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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING April 29, 2022

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

Director: Barry Pack

Chair Saathoff called the April 29, 2022, Oregon State Lottery Commission meeting to order. Chair Saathoff 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 for this meeting and asked the clerk to read the comment that was received.

No public comment was received.

B. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

No communications were shared.

C. DIRECTOR'S REPORT

Presenter: Barry Pack, director

Lottery news

Director Pack shared that after more than two years, the Lottery office will fully reopen on Mon., May 2. Not all employees will return to the office now that staff are designated as fully remote, hybrid, in-office, or field. Director Pack noted that it will take time to adjust to

the new work environment and shared that the past couple of years have shown the resiliency, flexibility, and dedication of Lottery's staff.

April 25 marked Oregon Lottery's 37th anniversary. Over those 37 years, Lottery has earned revenues of \$29.7 billion, awarded over \$45 billion in prizes, and transferred nearly \$14 billion to Lottery beneficiaries, including:

- More than \$3 billion to Economic Development
 - More than \$8 billion to Oregon public schools, including Outdoor School
 - More than \$890 million to State Parks
 - More than \$890 million to watershed enhancement
 - Providing \$72 million to Veteran Services
 - And \$120 million to problem gaming treatment and awareness
- Chair Saathoff is proud to be part of an organization that does such good things for its beneficiaries.

Director Pack announced that Coos Bay Public Schools' Melinda Torres was recently named Oregon Educational Support Professional of the Year. This award honors an Oregon education support professional serving students in any grade from pre-kindergarten through grade 12. As part of the program, Lottery provides a monetary prize to the winner, as well as creating most of the support materials.

For the fifth year, the Oregon Lottery joined other state agencies in recognizing the Ambassador of Public Service award. The recipients of this award embody the four statewide competencies of accountability, equity, excellence, and integrity. This year, Lottery had a record number of nominations, with 31 Lottery employees nominated. The winners of the 2022 Ambassador of Public Service Award are David Cessnun, Kyle Crocker, and Diana Villegas.

- Chair Saathoff congratulated all of the nominees and winners and thanked them for representing the Lottery.

Winners – Director Pack shared stories about the following winners:

- Charles L. of Drain won \$70,142.10 playing Keno
- Lorraine R. won \$30,000 playing Mega Millions
- Christopher M. of Cottage Grove won a \$10,000 playing a Giraffe Bingo Scratch-it

D. MINUTES OF THE PREVIOUS MEETINGS, Exhibit 1

Presenter: MardiLyn Saathoff, chair

Minutes of the March 25, 2022, meeting

The Commission reviewed the March 25, 2022, 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 Oregon State Lottery Commission meeting held March 25, 2022, be approved as final, as presented today. Commissioner Ramirez seconded the motion. *The motion passed by a 4-0 quorum vote, with Commissioners Patel, Ramirez, Wilcox, and Chair Saathoff voting aye.*

E. FINANCIAL REPORT

Presenter: Monique Fawver, financial reporting manager

March 2022 monthly financial statements and quarterly budget report, Exhibit 2

Fawver provided an overview of the financial statements and described expenses and variances in the operating statements, services and supplies, balance sheet, and capital outlay status report. Fawver also noted that there is a request for a \$7.2 million increase to the budget to account for the estimated FY 22 PERS liability charges that are charged to Lottery after the fiscal year ends.

- Commissioner Ramirez shared that he is impressed with how the direct expenses are managed and how nimble Lottery is to control costs when needed.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the months ending March 31, 2022, including the changes to the FY 22 budget, 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.*

F. RULEMAKING

Presenter: Kris Skaro, rules and policy analyst

OAR 177-085-0025 and 177-085-0035: Powerball rules, Exhibit 3

Skaro reminded the Commission that the Multi-state Lottery Association that oversees the multi-jurisdictional draw game, Powerball, updated the group rules governing the game earlier this year. The proposed changes ensure alignment with these rules and are technical in nature. Skaro shared that it should not change the game experience for the players. The first change clarifies when a change to the grand prize amount takes effect and the second change addresses how a grand prize is funded in the unlikely event that the normal prize accounts are insufficient to cover the prize payment. Skaro provided an overview of the rulemaking process and noted that Lottery did not receive any public comment on the proposed changes.

- Chair Saathoff clarified the purpose of the rule changes.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that OAR 177-085-0025 and OAR 177-085-0035 be amended as presented today, to be effective May 1, 2022.

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

OAR 177-010; 046; 092; 093: Sports betting rules, Exhibit 4

Skaro reminded the Commission that Lottery adopted temporary rules required to finalize the contract with DraftKings and move the digital sports betting game to the DraftKings digital platform on Jan. 18, 2022. The proposed rules are substantively very similar to the rules that were adopted to support the Scoreboard game, but with updated terminology and other minor changes to reflect differences in the new platform, such as a simplified flow of funds. Skaro provided an overview of the rulemaking process and noted that she will report back next month when the rulemaking process is complete.

G. STAFF UPDATES

Presenters: Kerry Hemphill, sports betting products manager and Sar Richards, video gaming products manager

Richards provided an overview of the performance of Scratch-its, Keno, and jackpot games, including third quarter business year sales and transfer information. Richards reported that Scratch-it sales were \$40.9 million for the quarter and were down 32.1 percent year over year but were still above forecast. Richards also shared that some of the Lottery's Scratch-it vendors are having paper shortages but noted that the Lottery product team has done long-range planning and are managing the paper shortage by moving games to other vendors who are not as impacted by the shortage. Keno sales for the quarter were \$28 million and were up 16.2 percent year over year. Jackpot game sales for the quarter were \$28.3 million, which is a decrease of 28.4 percent year over year. The decrease in sales is attributed to lower jackpot levels during the quarter. Powerball sales have seen an increase with the addition of the third weekly drawing on Mondays.

- Chair Saathoff asked a clarifying question about the revenue forecasting process for jackpot games and Director Pack shared that the Office of Economic Analysis forecast is based on historical sales information because there is no way to predict the volatility of the jackpot.

Richards provided a quarterly report on Video Lottery, reporting that sales reached \$306.4 million this quarter. Richards noted Video Lottery revenues had a \$28.7 million record-breaking sales week for the week ending March 5 and shared the impact of the Big City 5s Diamond game, along with some responsible gaming features that are built into the game.

- Chair Saathoff asked clarifying questions about the responsible gaming features that are offered in the game.

Hemphill shared information about the performance of Scoreboard and DraftKings, noting that Scoreboard stopped taking wagers on Jan. 18, but any future wagers that have not been settled remain on the Scoreboard platform until the event occurs and the wager is settled. Hemphill shared that year over year for the third quarter saw a 35 percent increase in the number of bets and a 32 percent increase in turnover. The combined gross gaming revenue for the third quarter was \$9.5 million after seeing nearly \$120 million in wagers, which is a year over year increase of 13.1 percent. Hemphill noted that 91 percent of bets were placed on basketball, football, ice hockey, soccer, and mixed martial arts. The 2022 Superbowl showed year over year increases in the number of bets, turnover, unique active players, and gross gaming revenue.

- Chair Saathoff noted that revenue looks down compared to the budget and Hemphill clarified that it is attributed to the increased charges which are based on activity that took place and include third-party fees.

H. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled May 20, 2022.

The Oregon State Lottery Commission approved the minutes of the April 29, 2022, Oregon State Lottery Commission meeting on May 20, 2022.

Alisa Zavala
Senior Executive Assistant to the Commission
Lottery Director's Office

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

OSL Commission meeting exhibits are available at www.oregonlottery.org/about/how-we-operate/commission-and-director-info/.