



Overview of the Oregon State Lottery  
Joint Committee on Ways and Means Subcommittee on General Government  
April 4, 2019

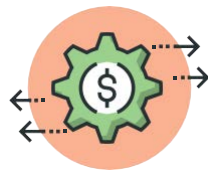
# Oregon State Lottery Mission

*Operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good.*

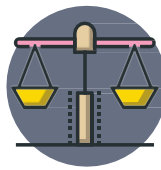
## The Lottery's mission has three important fundamentals:



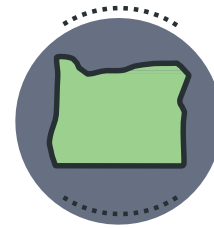
We conduct our business with the highest standards of integrity and security



We work to ensure maximum profits



We are committed to balancing revenue creation commensurate with the public good



## Why We Do It

Oregonians count on us. The Lottery provides funding for education, economic development, state parks and environmental restoration, veterans programs, outdoor school and problem gambling prevention and treatment services (aka our beneficiaries). Lottery bonds fund a host of state projects designed to promote job creation and market development. And thousands of Oregonians enjoy our games and win prizes.

## Our Brand Promise

Oregonians count on us to provide funding to state programs they care about. We collaborate, we listen and we partner. Our gaming products are fair, legal, promote gaming responsibly and we *proactively support help and care for Oregonians with gambling issues.*



# The OSL Branded House

Brand Promise



Together, we do good things.

Oregonians count on us to provide funding to state programs they care about. We collaborate, we listen and we partner. Our gaming products are fair, legal, promote gaming responsibly and we proactively supports help and care for Oregonians with gambling issues.

Audience

Oregonians 18+

Players

Non-Players

Primary Goal

Sales

Favorability

“Good Things”

Lottery games are fun entertainment, the dream of winning is exciting and we celebrate winners!

Lottery dollars help create a better Oregon

Campaigns

Games Umbrella Campaign

Problem Gambling Campaign

Frames Campaign

Primary Drivers

Products, solutions & winner stories

Help & Resources

Beneficiaries

Desired Outcomes

Fun & Responsible Play

Treatment Recovery

Positive Sentiment

Values

The Oregon State Lottery supports the state of Oregon’s enterprise values of accountability, integrity, excellence and equity along with the core lottery principles of fairness integrity, security and honesty. Our OSL values can be summarized as:

- Honesty’s our policy
- Oregonians come first
- Better together
- Data’s the starting point
- Ready to listen, willing to share

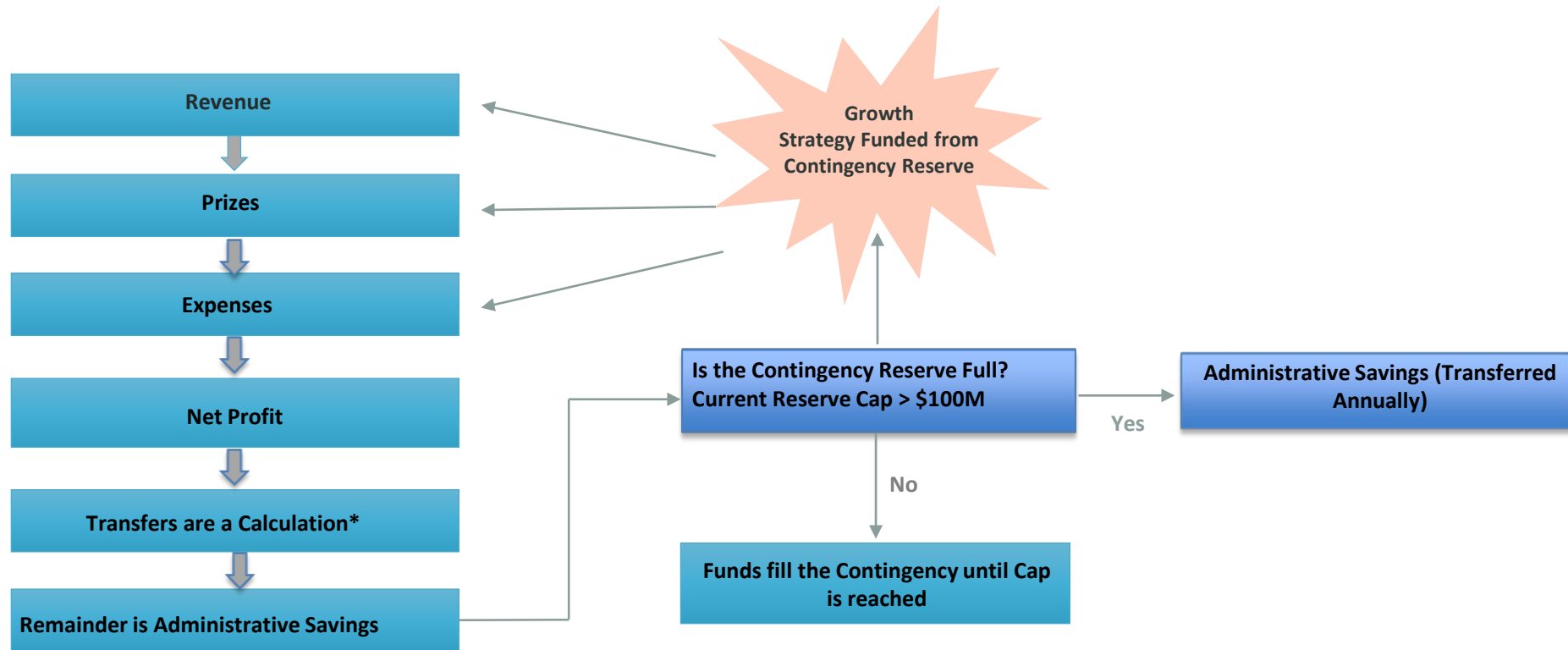


Together, we do good things.

# Oregon Lottery Funding Model

- Oregon Lottery is an enterprise fund that **is 100% self-financed through its sales** and Lottery funds are continuously appropriated.
- The **Lottery Commission approves the annual budget and strategic plan** (not the Legislature), thereby acting as a type of “Ways and Means Committee” for Lottery monies.
- Lottery is **obligated to transfer a portion of Net Profits** (determined by a calculation) to the Economic Development Fund and which are in turn distributed by the fund for public purposes allowed in law.
- The Commission determines revenue strategies, an operating plan to achieve the strategies, and appropriate levels of funding via the Contingency reserve to accomplish objectives. The **Commission is responsible for ensuring sufficient capital to operate the Lottery** and thus ensure anticipated transfers to the State are made.
- The Commission sets a “cap” level for the **Lottery’s Contingency Reserve Fund**. This fund must cover operational needs like investments for modernization & innovation and, it must cover the transfers anticipated by its beneficiaries in the event that there is a sales shortfall (the Lottery does not have business interruption insurance). Any “profits” earned above the Contingency Reserve cap are available for additional transfers annually as administrative savings.
- The **Lottery cannot borrow money** by statute, nor may the legislature appropriate other monies to the Lottery.

# How the Money Flows



\* Traditional Products Transfer Rate = Gross Revenue x 84% - Prizes

\* Video Products Transfer Rate = Net Revenue (Revenue – prizes) x 65.2%

# FY 2019 Profit and Loss

Oregon State Lottery FTE = 459

	FY 2019 Approved Budget*	Percent of Total Revenue
<b>Revenue</b>		
Video Lottery <sup>SM</sup>	\$ 12,396,528,280	
Scratch-Its <sup>SM</sup>	132,510,320	
Megabucks <sup>SM</sup>	34,597,713	
Pick 4 <sup>SM</sup>	1,633,774	
Powerball <sup>®</sup>	45,942,001	
Mega Millions <sup>®</sup>	50,815,186	
Win For Life <sup>SM</sup>	3,772,344	
Keno	101,448,330	
Lucky Lines <sup>SM</sup>	1,704,544	
Raffle <sup>SM</sup>	2,500,000	
<b>Total Revenue</b>	12,771,452,492	100.00%
Less: Prizes	11,678,619,519	91.44%
<b>Net Revenue</b>	1,092,832,973	8.56%
<b>Direct Expenses</b>		
Commissions	252,702,865	1.98%
Game Vendor Charges	8,459,311	0.07%
Tickets	3,700,000	0.03%
Advertising	8,888,717	0.07%
Sales Support	1,814,620	0.01%
Game Equipment/Parts & Maintenance	16,317,410	0.13%
Depreciation	32,462,840	0.25%
<b>Total Direct Expenses</b>	324,345,763	2.54%
<b>Gross Profit</b>	768,487,210	6.02%
<b>Indirect Revenue</b>		
<b>Indirect Expenses</b>	5,356,000	0.04%
Public Information	9,829,962	0.08%
Market Research	1,396,100	0.01%
Salaries & Benefits	61,773,256	0.48%
Services & Supplies	34,999,885	0.27%
Depreciation	2,977,663	0.02%
Interest Expense	376,430	0.00%
<b>Total Indirect Expenses</b>	111,353,296	0.87%
<b>Net Profit</b>	\$ 662,489,914	5.19%
<b>Admin. Exp. % of Revenue</b>	3.37%	

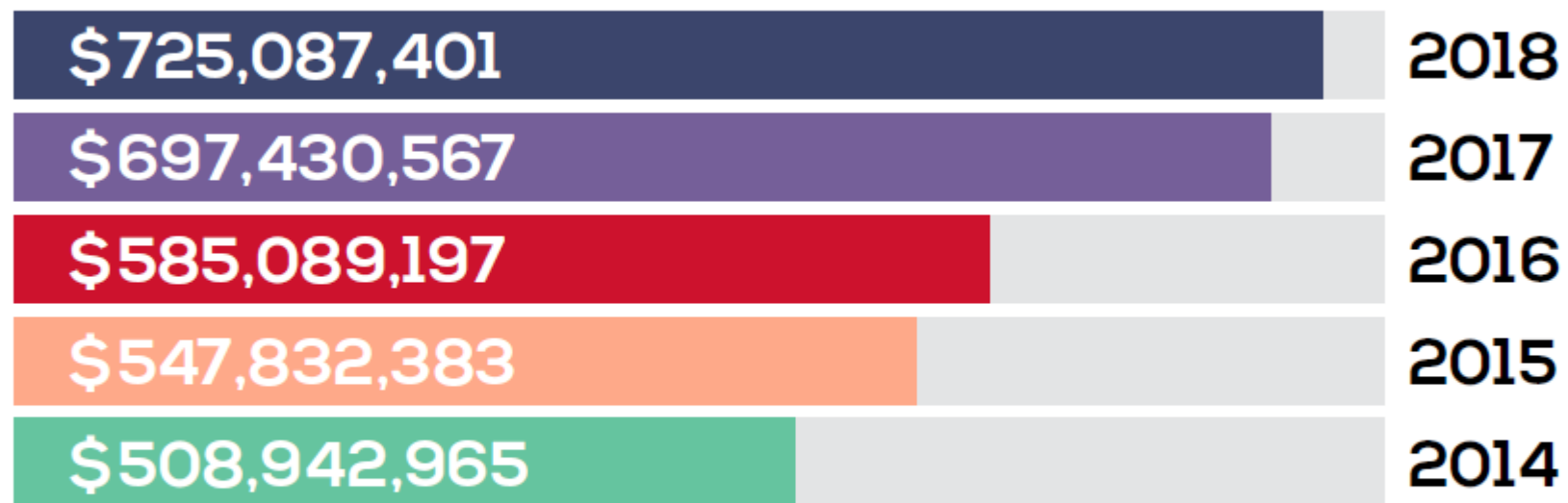
## Notes

\* Includes mid-year budget and March 2019 revenue forecast adjustments.

# Creating Revenue for Oregon

The Lottery is the state's second largest source of discretionary funding after the personal income tax, contributing more than \$12 billion since 1985.

Lottery funds transferred to the Oregon Legislature





\*Source: OSL Comprehensive Annual Financial Reviews (2014-2018).

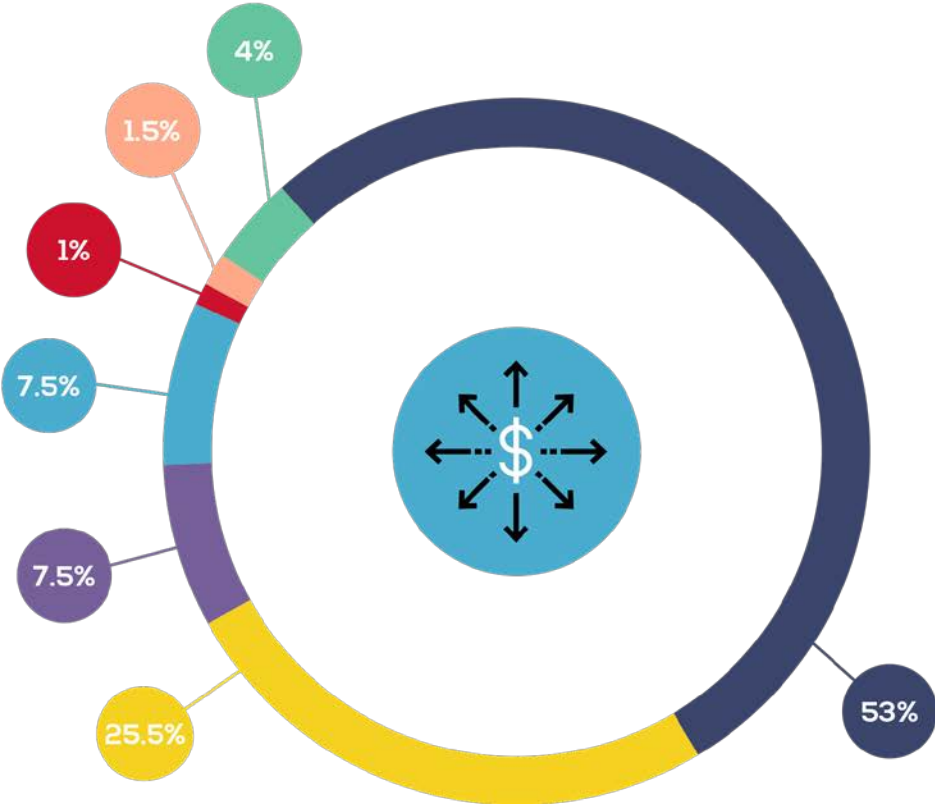
# Doing good things in Oregon

With Lottery dollars, jobs are created, schools are supported, parks are maintained, watersheds are improved, veterans are supported, more 5th and 6th graders attend Outdoor School, and Oregonians with gambling issues receive treatment.

Learn more about specific projects funded with Lottery dollars at [oregonlottery.org/beneficiaries](http://oregonlottery.org/beneficiaries)

### How Lottery Funds Are Allocated

-  53% Education
-  25.5% Economic development
-  7.5% State parks
-  7.5% Watershed and habitat restoration
-  1% Problem gambling treatment
-  1.5% Veteran services
-  4% Outdoor school





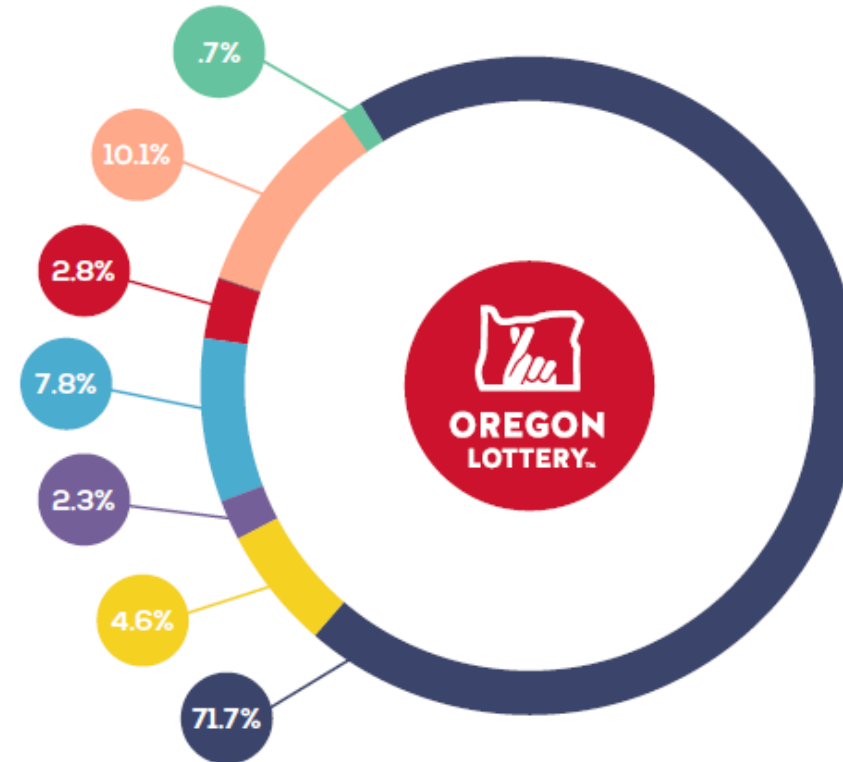
# A Variety of Games

We offer a variety of games for everyone, including jackpot games, scratch-its, Keno and Video Lottery, so there's something for everyone—over 18!

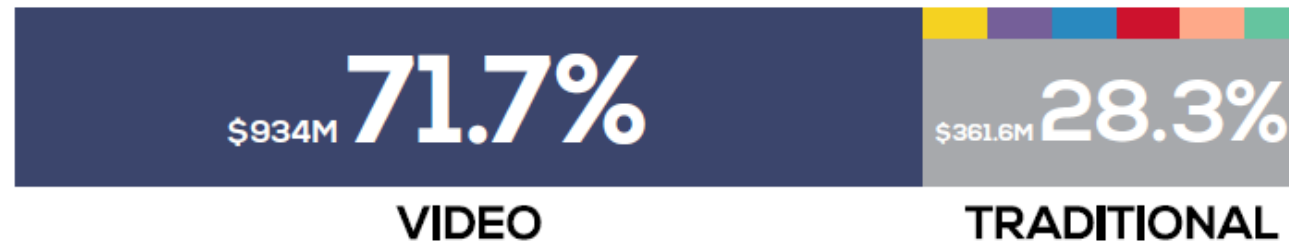
## Game Portfolio

- Video Lottery \$934M **71.7%**
- Powerball \$60M **4.6%**
- Mega Millions \$30M **2.3%**
- Keno \$102M **7.8%**
- Megabucks \$36.5M **2.8%**
- Scratch-its \$130M **10.1%**
- Pick 4, Lucky Lines and Raffle \$3.1M **.7%**

\*Source: OSL product performance data.



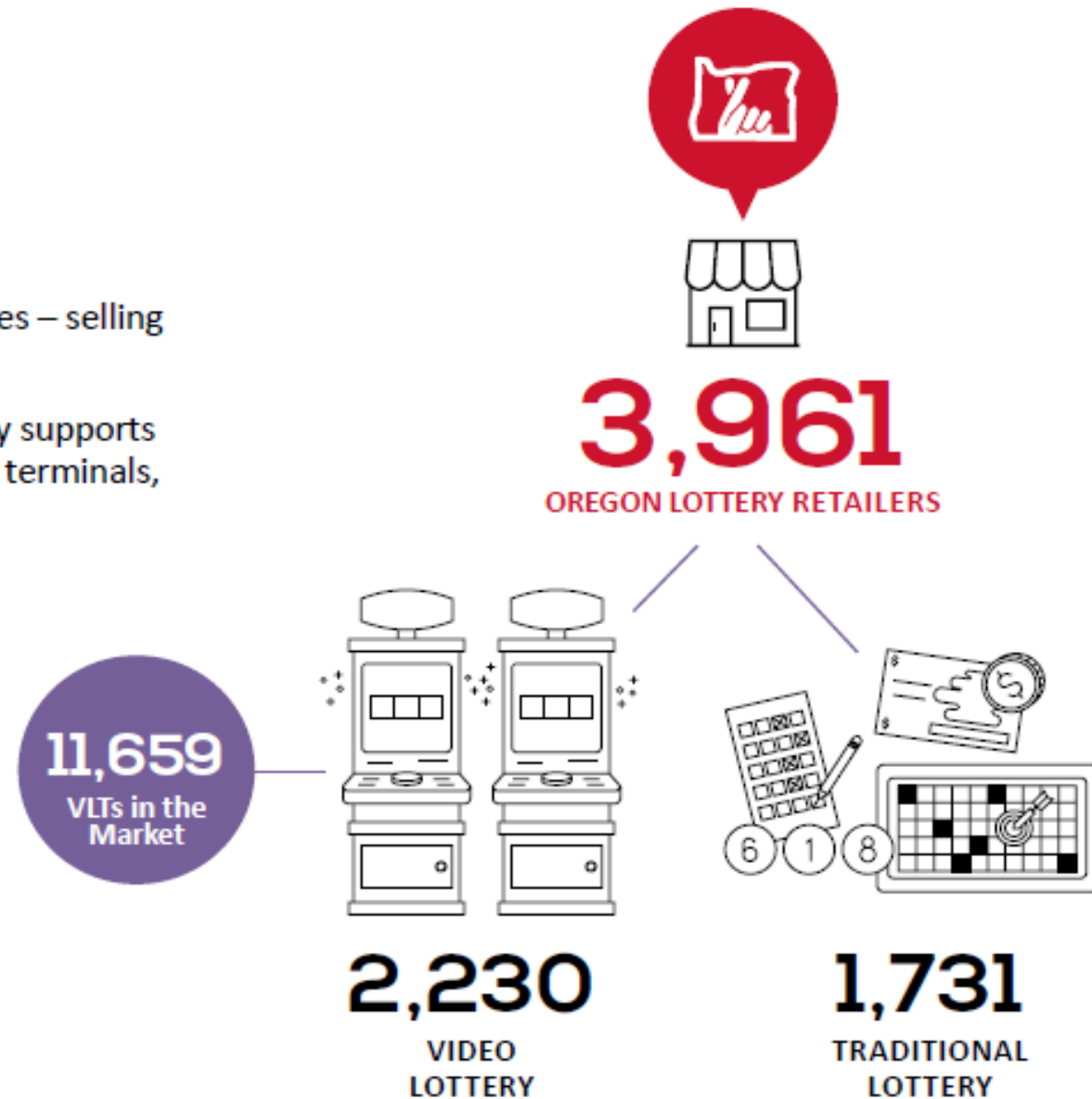
Market Share



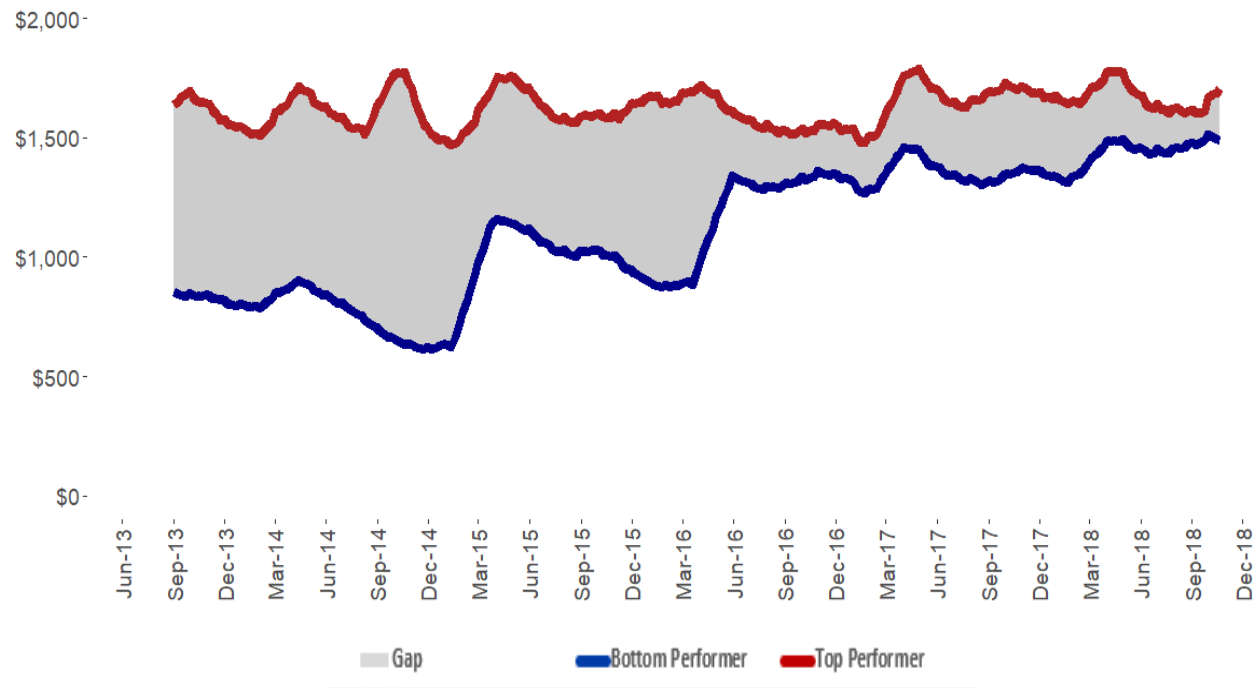
# Working With Our Business Partners

Retailers are the primary outlet for Oregon Lottery games – selling more than \$1 billion in FY 2018.

Retailers receive a commission for selling games. Lottery supports sales by providing the games themselves, Video Lottery terminals, and service and marketing support.



# Video Lottery: BY 19 performance - Terminals and Games



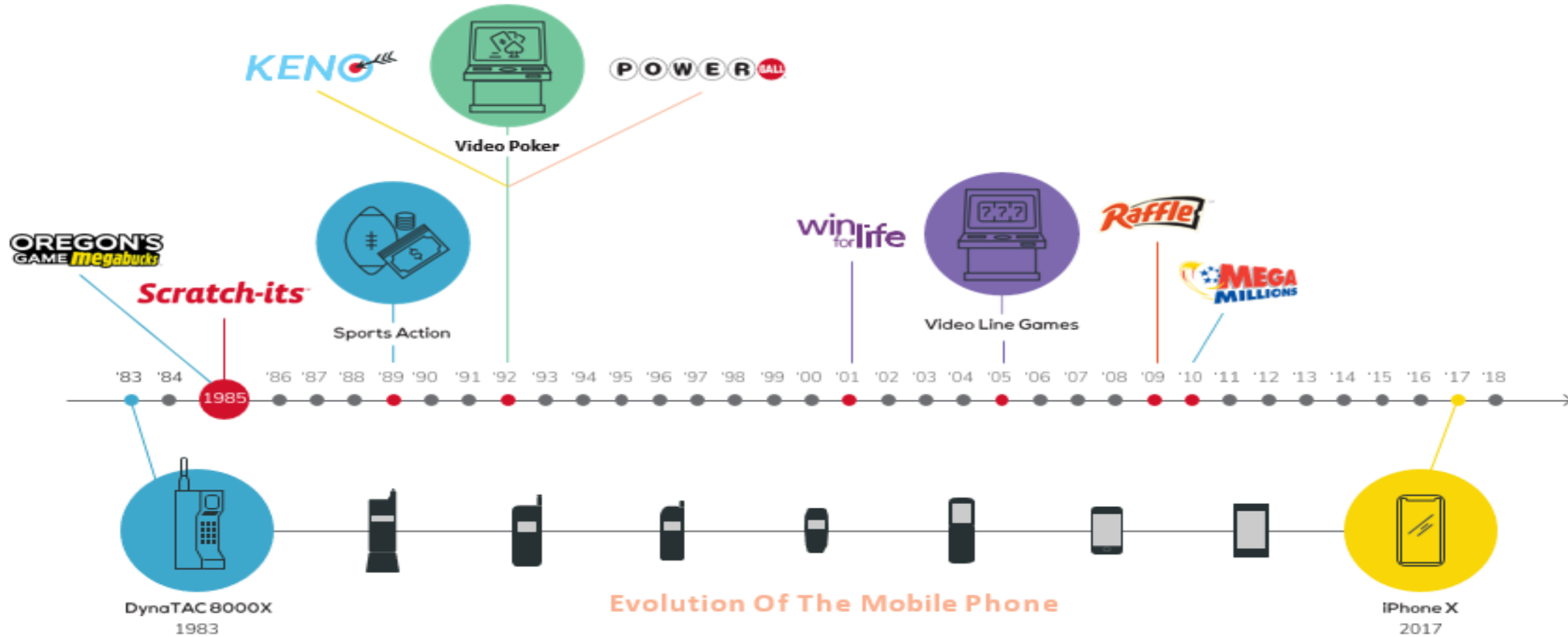
\$437 in average net sales per week since it launch in September



\$534 in average net sales per week since it launch in January

# Meeting Market Demands

## Oregon Lottery Game Portfolio Timeline



# Engaging Players Online

Our players engage online and are increasingly mobile. E-commerce is the new norm and the expectation for self-service via the web is increasing. Oregonians experience personalized interactions online when they shop, play and communicate via social media. The Lottery must expand and improve its digital presence to meet current and future customer demands.



**60%**

of Oregon Lottery website visitors use a mobile device



**98%**

of website visitors seek winning numbers



**57%**

of digital media time in US is spent on a mobile application



**87%**

of Americans play games online (market trend report from Newzoo)

# Keeping the Promise Into the Future



Mobile App—ticket scanning in fall 2018, adding jackpot purchases in future versions



Lottery debit cards for large prize payments



Increased funding for problem gambling research



Regional progressive jackpots for Video Lottery



Improved Video Lottery game offerings—new games and tailored offerings



A return to sports betting—Fall 2019

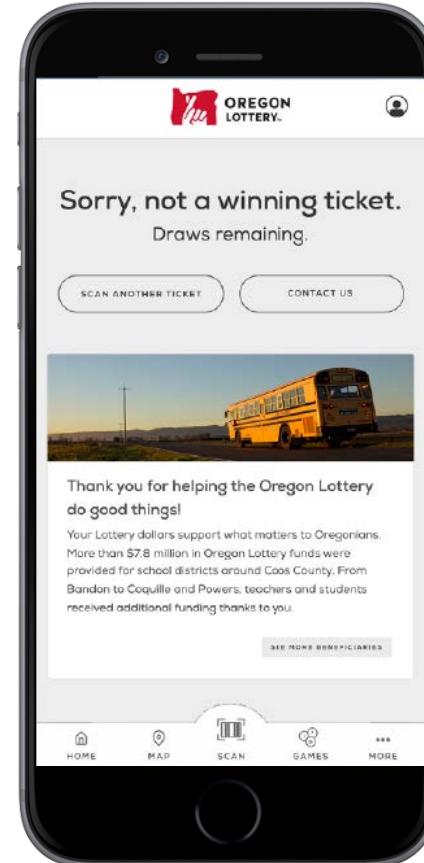


Any online experience includes player account management, providing responsible gaming tools.



Lottery has no plans to offer video lottery-type games on mobile devices or online.

# Going Mobile – Did I win? Check your ticket



# Going Mobile – Additional Functionality

## RETAIL FINDER

Winning tickets will include a call to action that allows the player to find the closest retailer for claiming their prize.

## RESPONSIBLE GAMING TOOLS

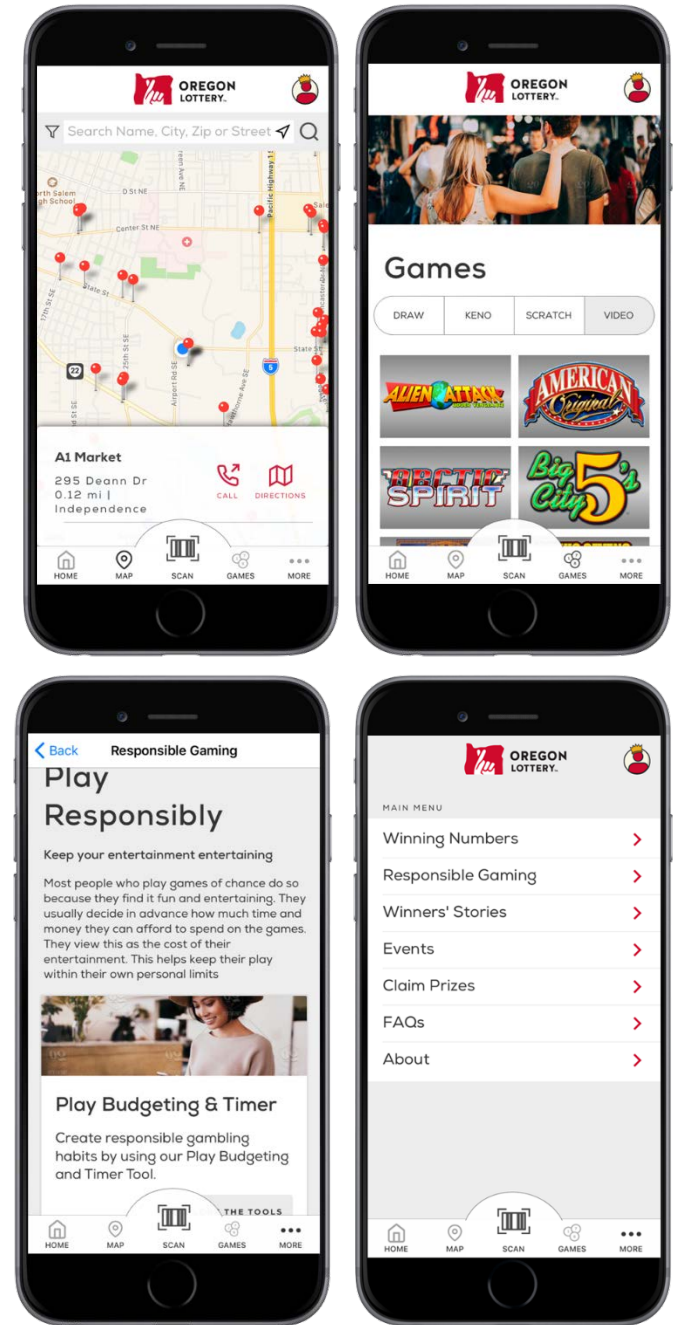
A budgeting & timer tool integrated for Video Lottery players; the Cost of Play calculator explains what regular play equates to financially over a period of time for players.

## GAME INFORMATION

The APP informs players about new games or new features. Players learn what the 2 top prizes remain for a ticket, what Video Lottery games offer a bigger top award than others, and that 24,000 Powerball winning tickets were sold in Oregon at the last drawing.

## PROFILE AND PERSONALIZATION

Every user has a list of preferences (notification options, game interests, zip code, etc) they can view and edit. Players have access to their scanned ticket history.





# Sports betting

Lottery is exploring a return to sports betting in a phased, multi-channel approach



- Sports betting will generate incremental increases in net sales as well as appeal to a new demographic of player.
- A multi-channel approach will feature a mobile sports book, enhanced wagering opportunities at retailers, and retailer-based parlay wagering (similar to Sports Action).



- Mobile sports betting currently exists in Oregon through illegal offshore books.
- Legal sports betting will attract new customers to the Lottery.
- Less than half of sports bettors in a FY17 survey were regular Lottery players.
- According to a AGA/Neilsen poll, 71% of current sports bettors would move some or all of their activity to a legal platform if one was available.



- Oregon law currently allows the Lottery to offer all games of chance, including sports betting.
- Impacts from a recent US DOJ opinion can be managed.

# Oregon Lottery Responsible Gaming Program - 2018 Impacts Report

**The Oregon Lottery® invests over \$3 million annually (above and beyond the funds dedicated to treatment and prevention) to implement a comprehensive responsible gaming program guided by our Responsible Gambling Code of Practice.**

## Our Goals

- Provide information and tools to help players make informed choices and enjoy Lottery games in a responsible way.
- Create awareness of the help and resources for those affected by problem gambling. We aim to ensure that people affected by gambling issues know how to access help and that they understand treatment is free, confidential, and it works.

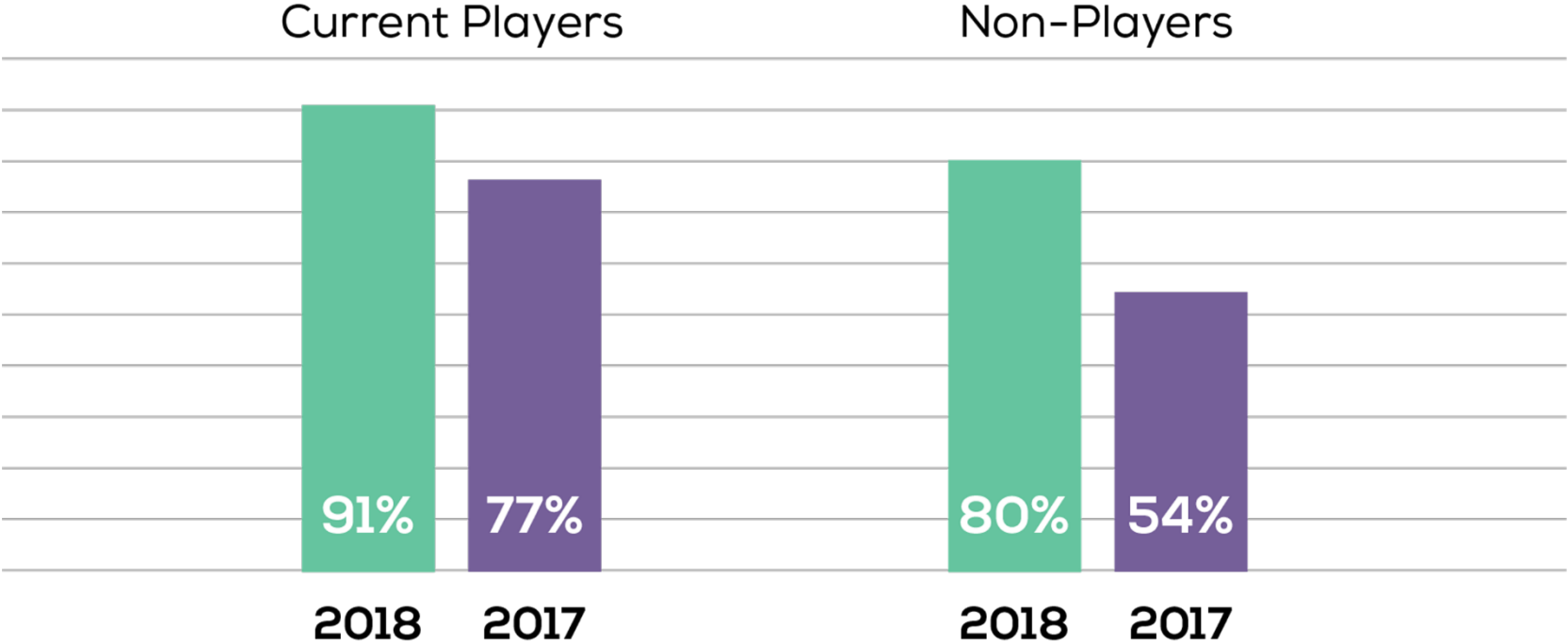
## What We Measure

- **Annual measurements** look at year-over-year trends to enable continuous improvement
- **Key accomplishments** measure a discrete set of non-repeatable activities.



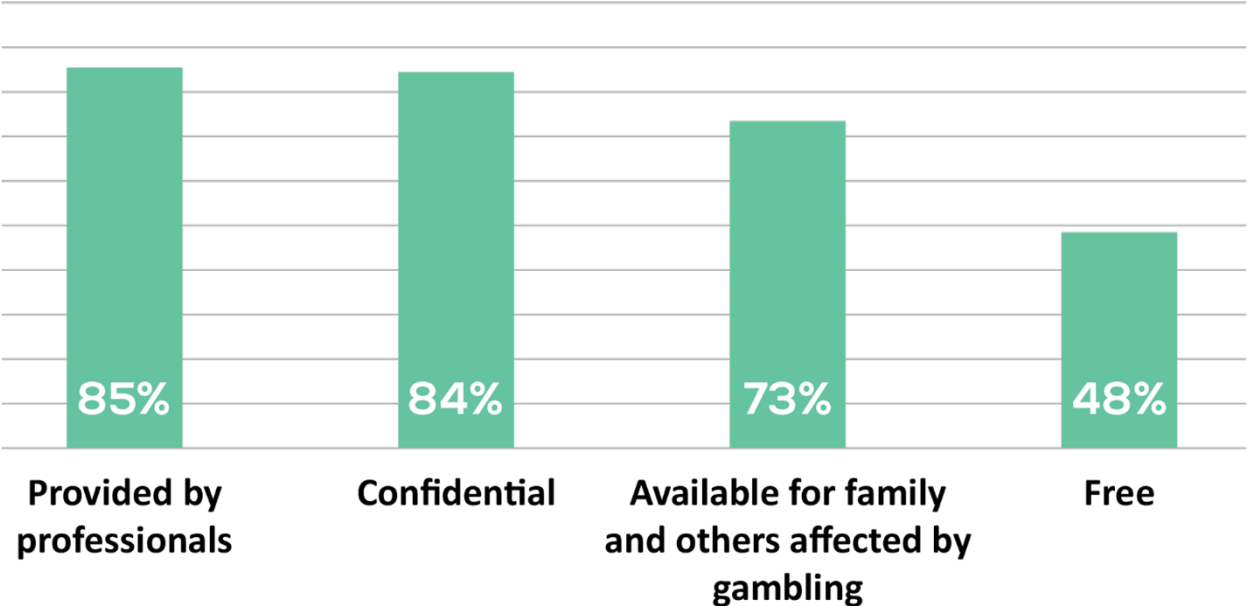
# Annual Measures

## Awareness of the Availability of Problem Gambling Treatment



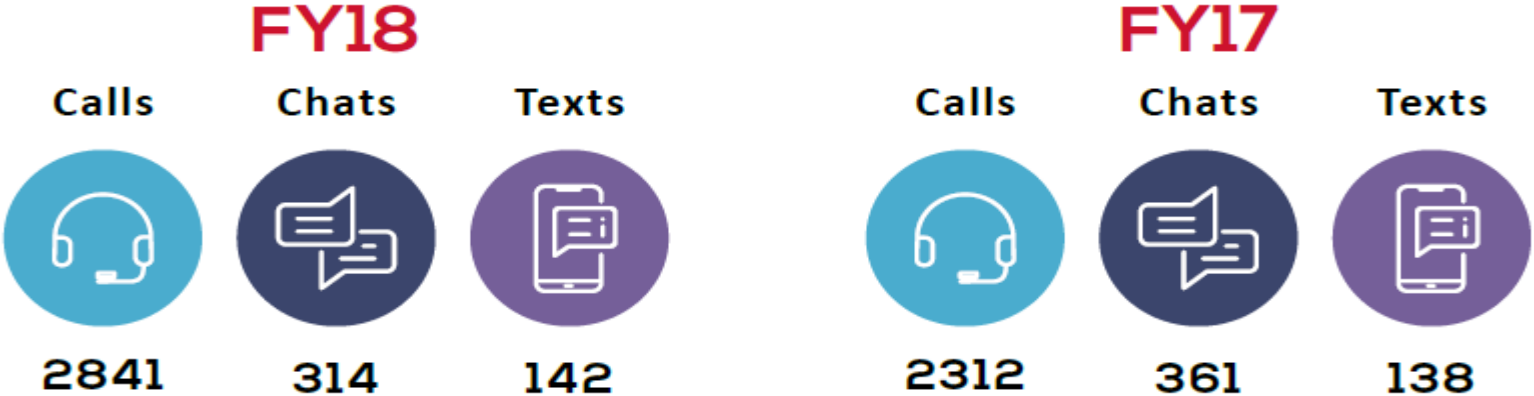
# Annual Measures

### Awareness of Problem Gambling Treatment Features



# Annual Measures

## Contacting the Helpline



# Key Accomplishments: Engaged Retailers

## Lottery Retailer Staff Training Completed



3,825 video retailers



2,531 non-video retailers



1.7 staff trained per retailer

**39%**  
of retailers  
agreed to this  
statement in the  
2016 survey

“Promoting responsible gambling is  
a responsibility

**Lottery and Retailers**

share equally.”

**78%**  
of retailers agreed  
to this statement in  
the  
2017 survey

# RG

Responsible Gaming

## BY THE NUMBERS



**\$99 Million+**

Dedicated to funding problem gambling treatment and prevention since 1999



**2531**

Grocery and convenience Lottery retailers staff completing RG training



**7**

RG Tips on the New Oregon Lottery App



**11**

Times the average Oregonian will see a treatment referral ad during a 26-week period



**\$3.8 Million**

Invested in player education and treatment referral advertising and promotion in FY18



**2,620,819**

Page views driven to the Oregon Problem Gambling Resource website



**126**

Player facing Lottery staff completing advanced RG training

# **World Lottery Association**

## **Level 4 Responsible Gaming Certification**

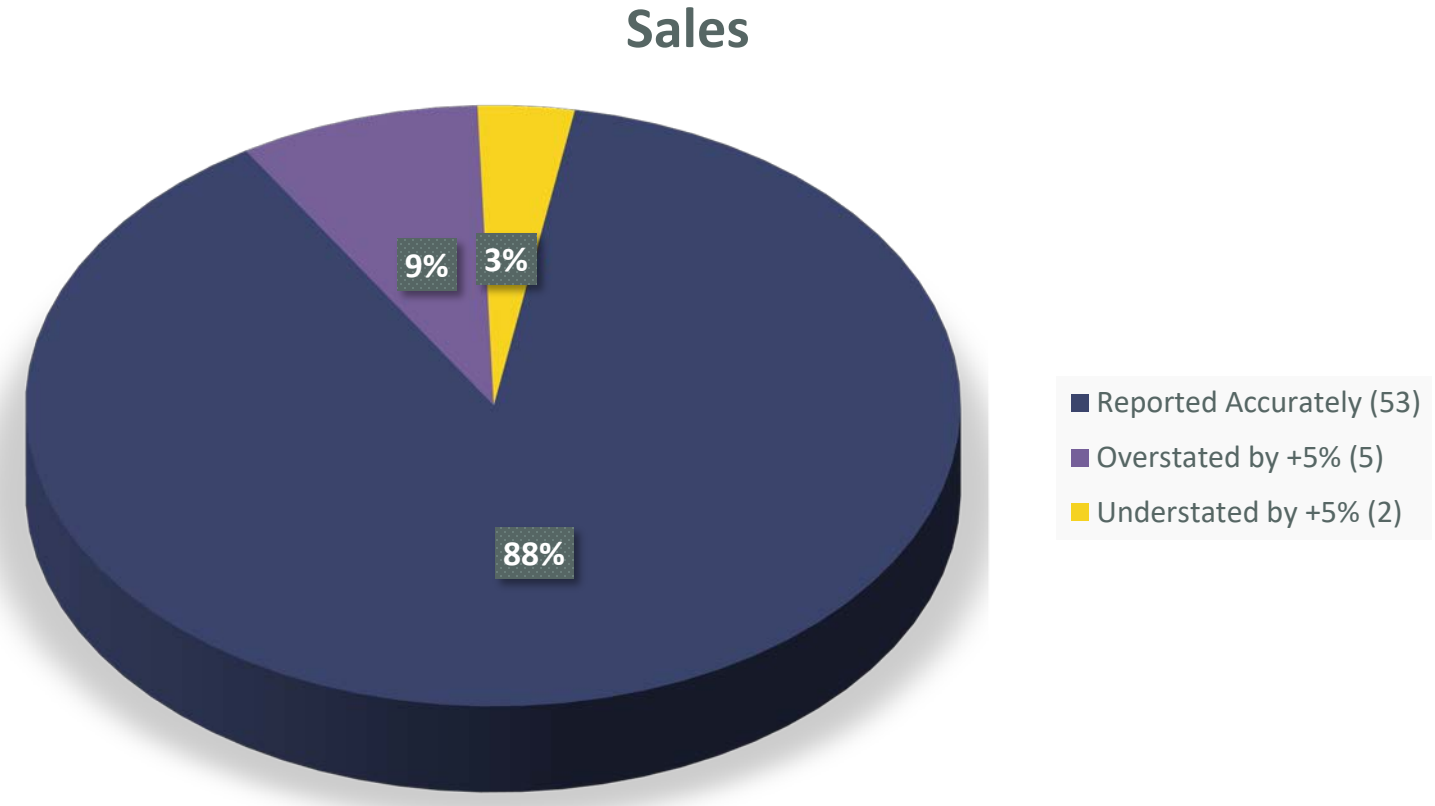
**Recognizes lotteries who have embedded RG in their organization's goals, governance, management processes and who have made RG a key component of the corporate culture**

- 130 page submission – with 227 links to documentation and assets
- Validated through independent GLI Audit
- Judged by an international panel for the WLA's Responsible Gambling Framework
- Level 4 is the highest level offered by WLA
- Oregon Lottery is one of only 8 US lotteries to achieve Level 4 Certification
- Oregon Lottery only US lottery with Video Lottery to achieve Level 4 certification



# Audit of Retailer Reporting of Non-Lottery Revenues

- Conducted by OSL's Internal Audits Division
- First year of a 5-year program reviewing records of 281 limited menu retailers, cafes and small eateries
- Auditors reviewed non-lottery revenue records for accuracy and completeness at 60 locations



# Audit of Retailer Reporting of Non-Lottery Revenues

## Three Recommendations:

1. Provide improved guidance and instructions for the types of sales that are and are not reportable and improve the layout of the gross sales report. For instance, the gross sales report should have specified columns for tobacco products and ATM commissions to distinguish these sales from other miscellaneous sales.
2. Clearly instruct retailers which records should be retained for a minimum of two years, including daily Point of Sales (POS) system summary tapes or POS system generated reports/data and cost of sales documents.
3. Perform follow-up records reviews of the eleven retailers found to have low audit scores, low sales accuracy or poor general business controls. The follow-up reviews will help to ensure appropriate resolution of the issues noted during this review.



**OREGON  
LOTTERY™**

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