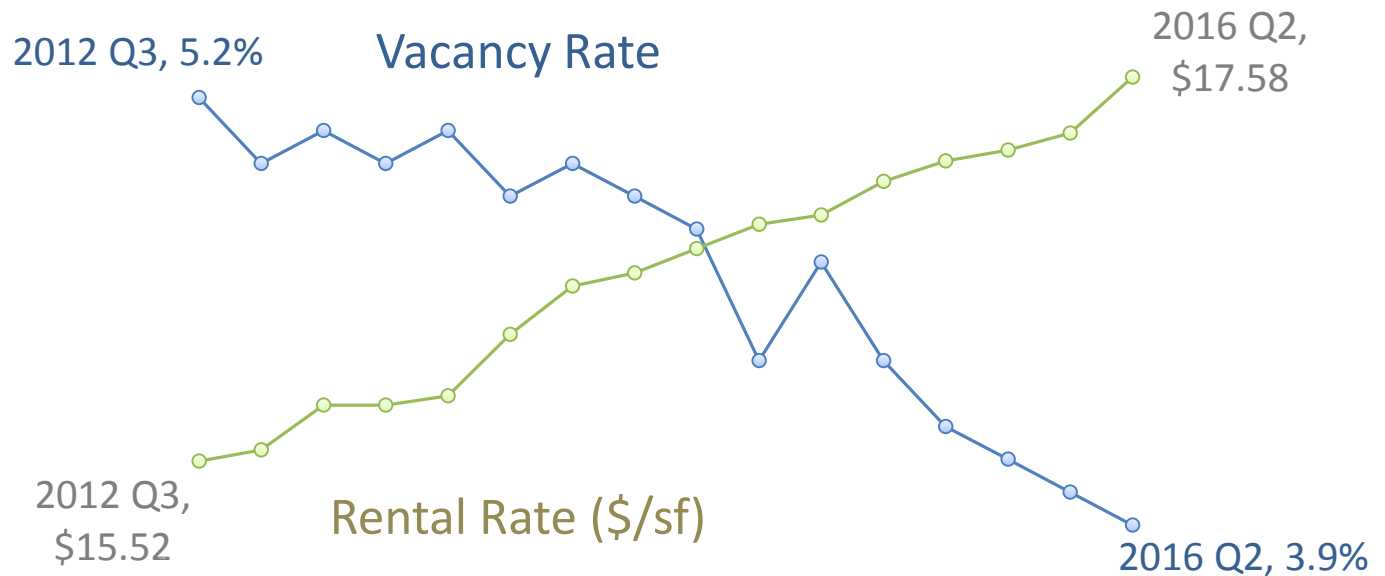
- Ilani Resort in LaCenter opening Spring, 2017
Forecast \$110 million/year reduction (\$72 million in transfers)
- Proposed Coquille gaming center in Jackson County
- Potential redevelopment by Grand Ronde in Wood Village
- Renewed interest by private developers for a private casino





MARKET PRESSURES: COMMERCIAL REAL ESTATE PRICES

- Commercial real-estate pressures are driving out retailers, contributing to a shrinking retailer base, particularly in Portland





MARKET PRESSURES: GAMING IN OR MAY BE NEARING SATURATION

- An analysis of the U.S. casino industry conducted by Nathan Associates, Inc.¹ states that many local and regional markets have shown flat or declining gaming revenue.
- The Oregon gaming market meets or exceeds the saturation thresholds identified by Nathan Associates, Inc.

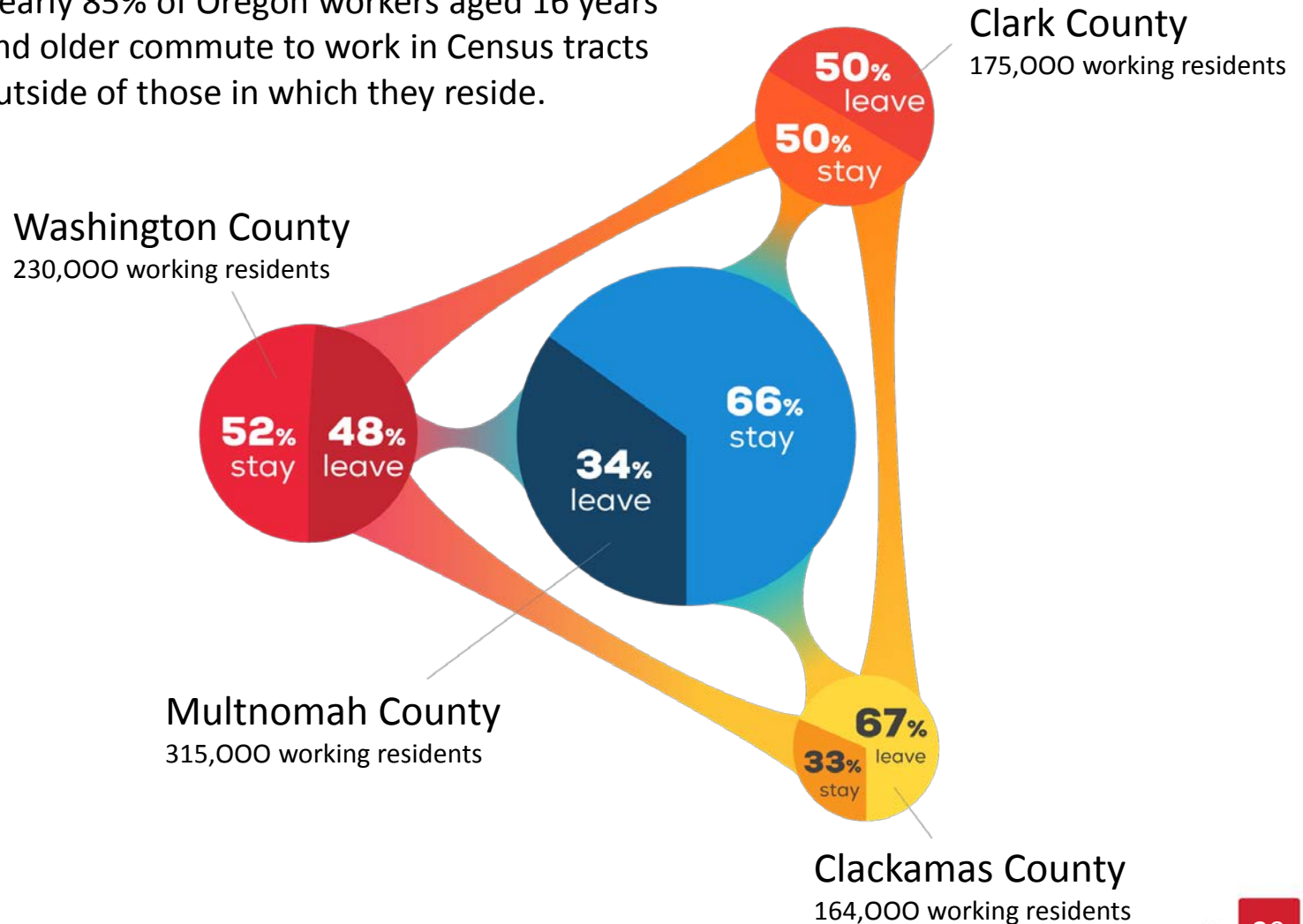
	Oregon Lottery	All Oregon Gaming	Saturation Level
Gaming Machines per 1,000 Adults (21+)	4.1	6.9	6 to 7
Gaming Machines per \$1 Billion in Disposable Personal Income	79.4	133.6	100.0
Gross Gaming Revenue per Capita (21+)	\$425.29	\$632.04	\$500.00
Gross Gaming Revenue as a Ratio of Disposable Personal Income	0.8%	1.2%	0.8%
Win per machine per day	\$200.54	N/A	\$200.00

¹Meister, A. (2016). An Empirical Framework for Assessing Market Saturation in the U.S. Casino Industry. *Gaming Law Review and Economics*, Vol. 20, Issue 5.



VIDEO LOTTERY PLAYERS DON'T NECESSARILY PLAY WHERE THEY LIVE

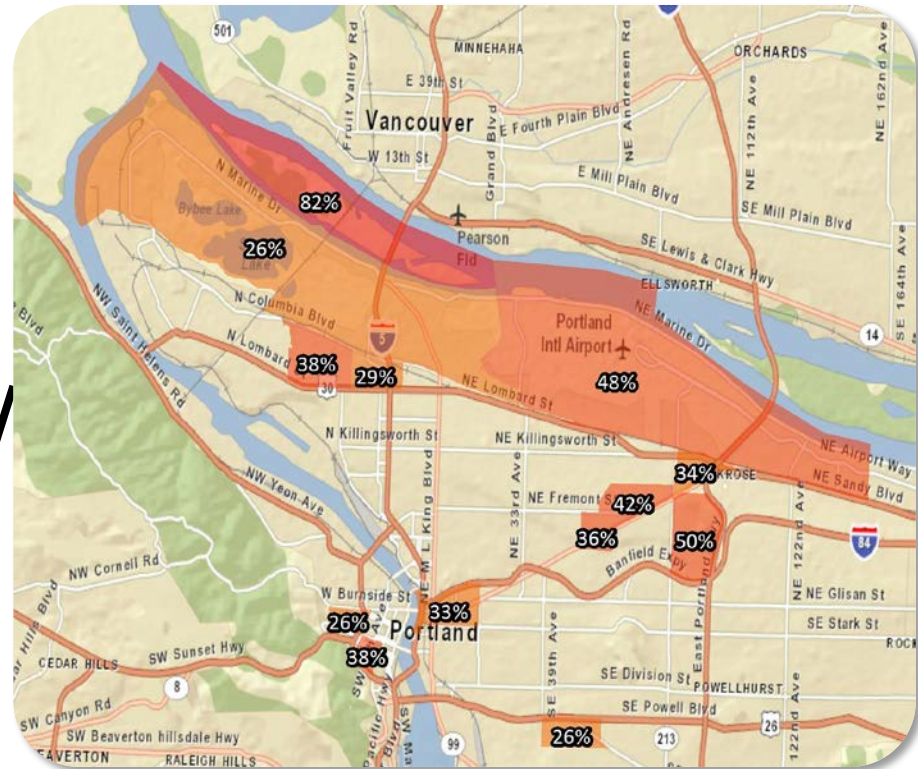
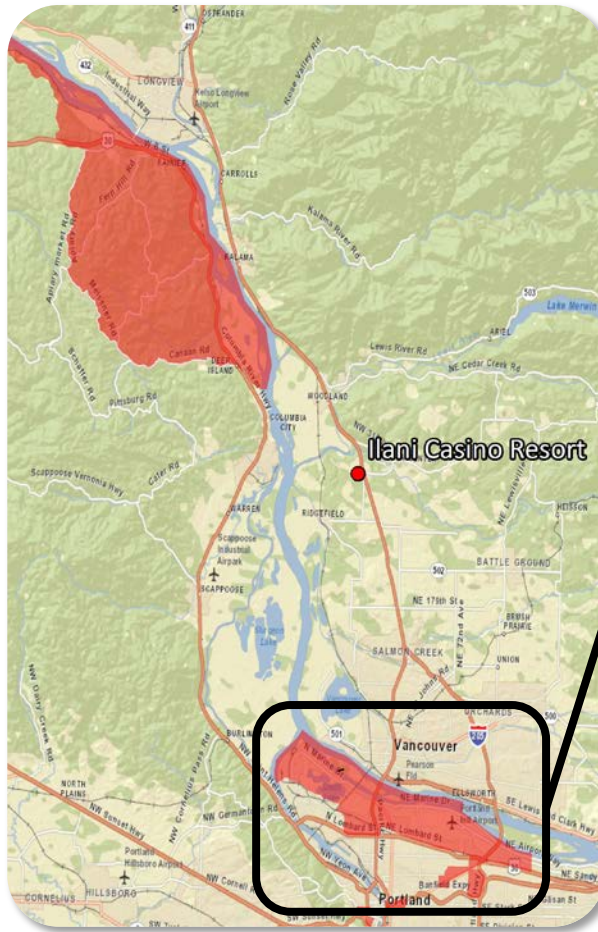
- Nearly 85% of Oregon workers aged 16 years and older commute to work in Census tracts outside of those in which they reside.





IN FACT, MANY PLAYERS IN THE PORTLAND AREA ARE WASHINGTONIANS

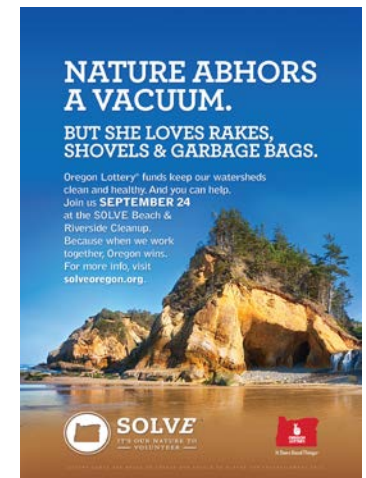
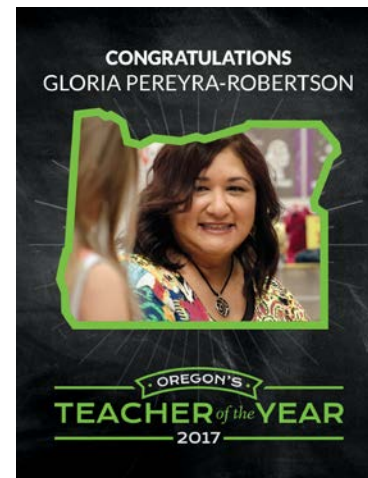
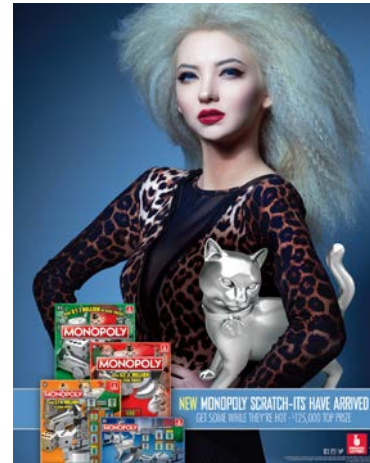
- Areas shaded red have 25% or more of their Video Lottery players from Washington.
 - Key areas include Portland (north of Columbia Blvd), Portland (along Sandy Blvd), and Rainier (across from Longview).





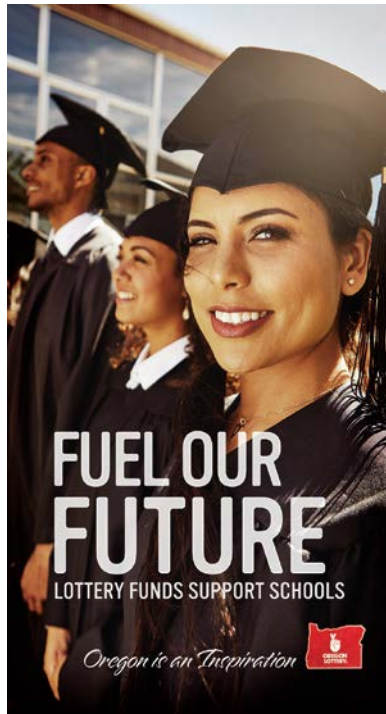
PROMOTING PRODUCTS AND BENEFICIARIES

- Point of purchase promotions
- Sponsorships:
Timbers, Trailblazers, Thorns
- Oregon Wins:
SOLVE, Teacher of the Year





BENEFICIARIES ARE OUR BRAND





BENEFICIARIES ARE OUR BRAND

Oregonians feel positively about the Lottery because Lottery funds support causes they care about

- 65% of adult Oregonians have a positive opinion about the Lottery.
 - Among Oregonians who hold a positive opinion, most (63%) cite Lottery dollars supporting state projects and programs as the reason why.
- When asked to rate how they feel about what Lottery dollars do for Oregon, 72% are positive.
- 91% of adult Oregonians can correctly identify at least one recipient of Lottery dollars. One in three can identify all four. Identification as a Lottery beneficiary is highest for public education:
 - Public education: 74%
 - Problem gambling: 68%
 - State parks/Natural resources: 68%
 - Economic development: 57%



QUESTIONS

