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Background Brief on...

Lottery Revenue

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Background

It is unlawful to offer games of chance to the public in Oregon. The three exceptions to this are games offered by the Oregon State Lottery, games offered by Indian Tribes pursuant to agreements with the State of Oregon, and bingo or lotto games offered by charitable organizations.

The Oregon State Lottery currently offers 8 types of traditional games through 2,500 retailers, which are open to persons age 18 or older and video lottery (video poker) on about 10,000 machines through 2,100 licensed premises, which are available to persons age 21 or older. Administrative expense is limited to 16% of lottery revenue and at least 50% of revenue must be returned in the form of prizes. Net receipts are revenue less prizes and net proceeds are net receipts less expenses.

Net proceeds are deposited in the Administrative Services Economic Development Fund. 18% is transferred to the Education Stability Fund (with a ceiling of 5% of the General Fund) and 15% is transferred to the Parks and Natural Resources Fund. The balance may be appropriated by the Legislature for the purposes of creating jobs, furthering economic development, financing public education in Oregon or restoring and protecting Oregon's parks, beaches, watersheds and critical fish and wildlife habitats. From this balance, the Legislature must first appropriate amounts sufficient to pay lottery bonds. Current statutes require that an amount equal to the net proceeds of Sports Action Lottery games be transferred to the Intercollegiate Athletic Fund and that, of video lottery net receipts, 2.5% be transferred to counties for economic development, and that not less than 1% be transferred to the Problem Gambling Addiction Fund. The County Fair Account also receives 1%.

Oregon Law

The Oregon State Lottery and the five-member Oregon State Lottery Commission were created by initiative petition in 1984 (Ballot Measures 4 and 5). Commission members are appointed by the governor and charged to produce the maximum amount of net revenue to benefit the public purpose. The Lottery may operate any games authorized by the Commission except pari-mutuel racing, social games, and bingo or lotto games. The 1989 Legislature directed the Commission to establish a Sports Action Lottery game and authorized video lottery games, which were suspended by the Governor and reauthorized by the 1991 Legislature. The Constitution, originally dedicated the net lottery proceeds to the public purposes of creating jobs and furthering economic development.

This was expanded by Measure 21 (May 1995) to include financing public education, by Measure 66 (Nov 1998) to include restoring and protecting Oregon’s parks, beaches, watersheds, and critical fish and wildlife habitats. Measure 21 also gave lottery bonds first claim on lottery proceeds and dedicated 15% of net proceeds to the Education Endowment Fund. Measure 66 dedicated 15% of net proceeds to the Parks and Natural Resources Fund with 50% dedicated to parks and recreational areas and 50% dedicated to fish and wildlife habitats. Measure 19 (2002), converted the Education Endowment Fund to an Education Stability Fund and increase the dedication to 18% of Lottery net proceeds. If the balance in the Stabilization Fund reaches 5% of General Fund revenue, the lottery dedication is reduced to 15% and deposited in a new school capital matching Subaccount.

Lottery Revenue

Lottery revenues include non-game revenues such as interest earnings, penalties, and unclaimed prizes in addition to game revenues. The table below shows the history of traditional and video lottery game revenues and total lottery revenue since 1994-95 (millions).

Fiscal Year	Traditional Games				Video Lottery Games				Total Lottery
	Gross Revenue	Prizes	Expense	Net Proceeds	Gross Revenue	Prizes	Expense	Net Proceeds	
1994-95	340.9	208.2	54.7	78.1	2,983.2	2,652.1	137.9	193.2	274.0
1995-96	344.2	213.7	53.9	76.6	3,285.1	2,929.5	149.8	205.9	286.2
1996-97	333.1	207.6	52.6	72.8	3,636.7	3,243.5	168.7	224.5	301.2
1997-98	310.4	195.1	50.6	64.8	4,245.2	3,837.8	179.0	228.5	297.7
1998-99	325.9	206.0	49.0	70.9	5,660.1	5,257.5	172.0	230.5	306.2
1999-00	323.7	210.5	56.8	56.4	6,566.3	6,129.8	183.8	252.8	314.9
2000-01	323.3	211.9	56.8	54.5	7,293.4	6,831.0	194.7	267.7	330.8
2001-02	336.8	223.5	57.4	55.9	7,725.0	7,244.8	199.8	280.4	341.4
2002-03	354.8	234.7	60.1	60.1	8,133.3	7,634.6	201.8	297.0	363.2

Lottery Transfers

Lottery Net proceeds are transferred to the Administrative Services Economic Development Fund. Amounts transferred lag revenues by one quarter and may differ by amounts added or withdrawn from various lottery reserves. The table below shows the history of lottery transfers by biennium in millions on dollars. Amounts available for legislative appropriation do not include beginning balances, reversions, or interest earned on the Economic Development Fund.

Biennium	Revenue Bonds	Education Endowment/ Stability	Parks & Recreation	Counties & County Fair	Sports Action	Gambling Addiction	Legislative Approp.
1987-89							106.6
1989-91							92.5
1991-93	**			7.7	3.3		176.7
1993-95	20.0			19.0	4.6		403.3
1995-97	20.0			18.4	5.3		532.8
1997-99	21.7	91.2		20.1	3.9		471.1
1999-01	26.8	87.1	87.1	22.2	4.8	5.8	362.0
2001-03	71.3	110.7	110.7	24.3	5.2	6.2	409.7
2003-05*	121.92	128.1	106.72	28.9	5.1	5.84	306.6

* March 2004 Forecast ** \$16 million appropriation for West Side Light Rail precedes bonding.

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