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

OREGON STATE LOTTERY COMMISSION MEETING
JUNE 27, 2016

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

Acting Director: Barry Pack

OREGON STATE LOTTERY COMMISSION MEETING

Commission Chair MardiLyn Saathoff called the June 27, 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.

Howard Marlow, a gambling peer mentor, shared his concerns about the proliferation of gambling in Oregon. Marlow stated the need for an Oregon gaming commission.

Jim Sterup is encouraged by the new direction that the acting director and the commission is taking and encourages the commission to take a common sense approach to matters.

B. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed draft minutes of the May 20, 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 Wheat moved that the minutes of the Oregon State Lottery Commission meeting held May 20, 2016 be approved as final, as presented today. Commissioner Telfer 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

Chair Saathoff reported that she attended the Oregon Public Broadcasting's Business Partners Thank You Party on behalf of the Oregon Lottery.

D. DIRECTOR'S REPORT

Presenter: Barry Pack, acting director

Acting Director Pack noted that he has consolidated many of the routine staff reports into the director's report to allow more time to discuss policy issues. He provided the following updates:

Sales update

- Overall year-to-date sales are $1.2 billion, which is 10 percent above a year ago
- Traditional product sales trend is almost 12 percent ahead of last year at $348,471,718
    - Powerball up 71 percent
    - Mega Millions down 11 percent
    - Scratch-its up 12 percent
    - Oregon's Game Megabucks down 3 percent
- Video sales up 9.4 percent

Responsible gambling

Pack reported that the Oregon Lottery will receive the National Conference on Problem Gambling's Corporate Citizenship Award at its national conference in New York next month and congratulated the Responsible Gambling Program team.

- Chair Saathoff asked what the criteria for this award is. Pack said that this information will be sent to the commissioners.

Responsible gambling training update – The Lottery field staff has taken the responsible gambling training for so that they can knowledgably discuss it with their retailers. Dotty's retail locations throughout the state offered to pilot the training and started this week. As of today, 188 Dotty's employees have completed the training. Other chain retailers will complete the training by the end of July. The Lottery will roll out the training to remaining retailers in August.

The Oregon Restaurant and Lodging Association is working with the Lottery on an official endorsement of the training and a marketing package for its membership.

The Lottery issued a news release about the training that was widely covered in Oregon, nationally and internationally.

Traffic to the helpline and OPGR website – Clicks to the Oregon Problem Gambling Resources website reached an all-time high in May while Lottery spending on the campaign remained the same as April. This is the first time that the number of returning visitors was higher than new visitors and the highest number of referrals to date.

- 150,557 page views to OPGR.org
- 9,335 clicks to OPGR.org/es—the Spanish version of the Oregon Problem Gambling Resources website
- 53 percent were returning visitors vs. 47 percent new visitors
- 245 total calls to the Helpline resulted in 116 referrals to treatment

– Commissioner Telfer asked clarifying questions about new visitors to the website and returning visitors.

Winners

- Cody Anderson of Sandy won $77,000 playing a Scratch-it ticket.
- Michelle P. of Eugene won $50,000 playing Powerball.

Rule updates and upcoming policy topics

Pack reported that the Lottery would like to amend the Win for Life rules that would provide a solution to an accounting problem when multiple players win and the prize amount is not evenly divisible by the number of winners. Lottery proposes to round the prize amount down to make the prize amount evenly divisible and include the breakage in unclaimed prizes. For example, if there are seven winners, the breakage amount is three cents. The Lottery is drafting the paperwork for this rule change will return the rules for adoption late summer or early fall.

– Commissioner Telfer asked a clarifying question about unclaimed prizes.

Pack previewed the upcoming policy discussions that will be on the agenda through September.

Service award

Pack presented Alisa Zavala, senior executive assistant to the director and the commission with a five year service award. Pack and the commissioners thanked her for her work at the Lottery.

E. FINANCIAL REPORT

Presenter: Kathy Ortega, chief financial officer

Monthly Financial Statement, May 2016, Exhibit 2

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 asked clarifying questions and called for a motion.

> Commissioner Telfer moved that the Oregon State Lottery financial statement for the month ending May 31, 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.*

FY 2017 Lottery Budget, Exhibit 3

Ortega presented the FY 2017 Lottery budget for approval. Ortega described the process the Lottery goes through prior to presenting the budget for commission approval.

There were no additional questions or comments from the commission. Chair Saathoff called for a motion.

> Commissioner Telfer moved that the Oregon State Lottery Commission adopt as final the Lottery's proposed budget for fiscal year 2017, 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.*

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 22 items, including nine that have been executed, for a total of $1,932,251.

- Commissioner Telfer asked a clarifying question about contracts going into the next fiscal year.

Approval of major procurement, Exhibit 5

Ortega presented a request to approve a contract for the purchase of software and hardware, known as the pre-production environment, to compliment the Intelligen System that is a component of the Video Lottery Technology Modernization Program. Lea Dymoke, IT operations manager, joined Ortega to answer technical questions.

- Chair Saathoff and Commissioners Carle, Telfer and Wheat asked clarifying questions about cost benefit analysis, planning and what constitutes a major procurement. Commissioner Telfer requested further information on the rule related to major and sensitive procurements that need to be approved by the commission.

Chair Saathoff called for a motion.

Commissioner Carle moved that the Oregon State Lottery Commission authorize the director to procure a pre-production environment to complement the Intelligen System being implemented as part of the Video Lottery Technology Modernization Program from International Game Technology. 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.*

Approval to commit funds for upcoming contracts, Exhibit 6

Ortega presented a request to set aside funds for upcoming contracts and capital purchases for FY 2017.

- Commissioner Wheat asked clarifying questions about return of investment and budgeting of the funds. Ortega replied that the amount the Lottery is asking to set aside was included in the original estimated budget in the overall cost of the Video Lottery Technology Modernization Program project.
- Commissioner Telfer asked what will happen with any funds that have been set aside but not used. Ortega stated that we would look at future needs and if the funds are not needed, the money could be transferred to the state.

Chair Saathoff called for a motion.

Commissioner Wheat moved that the Oregon State Lottery Commission set aside $65 million to be committed for upcoming contracts and capital purchases for FY 2017. This amount reflects the set aside of funds for the fourth and fifth procurement and for the funding of on-going replacement of machines and games on a regular basis. Commissioner Telfer seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Carle, Telfer, Valdivia, Wheat and Chair Saathoff voting aye.*

F. PLAY SLIP RULES

Participants: Oregon Lottery Commissioners, Barry Pack, acting director, Farshad Allahdadi, chief sales and retail services officer and Major Craig Durbin, assistant director of security

Chair Saathoff opened the discussion by thanking the acting director and staff for providing materials in preparation of the policy discussions and allowing the commission ample time to review and discuss the materials.

Pack explained the Lottery has received a request to make permanent changes to rules relating to play slips for draw games. The requested change would allow for a more efficient sale of high volumes of tickets. The purpose of the discussion is to identify the commission's

viewpoints on making rule changes that would allow high volume sales. The specific request would not necessarily increase gaming in Oregon, but would facilitate greater Oregon Lottery sales to the international market.

Clarifying questions were asked and discussion followed.

Areas of concern include:

- Maintaining integrity of the Lottery and lottery games. How will the computerized purchasing of tickets affect the game?
    - This change would not affect the integrity of the Lottery and Lottery games. Sales to international lottery currier services have taken place in Oregon for several years.
- The legal standing of such messenger services, both federally or from other state rulings.
    - The Oregon Department of Justice has found no legal hurdles.
- The future impact to the Lottery should a change be made to the play slip rule.
    - The commission has the ability to amend rules in the future, as needed.
- The impact to the casino prohibition rule.
    - The casino prohibition rule only pertains to video retailers, in which the affect would be to retailers that have both video and traditional products. The Lottery has the capability to monitor traditional product sales, and casino prohibition rule compliance work will continue to be monitored.
- The potential partnership expectation by the company proposing this change. Is there a middle ground?
    - That is a policy issue for the commission. There are no plans to partner with such a company.
- The unintended consequence of another type of business model that the commission had no intention of allowing this rule to apply to.
    - The rules could be amended to address such situations at any time
- The impact to existing lottery retailers.
    - The company purchases tickets for international customers. Therefore local sales would not be affected and retailer's sales would not diminish. Sales through this method are new sales and would otherwise be unavailable to the Lottery.
- Compliance with the Wire Act.
    - Legal counsel has advised that a courier service is not internet gaming, or selling tickets across state lines. In this business model, tickets are bought in Oregon.
- The perception that the state is adding another income avenue, increasing the opportunity for increased problem gambling in Oregon.
    - The increased sales would be from international players.
    - Traditional products make up about 25 percent of the revenue that goes to the state, so the rule change would not create a significant increase to the state's Lottery revenue.

The commissioners requested Lottery staff to research why the messenger service business model was outlawed in Virginia in July 2016, and to gather the input from Lottery's responsible gambling partners.

G. STAFF UPDATES

Presenters: Farshad Allahdadi, chief sales and retail services officer

Wheel of Fortune family of games scratch-its – Allahdadi reported that the Lottery's "Wheel of Fortune" family of games launched June 7. To date, the Lottery has brought in $2.8 million in sales with 96 percent of traditional retailers carrying some form of this product.

Non-winning tickets from this family of games may be entered into a second change drawing to win a trip to Los Angeles to appear on a non-televised taping of the Wheel of Fortune. For the two weeks prior to the launch of this family of games, there were 155 second chance drawing registrations and since June 7, there have been 3,207 registrations.

I. OTHER BUSINESS

No other business was presented.

The next meeting is scheduled for July 29, 2016, at the Debbs Potts Oregon State Lottery Commission Building. (Meeting has since been relocated to Courthouse Square, Senator Hearing Room, 555 Court St, SE, Salem.)

Respectfully submitted,

Alisa Zavala

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."