

OREGON LOTTERY

The title 'OREGON LOTTERY' is centered at the top. Below it, there are two rows of decorative circles. The top row consists of three circles: the first is a thin light purple outline, the second is a solid light purple fill, and the third is a solid light purple fill. The bottom row consists of three circles: the first is a solid light purple fill, the second is a solid light purple fill, and the third is a thin light purple outline.

2009 presentation

OREGON STATE LOTTERY

- Terminology
- History
- Net Proceeds
 - Traditional
 - Video
- Transfers
- Issues



LOTTERY TERMINOLOGY

- Revenue
 - Game
 - Other (interest and unclaimed prizes)
- Prizes
- **Net Receipts = Game Revenue Less Prizes**
- Expense
 - Game
 - Operating
 - Contingency Reserves
- **Net Proceeds = Net Receipts Less Expense**

LOTTERY HISTORY



- 1984 Created by Initiative Petition
 - Traditional Games
 - Net Proceeds Dedicated to Economic Development
- 1989 Legislative Action
 - Created Sports Action Lottery
 - Authorized Video Lottery (suspended by Governor)
- 1991 Legislative Action
 - Implemented Video Lottery, prohibited private lotteries
 - Dedicated 2.5% of **Net Receipts** to counties
- 1995 Referred Measure # 21
 - Added “financing public education” as allowable use
 - Gave lottery bonds first claim on revenue
 - Dedicated 15% of **Net Proceeds** to Education Endowment Fund
- 1998 Initiative Petition (Ballot Measure # 66)
 - Dedicated 15% of **Net Proceeds** to Parks, Beaches, and Watershed Protection

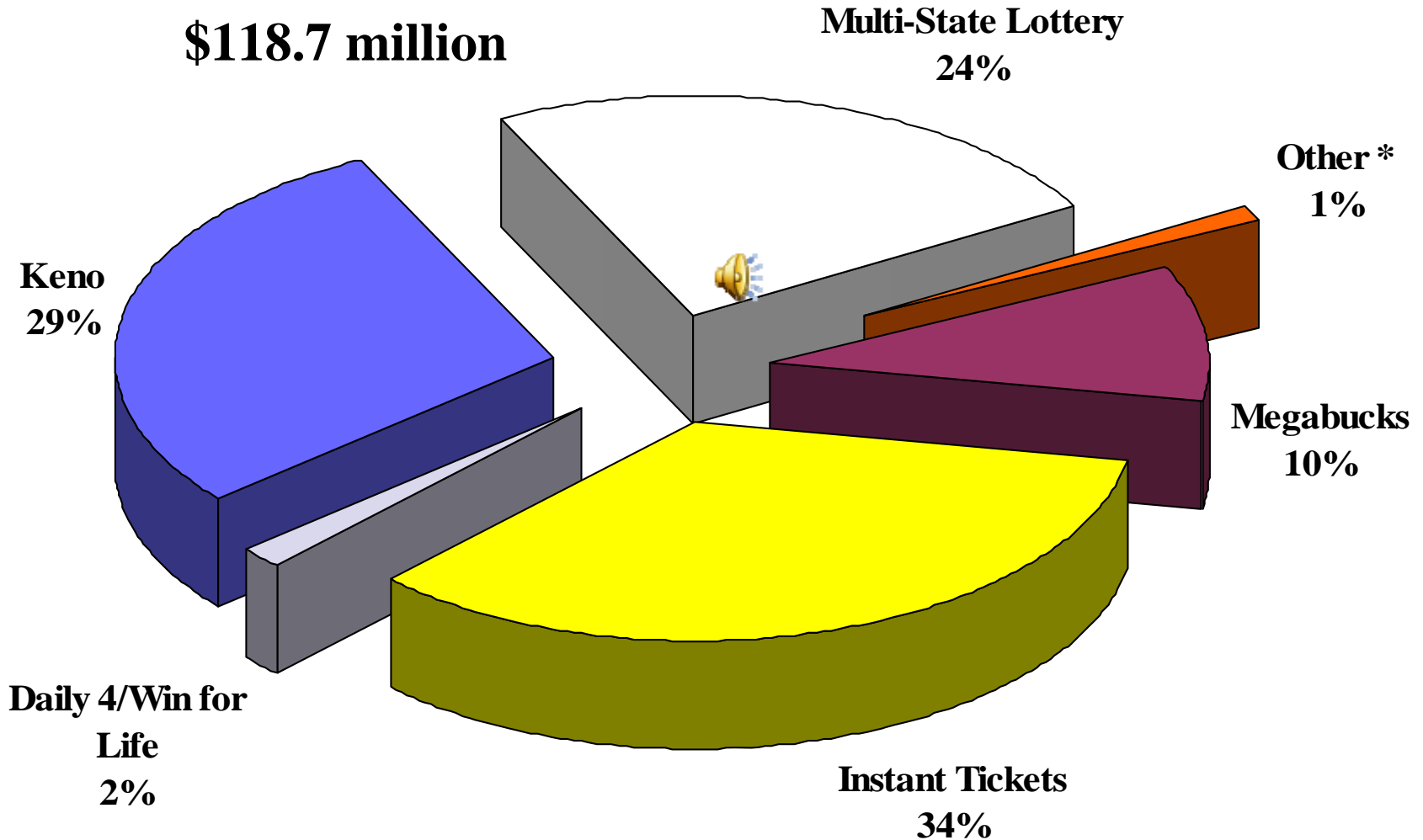
Lottery History (cont.)

- 1999 Legislative Action
 - Dedicated not less than 1% of Video **Net Proceeds** to Problem Gambling
- 2002 (3rd SS) Legislative Referral
 - Converts EDF to Education Stabilization Fund (ESF)
 - Lottery Dedication Increased, Conditionally
 - If Fund Balance < 5% of GF, 18% to ESF
 - Else 15% to School Capital Matching Subaccount
 - Allows Appropriation of Principal, Conditional
 - 3/5 Vote Plus Specified Economic Conditions or Emergency
- 2005 Legislative Action
 - Repealed Sports action and like games.
 - Dedicated 1% of **Net Proceeds** to Collage athletic programs.

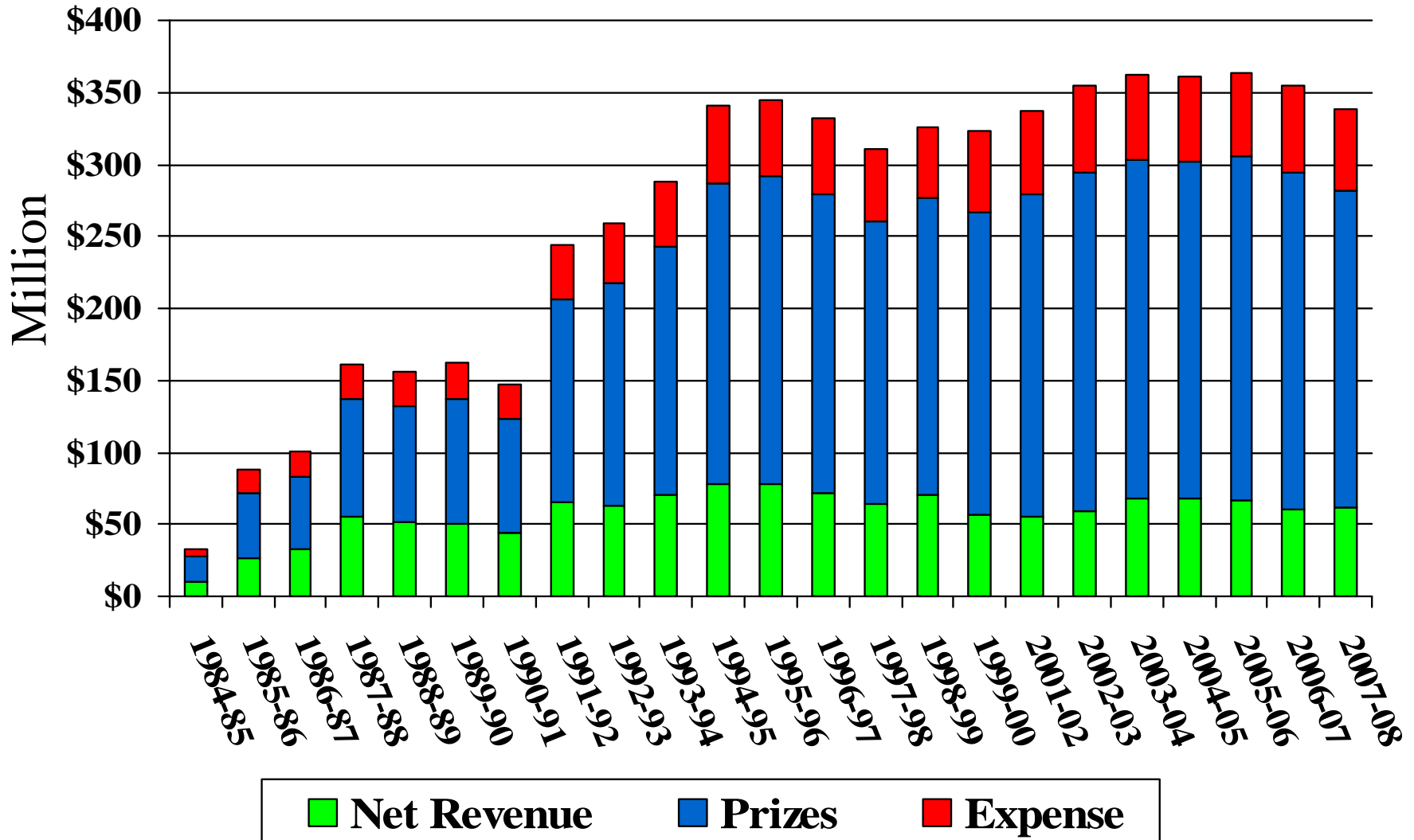
Traditional Lottery Games

2007-08 Net Receipts

\$118.7 million

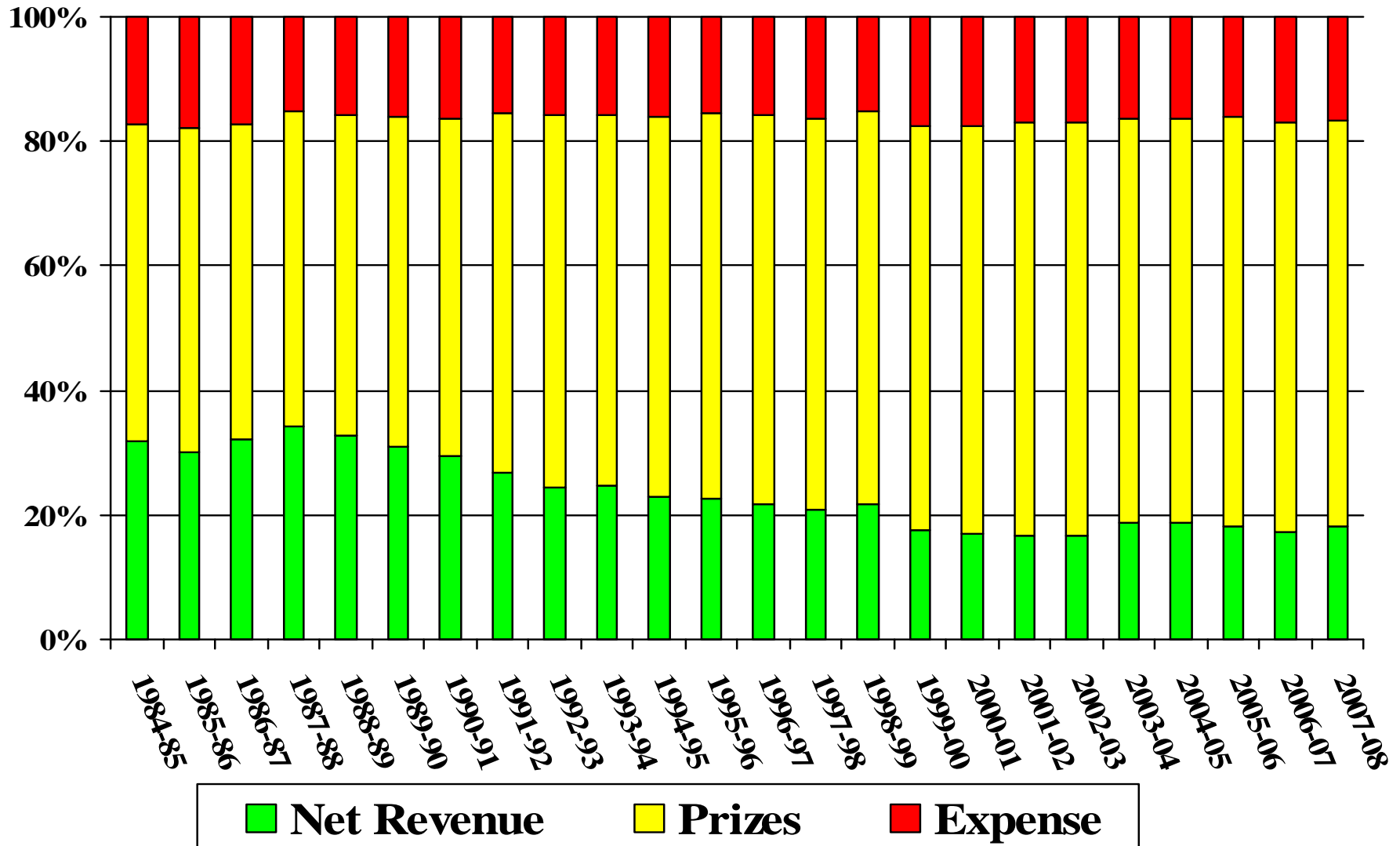


TRADITIONAL GAME REVENUE

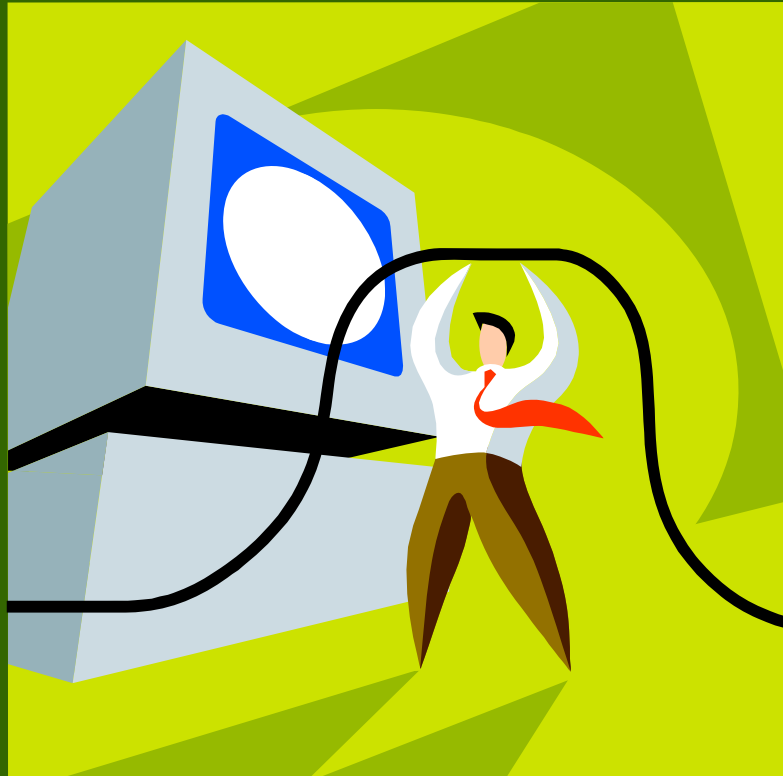


TRADITIONAL GAME REVENUE

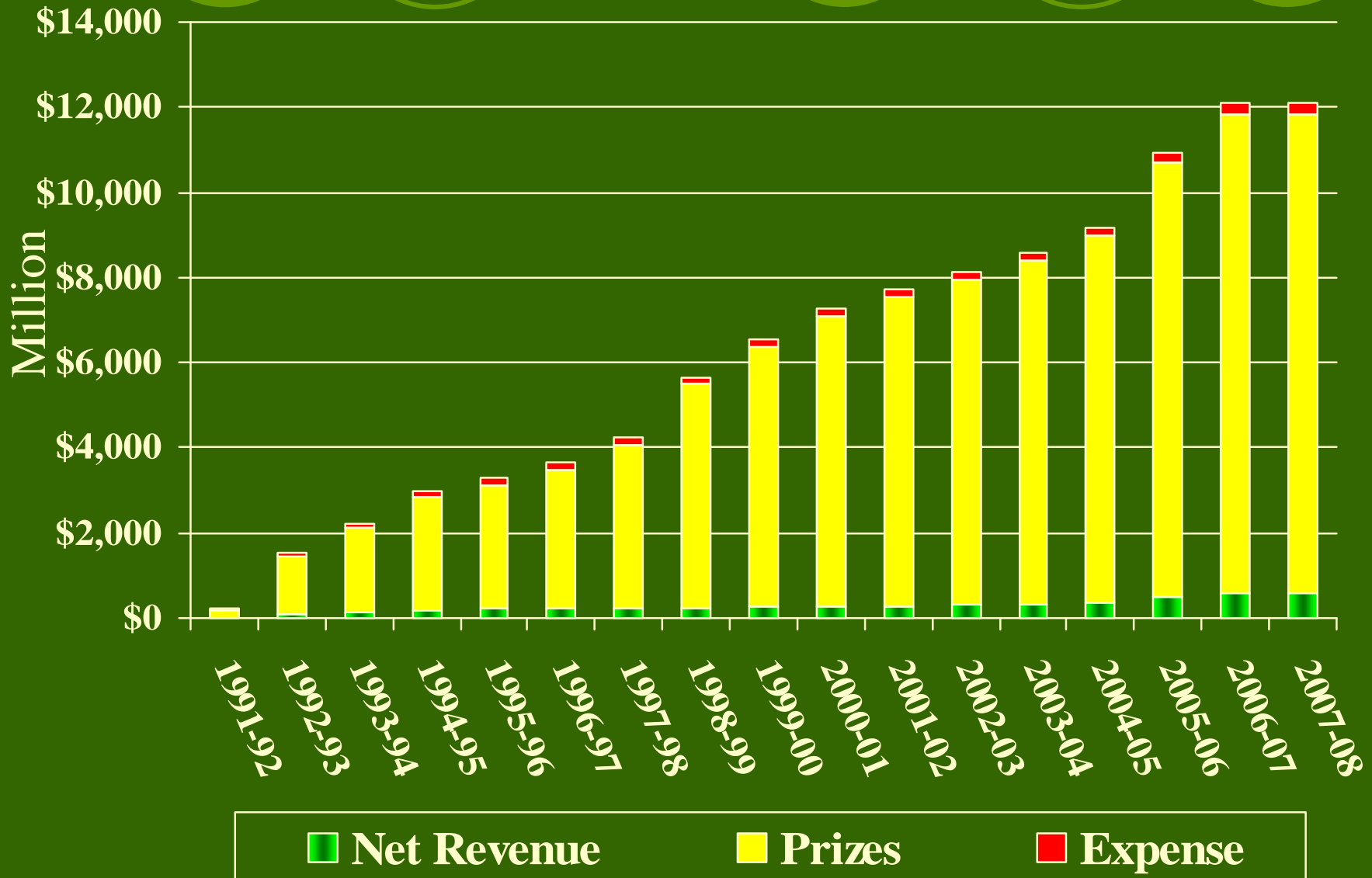
Percentages



VIDEO LOTTERY

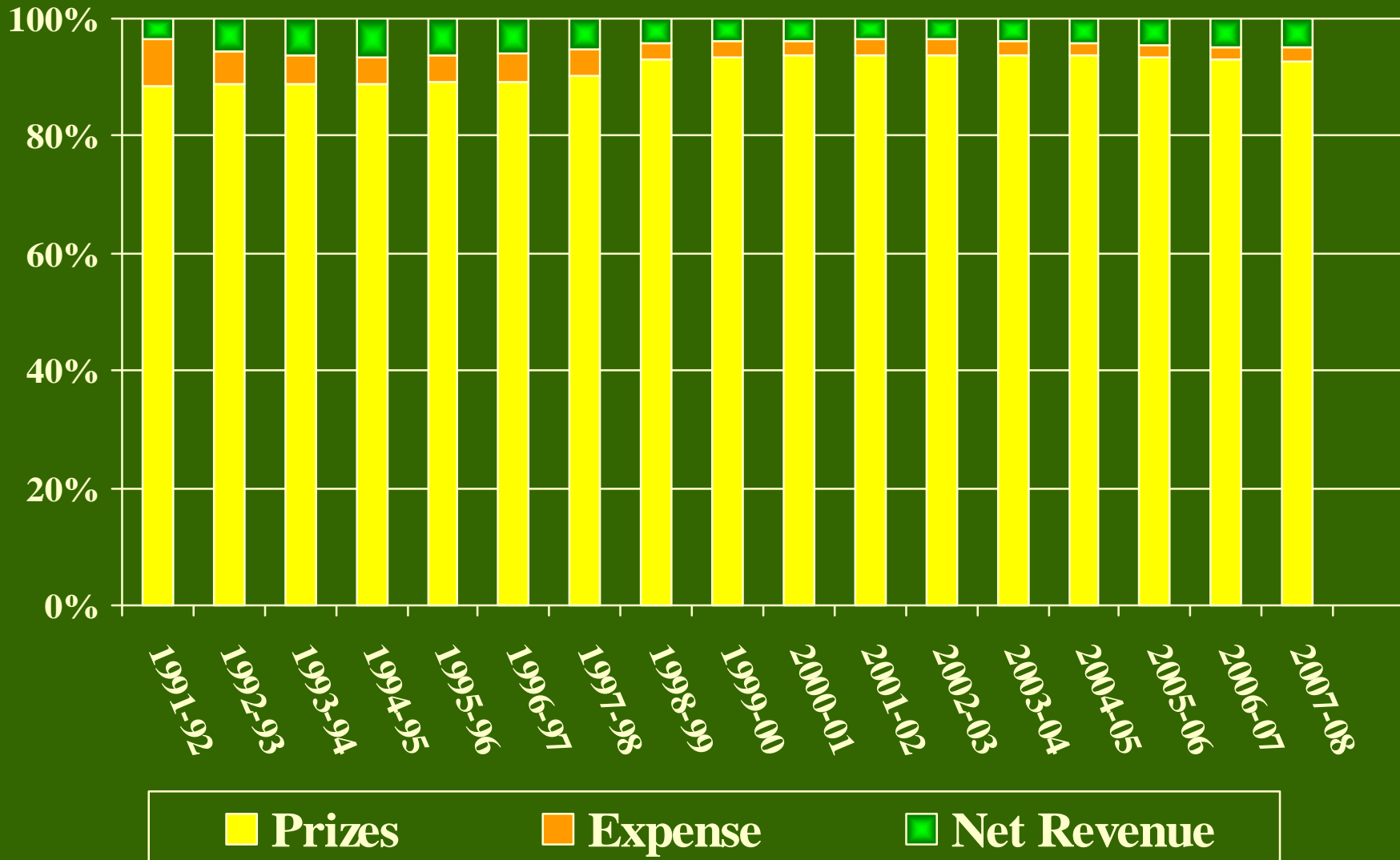


VIDEO LOTTERY REVENUE



VIDEO LOTTERY REVENUE

Percentages



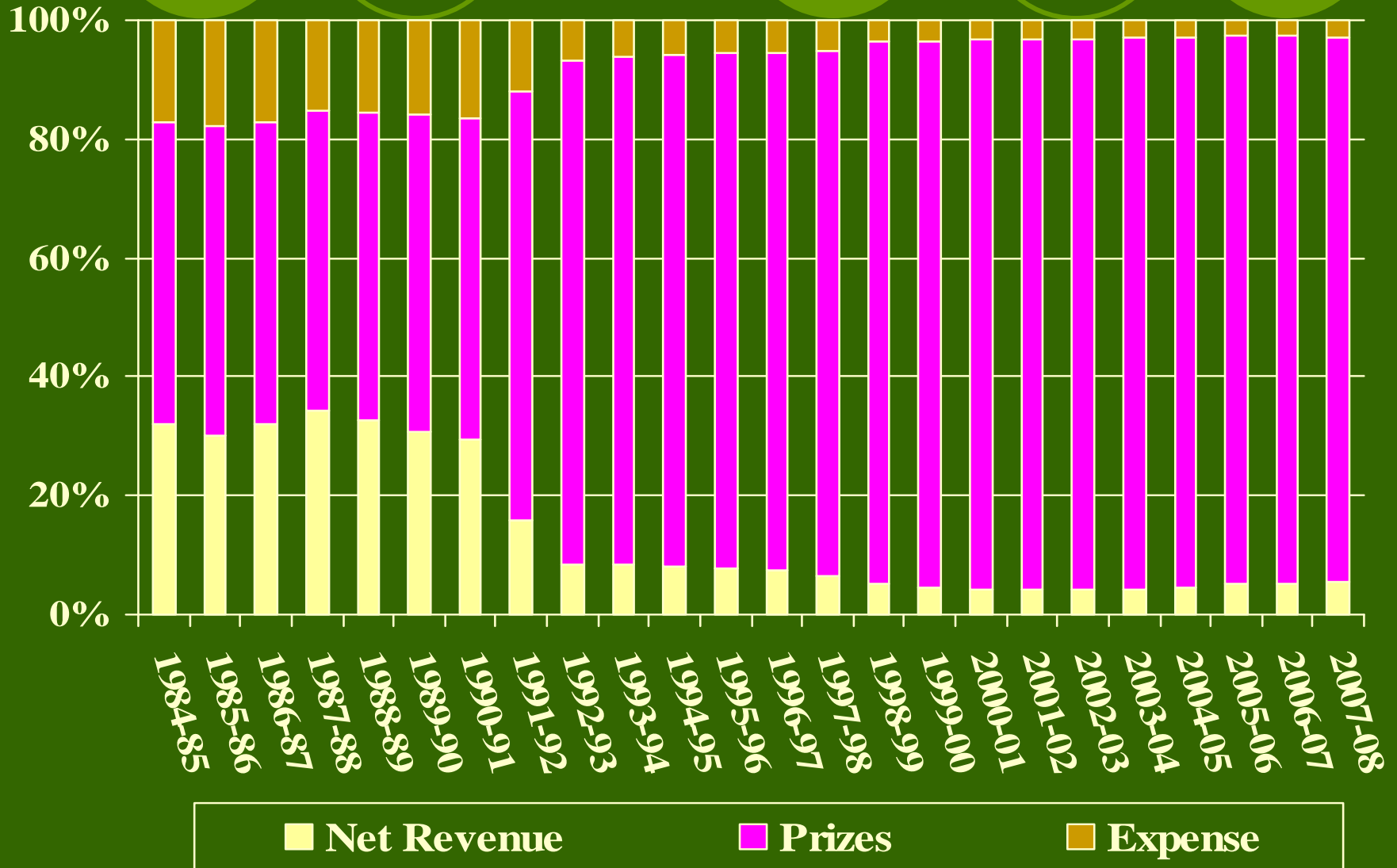
TOTAL LOTTERY REVENUE

Traditional + Video



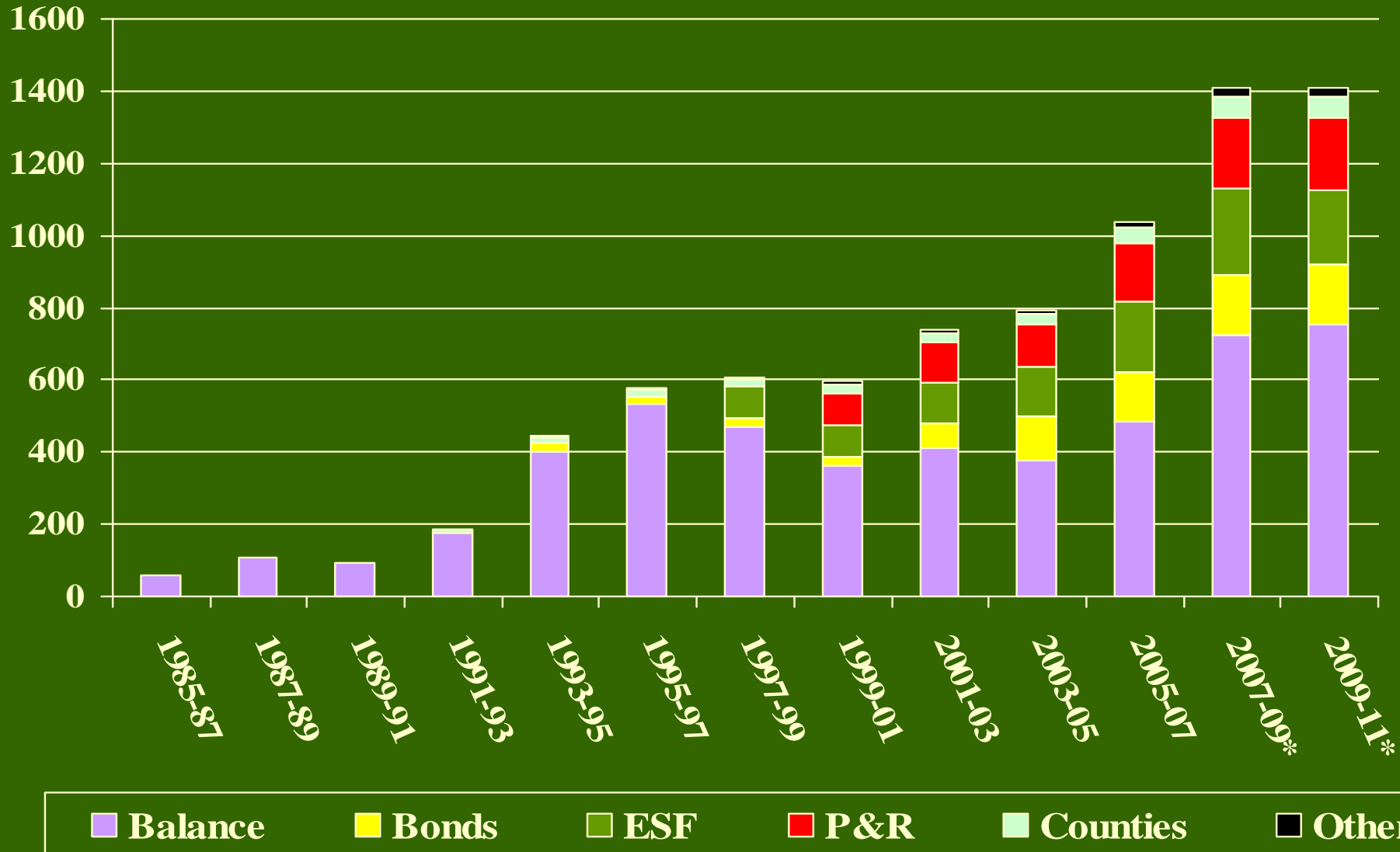
TOTAL LOTTERY REVENUE

Percentages



LOTTERY TRANSFERS

Millions of Dollars



Lottery Distributions

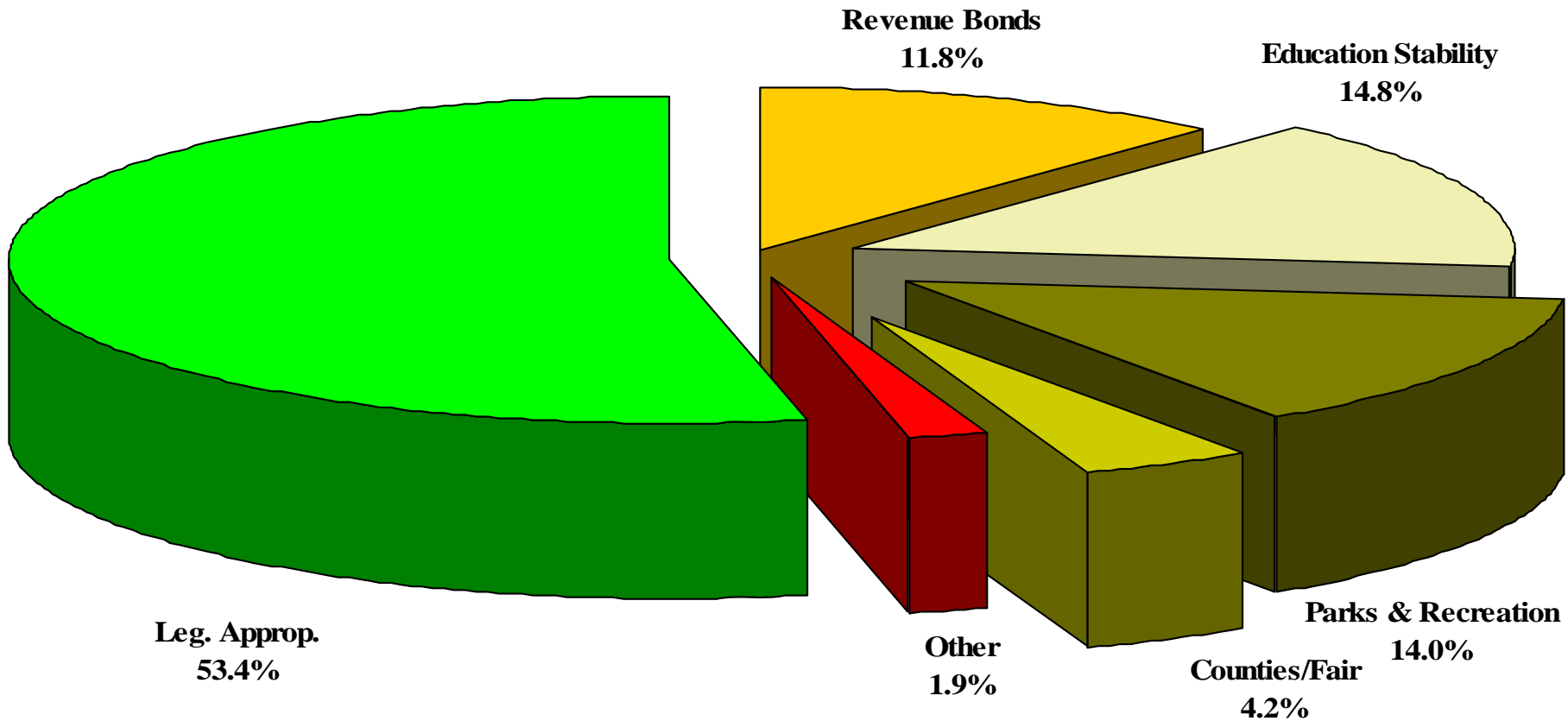


- Lottery bonds
- 2.5 % (Video net receipts) county economic development
- 18% Education (ESF) up to 5% of GF, then 15% to School capital sub account.
- 15% to Parks and recreation. $\frac{1}{2}$ to parks, and $\frac{1}{2}$ to fish and wild life
- 1% to college athletics
- 1% minimum to Problem gambling
- 1% county fairs

- The rest for legislature to allocate to one of the uses mentioned above.

2009-2011 Lottery Distributions

\$1,409.2 Million



ISSUES

A decorative graphic at the top of the slide features the word "ISSUES" in a large, bold, black sans-serif font. The word is positioned over a horizontal row of five circles. The first circle is solid light purple, the second is a white circle with a light purple outline, the third is solid light purple, the fourth is a white circle with a light purple outline, and the fifth is solid light purple.

- Line Games
- Video Payout Percentage
- Retailer Compensation
- Lottery Expense
- The smoking ban
- The perfect storm (Snow and freeze, The economic meltdown, trivialize the Ban)

Line Games

✓ Lottery (Line Games) explosive growth

✓ **Video net receipts, % change**

✓ 2003-05 \$131.7 million 13.5%

✓ 2005-07 \$460 million 41.4%

✓ 2007-09* \$ 242 million 15.4%

✓ **Dollars in, % change**

✓ 2003 7.2%

✓ 2004 6.7%

✓ 2005 8.3%

✓ 2006 31.8%

✓ 2007 23.1%

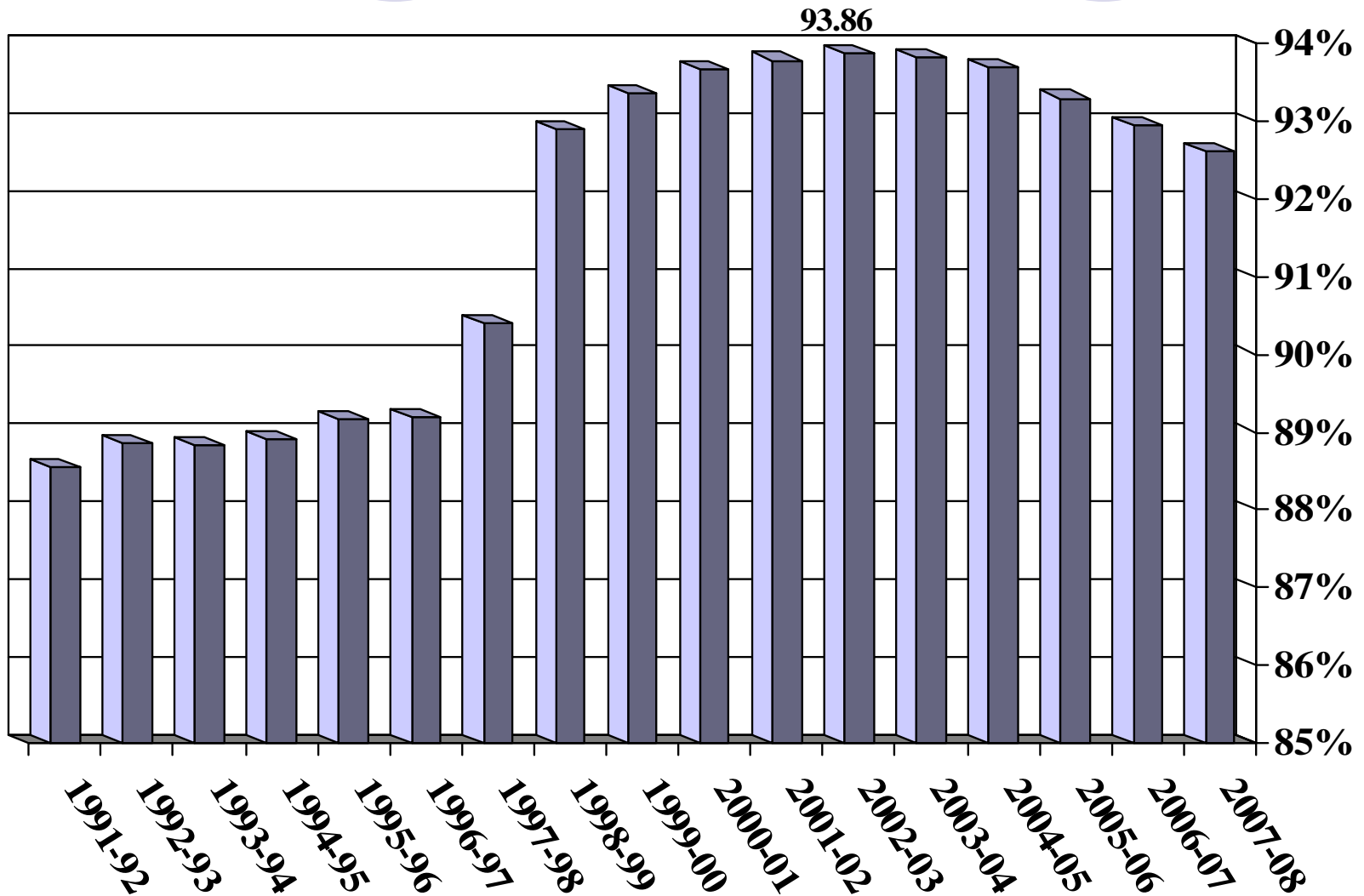
✓ 2008 8.9%

✓ 2009* ??

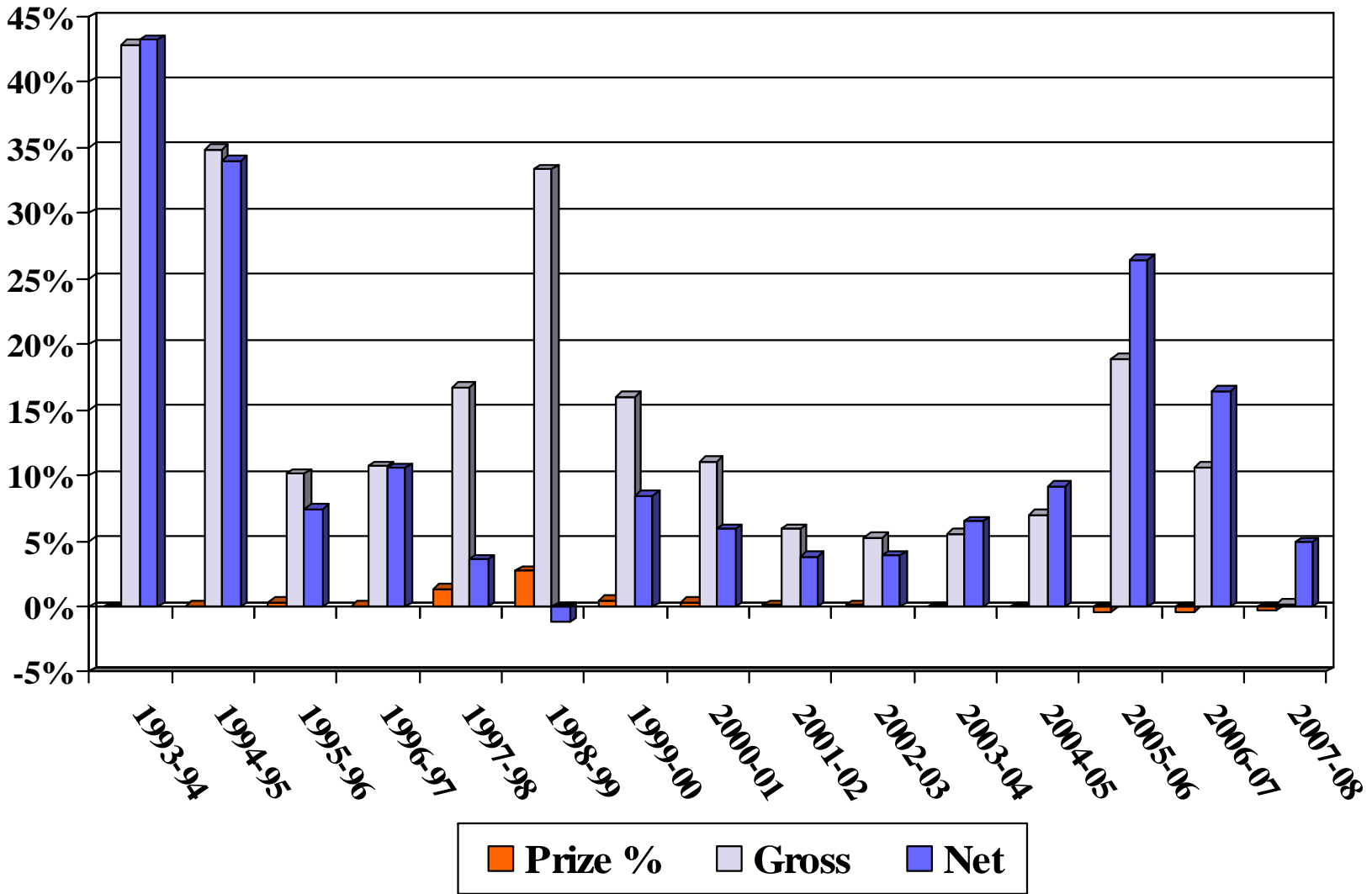
Predicted

We used to ask
30% growth for how long??

Video Prize Percent



Annual Growth: Video



Video Compensation Rates

OLD Rates

<u>Annual Net Receipts</u>	<u>Rate</u>
● Up to 200,000	35%
● 200,000 to 400,000	30%
● 400,000 to 600,000	25%
● Over 600,000	20%
● Average	32%

Video Compensation Rates

New Rates 2004
Poker only

<u>Annual Net Receipts</u>	<u>Rate</u>
<u>3-Tier Option</u>	
● Up to 175,000	32.5%
● 175,000 to 475,000	26.0%
● Over 475,000	17.0%
<u>2-Tier Option</u>	
● Up to 650,000	26.0%
● Over 650,000	19.0%
● Estimated Overall Blended Rate	28% to 29%

Video Compensation Rates

New Rates Video (2005) Poker and Line

<u>Annual Net Receipts</u>	<u>Rate</u>
<u>4-Tier Option</u>	
● Up to \$175,000	29%
● \$175,000 to \$475,000	24%
● \$475,000 to \$800,000	15%
● \$800,000 and up	12%
<u>3-Tier Option</u>	
● Up to \$600,000	23.0%
● \$600,000 to \$1,800,000	18.5%
● \$1,800,000 and up	12.0 %
● Estimated Overall Blended Rate	22% to 26%

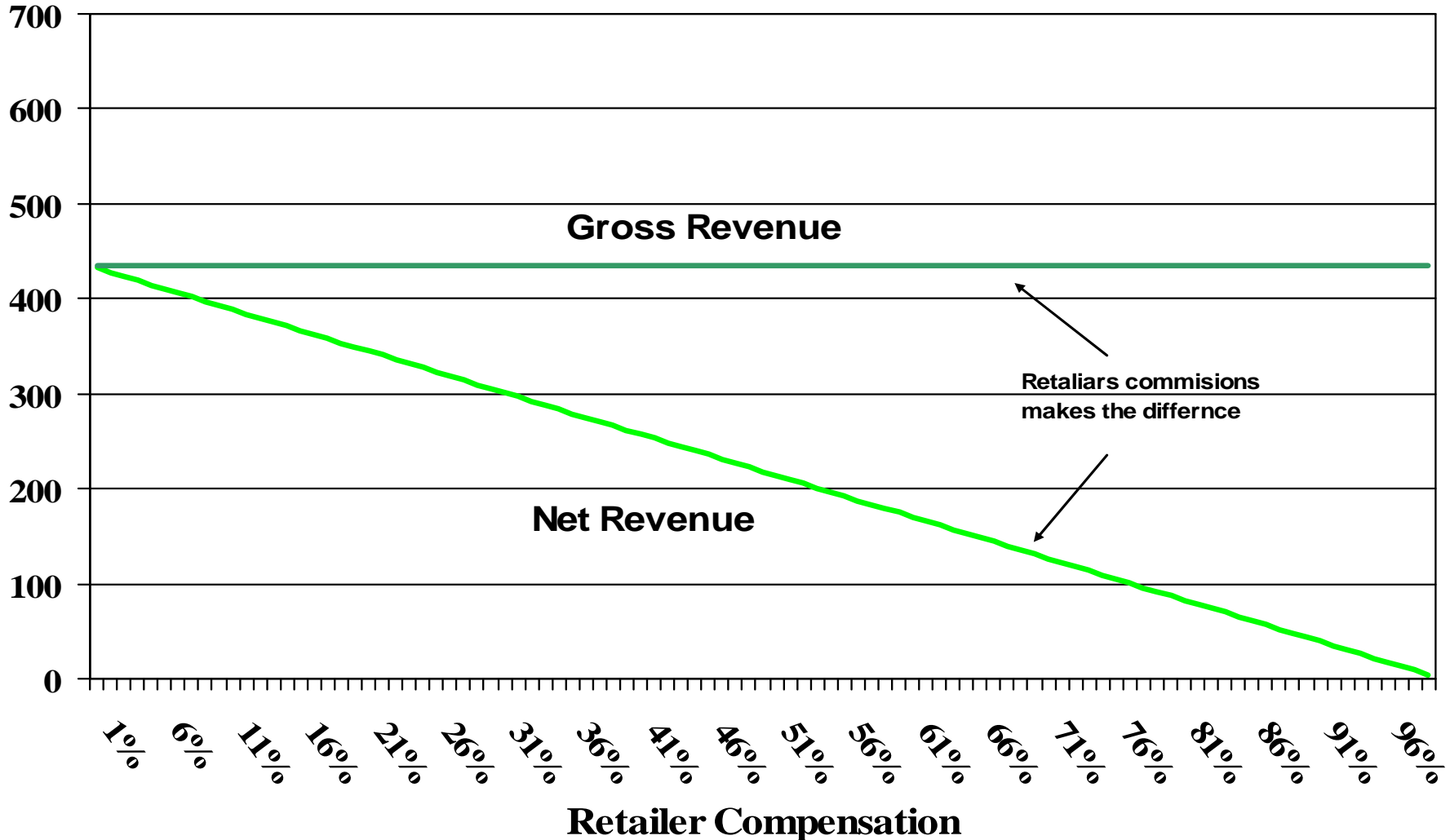
Video Compensation Rates

In 2007 if sales exceed \$805,000
because of line games, then Rates change

<u>Annual Net Receipts</u>	<u>Rate</u>
<u>4-Tier Option</u>	
● Up to \$175,000	27.5%
● \$175,000 to \$475,000	23%
● \$475,000 to \$800,000	14%
● \$800,000 and up	11%
<u>3-Tier Option</u>	
● Up to \$600,000	22%
● \$600,000 to \$1,800,000	17.5%
● \$1,800,000 and up	11%
● Estimated Overall Blended Rate	21% to 25%

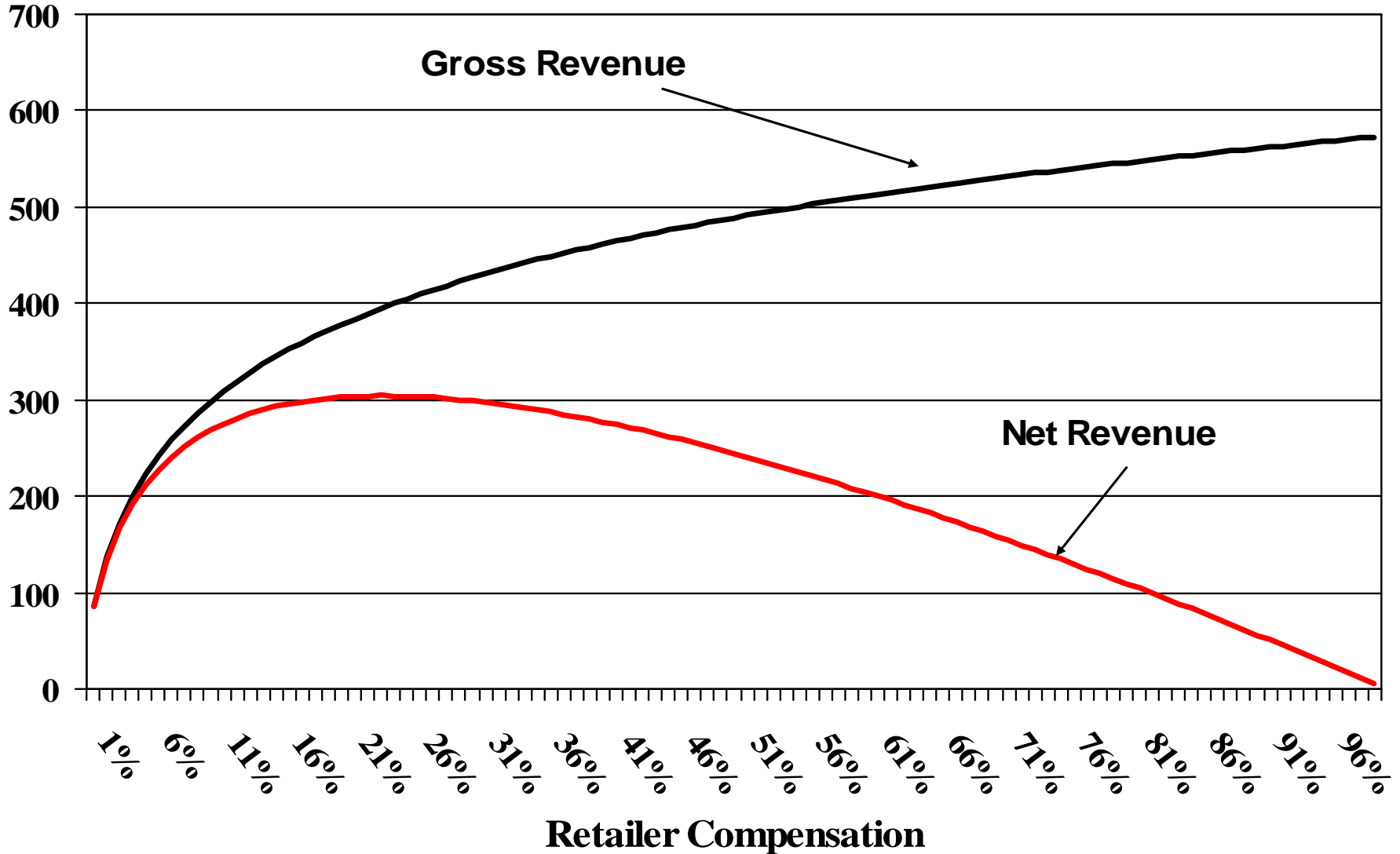
Retailer Compensation

One view of Revenue

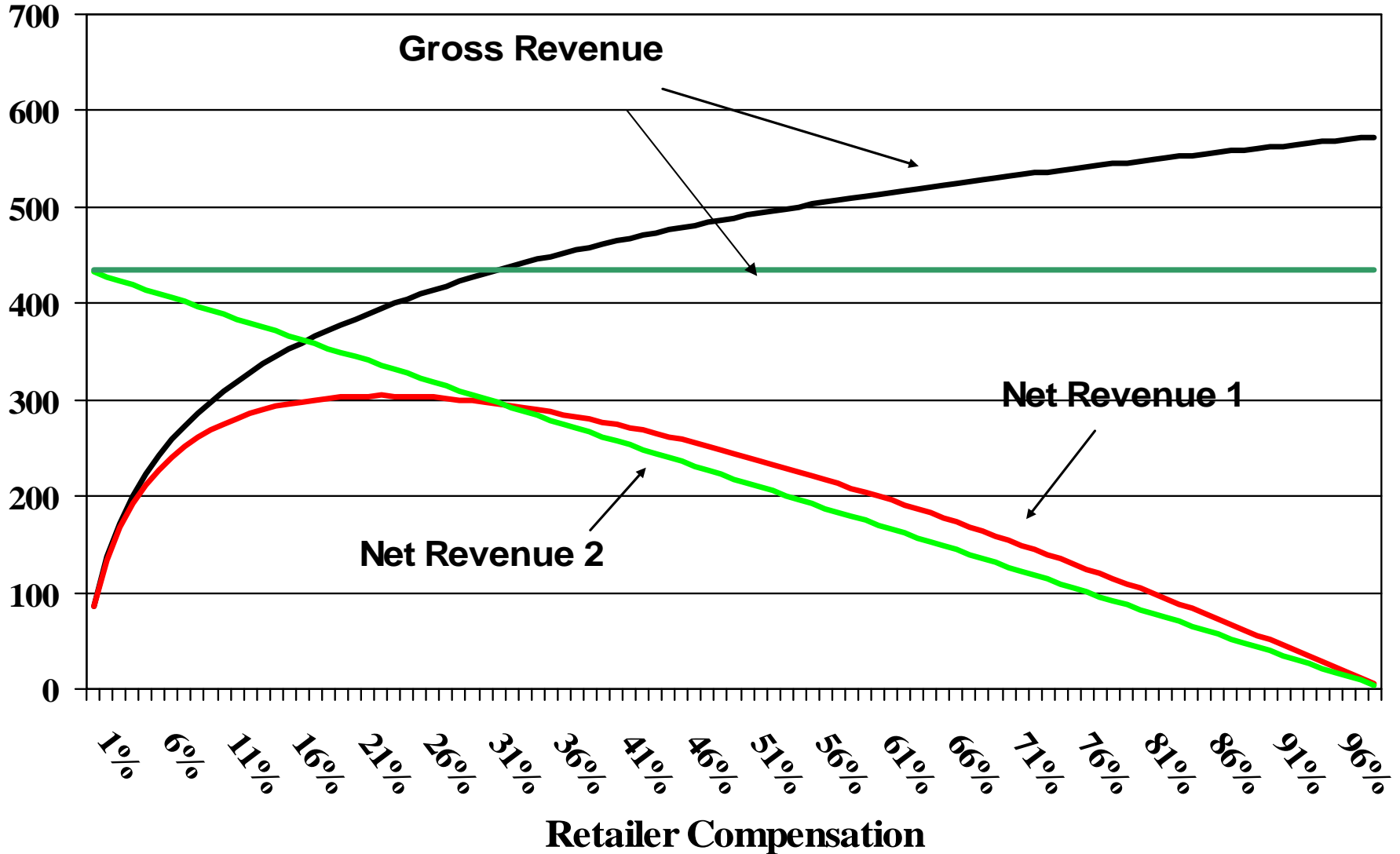


Retailer Compensation

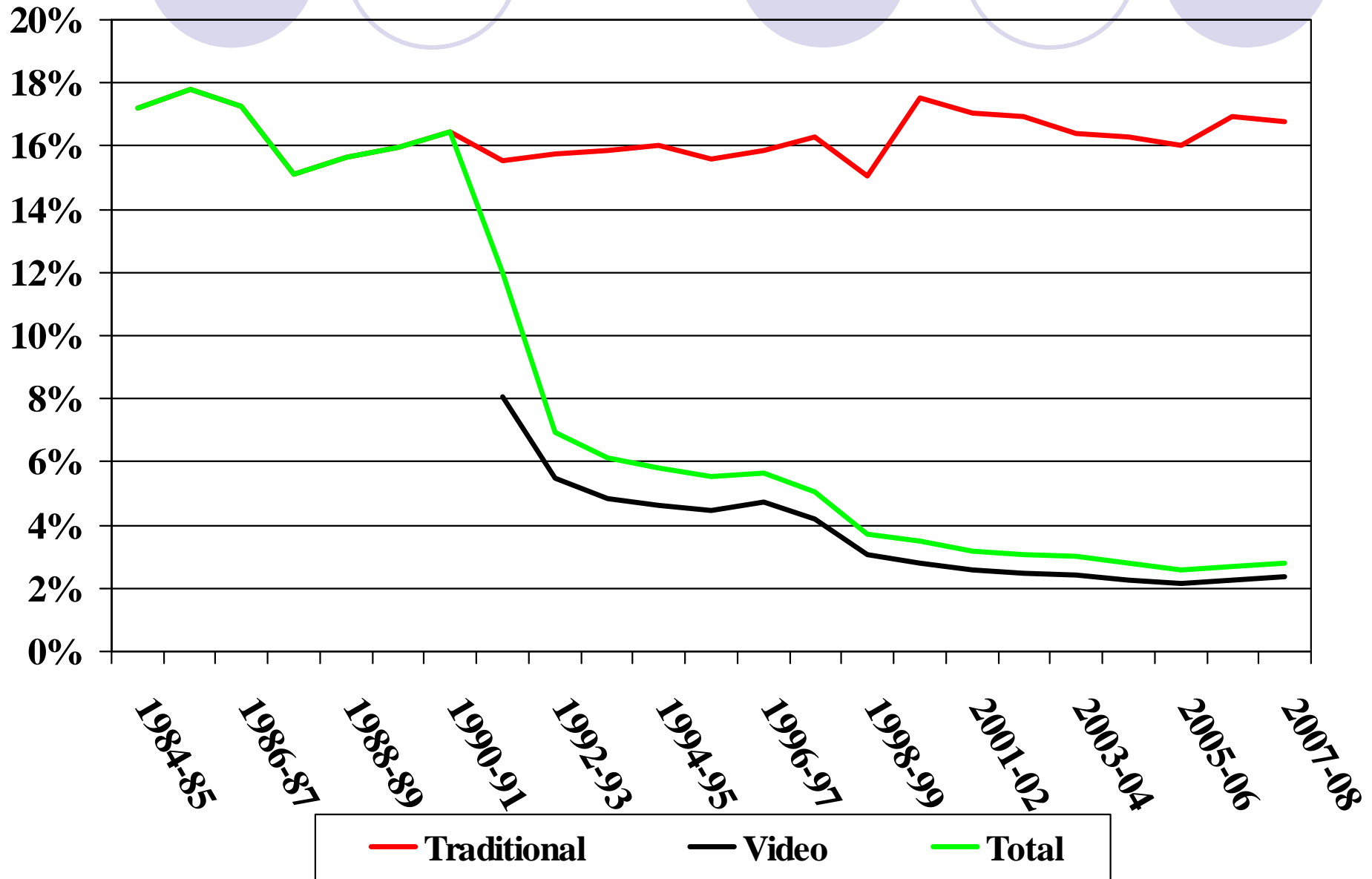
Another view of Revenue



Retailer Compensation



Lottery Expense Percents



What is happening this year

The smoking ban: Expectation of 1 to 2 % decrease in growth rate. At the time of 30% increase,

Who is going to notice???

Forecast now estimates the impact about \$7.5 to \$15 million a year.

What is happening this year

- The perfect storm (Snow and freeze, The economic meltdown, add but trivialize the Ban)
- 2 weeks of the storm (snow and freeze)
 - \$8.1 million below December forecast (24.5%)
 - \$9.4 million below September forecast (27.4%)
- Economic conditions (meltdown)
 - \$18.7 million below December forecast (2.6%)
 - \$37.9 million below September forecast (4.2%)
- Compared with last year \$212 million (31.6%)