



Debbs Potts Oregon State Lottery Commission Building
500 Airport Road SE
Salem, Oregon 97301

OREGON STATE LOTTERY COMMISSION MEETING MAY 20, 2016

Lottery Commission: MardiLyn Saathoff, chair
Liz Carle
Chris Telfer
Raul Valdivia
Mary Wheat

Acting Director: Barry Pack

FISCAL YEAR 2017 LOTTERY BUDGET REVIEW AND WORK SESSION

The budget review and work session is held annually for the commission and the executive management team to review and discuss the Lottery's proposed budget for the next fiscal year that begins July 1. The annual work session is not a decision-making meeting.

Commission Chair Saathoff called the FY17 Lottery budget review and work session to order. Chair Saathoff stated for the record that a quorum of commissioners is present.

The proposed Lottery budget for FY17 will be presented for approval at the June 27, 2016 commission meeting.

The budget review and work session was recessed for members to attend the commission meeting.

OREGON STATE LOTTERY COMMISSION MEETING

Commission Chair MardiLyn Saathoff called the May 20, 2016 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that a quorum of commissioners is present.

Commissioners present at the roll call: Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff opened the meeting for public comment. It was noted for the record that the public comment portion of the meeting is an opportunity for the commission to hear from the public. During public comment, the commission listens but neither discusses nor responds to questions or concerns.

Kitty Martz, from Voices of Problem Gambling Recovery, thanked the commission for removing the video lottery television advertising and shared her concerns with television advertising, the 50/50 rule and requested the development of a gaming commission. Martz shared information about the screening “Out of Luck” June 27 in Portland, which is a documentary about gambling.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed the draft minutes of the April 22, 2016 Oregon Lottery Commission meeting, which were circulated in advance of the meeting, and recommended no changes to the record. Chair Saathoff called for a motion.

Commissioner Carle moved that the minutes of the Oregon State Lottery Commission meeting held April 22, 2016 be approved as final, as presented today. Commissioner Wheat seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff voting aye.*

C. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

Commissioner Wheat appreciated the opportunity to attend and speak at the Celebrate Trade event. Wheat welcomed guests at the Lottery-sponsored reception and showed the Lottery’s Smith Rock “Oregon Wins” TV ad.

Commissioner Valdivia shared that he participated at the Chemeketa Community College STARS Reception and enjoyed hearing the impact the scholarships have on current and past students and their families.

D. DIRECTOR’S REPORT

Presenter: Barry Pack, acting director

Acting Director Pack reported that the Oregon Lottery is awarding educational scholarships throughout the state, including Blue Mountain Community College, Celebrate Trade, Black United Fund and is an event sponsor at the Western Oregon University Athletic Auction.

Pack shared that a group of Lottery staff and family members volunteered for Marion Polk Food Share’s gardens for spring planting. Last fall, a group of volunteers helped prepare two other community gardens for winter.

Pack noted that a \$50,000 Powerball prize, purchased in Grants Pass, went unclaimed on May 6. Lottery rules give winners one year from the date of the drawing to claim their prize. The Lottery transfers unclaimed Lottery prizes to the state.

Winners

- Joey Jackson of Portland won \$50,000 playing a crossword Scratch-it ticket.
- John and Danielle of Salem won \$34,000 playing the Keno 8-spot.
- Christina Harm of Mill City won \$52,000 playing Lucky Lines.

Pack noted it hasn't taken even three weeks as acting Lottery director to appreciate the creative and hardworking staff and learn how fascinating the organization is.

Pack then asked commissioners for their expectations and invited an open conversation about and how to use commission meetings to guide the agency and meet their needs. Pack noted that today's agenda is informational with little room for policy-level discussions or guidance to the Lottery.

The commission provided the following feedback:

- Chair Saathoff: The current agenda does not lend itself to policy discussions. Saathoff stated that more discussion would give the commission an opportunity to fully understand the issues prior to deciding on policy matters.
- Commissioner Carle: Open policy discussions are a great idea, but will take practice. Carle asked that the commission receive background information prior to the meetings and additional time to discuss.
- Commissioner Wheat: The Lottery should present a more thoughtful process for any matters that require commission decision-making. Wheat welcomes the opportunity to discuss openly and appreciates the transparency.
- Commissioner Valdivia: Such open discussions before an audience will take practice. Valdivia states he trusts management to provide the information needed.
 - Commissioner Wheat and Carle asked that the Lottery provide all pros and cons and policy options because the commission might not have a clear understanding of what to ask for.
- Commissioner Telfer: The chair should be involved in setting the agenda.
- Chair Saathoff: The room should be set up to allow for open discussion.
- Pack: He will identify high-level policy discussions in advance, provide briefings to the commission for discussion and then ask for a vote on the topic at the next meeting. Productive, open conversation will take practice and transparency and accountability is a focus that he will continue to support. He will work with the chair to determine the topics and agendas for commission meetings.
- Chair Saathoff: Invited staff and commission members to bring agenda items to her or the acting director. She would like to see an agenda calendar set a year in advance to bring visibility to the approval items and future policy discussion topics.

E. RULES UPDATE

Presenter: Mark Hohlt, rules and policies manager

Second Chance Drawings rules – OAR Ch. 177-052, Exhibit 2

Hohlt stated the first rulemaking relates to second chance drawings that the Lottery might conduct, including drawings using electronic, mail-in, and walk-in entries. A second chance drawing is when a non-winning lottery ticket is used as an entry in a separate drawing for a lottery prize. Second chance drawings provide players with another opportunity to win, increase player loyalty and sales and avoid the Lottery having to pull tickets from the market when all of the grand prizes are won.

Hohlt shared the proposed amendments, to be effective June 7, 2016:

- Change the prize structures available by authorizing multiple winners and multiple prizes
- Authorize the Lottery to select alternate winners in case the first winner selected is ineligible or does not claim the prize
- Add provisions specifying the prize payment process when a winner is deceased
- Make housekeeping edits on formatting and grammar and delete redundant language.

The Lottery sent the rulemaking notice to the rulemaking mailing list, including commissioners. The secretary of state published notice in the Secretary of State Bulletin, and the Lottery held a public hearing on May 16. No one appeared and the Lottery received no comments. The attorney general reviewed and provided comments on the proposed amendments.

- Commissioner Wheat asked if the eligibility requirement of “must reside in the United States” is in other Oregon Lottery games rules. Hohlt stated this requirement is specific to the Second Chance drawing rules, and is related to legal advice received at the time.
- Commissioner Telfer asked for the reasoning behind the rule change. Hohlt said that the Lottery’s Marketing department initiated the rule to increase player interest and sales.
- Commissioner Wheat and Carle and Chair Saathoff asked that Hohlt provide explanation and background for any rule changes moving forward.

Chair Saathoff called for a motion.

Commissioner Wheat moved that the administrative rules presented today be amended as proposed, effective June 7, 2016, as presented today. Commissioner Carle seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff voting aye.*

Pending rule projects

Hohlt provided information on three pending rulemaking projects:

1. Removal of the term “arrest record” from a rule in Division 40 related to the Lottery evaluating a temporary retailer contract application. Currently the Lottery risks violating federal civil rights laws and the Equal Protection Clause if it denies a person solely on the basis of an arrest record. However, Lottery may still investigate the conduct underlying an arrest. If an investigation finds that a person engaged in conduct demonstrating that the person is a threat to the fairness, integrity, security, or honesty of the Lottery’s operations, Lottery may still deny the person on that basis.

Due to the importance of limiting Lottery’s exposure in this area, the Lottery adopted a temporary rule deleting the specified language. The temporary rule expires Sept. 24, and it is Lottery’s plan to bring this rule amendment back to the commission for permanent adoption consideration before September. The Lottery held a rule hearing, but no one appeared, and did not receive any public comments.

Commissioner Wheat and Carle asked clarifying questions.

2. The second pending rulemaking project involves two rules, one draw game rule (Division 70) and one Powerball rule (Division 85) that deal with the completion of play slips which are used to select a player’s numbers when purchasing a ticket. Lottery has been approached to allow play slips to be filled out by computerized methods. These amendments would delete the requirement that play slips can only be filled out by hand. That requirement has been in the rules since 1992 and the reason for this rule is unknown at this time.

The Lottery adopted a temporary rule deleting this requirement that expires Aug. 18. Hohlt stated the Lottery will provide a detailed briefing next month to consider options, developments, and the ramifications of this proposed amendment, and then bring these amendments back for commission consideration in July.

Chair Saathoff and Commissioners Carle and Wheat asked clarifying questions. Commissioner Carle asked that the Lottery research the reasoning behind the original requirement and the security aspects of this change.

3. The third pending rulemaking project is actually two separate projects, both involving Keno. The first is to change the \$1 million annuity prize to a lump sum prize, and to make it pari-mutuel in case there are multiple winners. It currently is not, and Lottery does face some exposure if there were multiple winners of a \$1 million prize. This change to the game is tentatively scheduled for this fall.

The second part is to add a new game feature to Keno called “Bullseye.” This involves adding a new purchase option that would award a prize for correctly selecting the

“Bullseye” number. The player would pay an additional dollar for this option. This is tentatively scheduled for next year. Lottery is still developing the parameters of these proposed game changes, and the rulemaking packets are at the initial draft stage.

The Lottery will continue to provide regular updates on all pending rule projects.

F. FINANCIAL REPORT

Presenter: Kathy Ortega, chief financial officer

Monthly Financial Statement, April 2016, Exhibit 3

Ortega gave an overview of the financial report and described expenses and variances in operating statement, services and supplies, and balance sheet. Ortega provided explanations, noting the majority of the variances were due to timing differences.

Chair Saathoff and Commissioner Telfer asked clarifying questions.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the Oregon State Lottery Financial Statement for the month ending April 30, 2016 be approved for the record as presented today. Commissioner Carle seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff voting aye.*

Procurement Activity Report, Exhibit 4

The procurement activity report updates the commission on Lottery contracts currently in process and how they align with the approved budget. Ortega reported on 25 items, including 14 that have been executed, for a total of \$1.15 million.

G. RESPONSIBLE GAMBLING AND PROBLEM GAMBLING PROGRAM UPDATES

Presenter: Stacy Shaw, responsible gambling consultant, Joanie Stevens-Schwenger, corporate communications manager and Mark Strickler, senior marketing communications manager

Training update – Shaw reported the video lottery retailer training has been through user acceptance testing and has been viewed by Lottery staff that support the retailers for feedback and concerns. The training will be launched to 250 major chain retailers with the highest volume sales in June. Shaw also shared a video clip of the Lottery staff training.

Conference updates – Shaw reported that she and Stevens-Schwenger went to the Western Regional Conference on Problem Gambling Awareness. Attendance allowed the Lottery to recognize what problem gambling partners and providers are doing for prevention and treatment in order to better align its problem gambling efforts. Shaw stated the Lottery was able to meet with the executive director of the National Council of Problem Gambling to

discuss Lottery's planning efforts for hosting next year's National Conference of Problem Gambling annual meeting in Portland. Stevens-Schwenger shared that she and Shaw also attended the Discovery 2016 conference and gained insights about messaging from presentations from Canadian programs.

- Commissioner Wheat inquired if these term and concept messaging changes have been shared with Lottery's partners. Stevens-Schwenger stated the partners are ahead of the Lottery in providing more positive messaging related to prevention. Lottery is not planning on changing the terms currently in use (responsible and problem gambling) as partners currently use this terminology. The Lottery's focus is on determining what messaging is heard and produces results.

GamTalk internet media campaign – Strickler provided a brief overview of GamTalk and reported that GamTalk had over 36,000 clicks in April, an all-time record. Shaw shared that the Lottery discovered GamTalk at a previous Discovery Conference and it has helped the Lottery to broaden messaging efforts.

OPGR.org internet media campaign – Strickler reported that April had the highest record to date for clicks to the opgr.org websites. Strickler shared Lottery's positive messaging advertising, digital marketing efforts, and the outreach from the problem gambling community has helped increase visits to the site.

Strickler reported that more returning visitors visited the opgr.org website in April than new visitors, suggesting the information on the website is valuable and visitors come back to it.

Strickler also provided April statistics for the website:

- There were 264 calls to the helpline, down from 293 at the same time last year
- April had 20 chats and six texts, up from the 16 chats and six texts at the same time last year
- Number of referrals to treatment were 109 in April, compared to 96 at the same time last year

Multicultural outreach – As a follow up from a previous commission meeting, Strickler shared the Hispanic materials that have been provided to treatment providers and retailers that service the Hispanic community. The clicks to the Spanish opgr.org website has been increasing and is indicative of the additional outreach efforts.

Media update – Strickler shared a timeline graph of the Lottery's problem gambling and responsible gambling media campaign efforts.

H. SALES AND RETAIL SERVICES UPDATE

Presenters: Farshad Allahdadi, chief sales and retail services officer; Lyndsey Hambelton, video product manager; Tina Erickson, interim traditional product manager; and Mark Strickler, senior marketing communications manager

Business Year Comparison Sales Report, Exhibit 5

Lottery staff presented key product sales for this week compared to those of one year ago.

Total Lottery sales – Year-to-date sales are \$1.085 million, an increase of 10 percent.

Traditional product sales – Year-to-date sales are \$316 million, an increase of 11.9 percent.

Powerball sales – Year-to-date sales are \$59.9 million, an increase of 78.1 percent.

Mega Millions sales – Year-to-date sales are \$14.7 million, a decrease of 16.8 percent.

Megabucks sales – Year-to-date sales are \$29.5 million, a decrease of 4.8 percent.

Scratch-it sales – Year-to-date sales are \$119.3 million, an increase of 12 percent.

Video Lottery sales – Year-to-date sales are \$769.2 million, an increase of 9.3 percent.

Product and Sales Update

Scratch-it tickets launching in June 2016:

“Wheel of Fortune” - \$1 ticket with a top prize of \$5,000

“Wheel of Fortune” - \$2 ticket with a top prize of \$10,000

“Wheel of Fortune” - \$5 ticket with a top prize of \$50,000

“Wheel of Fortune” - \$10 ticket with a top prize of \$100,000

Wheel of Fortune family of games Scratch-its – Erickson shared that the Lottery’s “Wheel of Fortune” family of games goes on sale June 7. Non-winning tickets may be entered into a second chance drawing, from which three winners will be drawn to win a trip to Los Angeles to appear on a non-televised taping of the Wheel of Fortune. Erickson stated that the second chance logo has been moved to the front of the ticket for more visibility, along with an easier entry process.

Stickler shared the marketing efforts for the Wheel of Fortune Scratch-its. The television, radio and digital campaigns run from June to Sept. 2016, targeting adults 25 years and older. Strickler showed the unique point-of-purchase support materials and said that he will provide recaps on the return on investment in the future.

Video Keno Field Test results – Hambelton noted that the video Keno field trial began in late February with 45 test retailers and a corresponding control group to ensure the results applied to the game. Hambelton shared the criteria descriptions and that all five success criteria came back with positive results. Hambelton stated this product will launch statewide next week.

I. OTHER BUSINESS

No other business was presented.

EXECUTIVE SESSION

Chair Saathoff informed the audience that Oregon Lottery staff, commissioners and legal counsel will reconvene in another room for executive session. The executive session was held pursuant to ORS 192.660(2)(f) and 192.660(2)(h) which allows the commission to meet in executive session to consult with counsel regarding attorney-client advice that is a privileged communication under ORS 40.225 and to consult with counsel concerning legal rights and duties regarding litigation likely to be filed.

The next meeting is scheduled for June 27, 2016, at the Debbs Potts Oregon State Lottery Commission Building.

Respectfully submitted,

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 oregonlottery.org. Go to "About Us," then "Commission and Director Info" then scroll to "Commission Meetings."