



Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

OREGON STATE LOTTERY COMMISSION MEETING JAN. 31, 2025

Lottery Commission: MardiLyn Saathoff, chair
Charlie Conrad
Marty Ramirez
Jeff Weller
Julie Wilcox

Director: Mike Wells

Chair Saathoff called the Jan. 31, 2025, Oregon State Lottery Commission meeting to order and stated for the record that the commissioners are attending the meeting via a web meeting, and a quorum of commissioners is present.

Commissioners present at roll call: Commissioners Conrad, Ramirez, Weller, Wilcox, and Chair Saathoff.

A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment and confirmed with the clerk that no public comment was received.

B. DIRECTOR'S REPORT

Presenter: Mike Wells, director

Lottery news

Director Wells welcomed Commissioner Conrad to the Commission for his first full meeting.

Director Wells introduced Lottery's new Assistant Director of Operations CJ Green, who was appointed by the Commission earlier this month.

Oregon Lottery celebrated the first Powerball jackpot win of 2025. A \$328.5 million ticket was sold at Fred Meyer in Beaverton. This was Oregon's second jackpot win in less than a year, with the first being in April for \$1.3 billion. Large wins not only benefits players and retailers, but also local communities. Fred Meyer was presented with a \$100,000 bonus and announced half of the money will be donated to the Oregon Food Bank.

Earlier this month, Lottery launched Cash Pop, a daily draw game that replaced Lucky Lines. There is a marketing campaign with television advertisements and billboards that will run through early March. Additional information about the game's initial performance will be shared during staff updates. Director Wells thanked everyone who participated in the launch for their hard work and noted that it has been over 14 years since Lottery launched a new traditional game.

After years of effort and resource challenges, the migration of Lottery's outdated intranet pages to a modernized SharePoint is underway. Transitioning all the department pages to the new platform will be ongoing. A key update is the "Lottery Link," an internal news site for stories, links, and important updates. Director Wells thanked everyone involved for the significant improvements to the system.

Sales – Director Wells reported that staff will be providing a quarterly sales report later in the meeting.

Winners – Director Wells shared stories about the following winners:

- Crystal G. of Portland won a \$4.4 million Megabucks jackpot.
- Tony M. of Medford won \$60,384.80 playing Keno 8-spot.
- Terrance P. of Portland won \$1,755 playing Keno.

C. MINUTES OF THE PREVIOUS MEETINGS, Exhibits 1-2

Presenter: MardiLyn Saathoff, chair

The Commission reviewed the draft Dec. 20, 2024, and Jan. 10, 2025, Oregon State Lottery Commission meeting 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 Dec. 20, 2024, and the Jan. 10, 2025, Oregon State Lottery Commission meetings be approved as final, as presented today. Commissioner Weller seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Conrad, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

D. FINANCIAL REPORT

Presenter: Karl Strauss, controller

Financial statements, October 2024, November 2024, December 2024, Exhibits 3-6

Strauss provided an overview of the second quarter financial statements and described revenue, expenses and variances in the operating statement, services and supplies supplemental schedule, balance sheet.

- Chair Saathoff asked about the downward trend of Video Lottery revenue and Strauss replied that Lottery staff will be meeting with the Office of Economic Analysis to review the forecast and trends. Director Wells added that the trend is occurring nationwide and appears to stem from the high sales coming out of the pandemic due to pent up demand. Director Wells added that sales are up from pre-pandemic sales figures.
- Commissioner Weller inquired about the depreciation (indirect) costs related to billboards and the building security system upgrades not being anticipated in the budget. Strauss shared that the expenses were budgeted items, but the leasing standards dictate that it is recorded as depreciation or amortization expense rather than a lease payment. Strauss and Director Wells said that they will investigate this and report back. Commissioner Weller followed up and asked if the variance analysis will be impacted by the internal audit recommendations. Strauss shared that it should help in the next fiscal year, but since the budget is already in place it will not affect this fiscal year's budget.
- Chair Saathoff asked if Lottery is on target for the capital outlay and Strauss replied that he has not seen unplanned expenditures. Director Wells added that Lottery is still on target and is continuing to refine the budgeting process. Chair Saathoff pointed out that she sees definite improvement in the budget refinement efforts.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that the Oregon State Lottery financial statements for the months ended October 31, November 30, and December 31, 2024, be approved for the record as presented today. Commissioner Wilcox seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Conrad, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

E. RULEMAKING

Presenter: Kris Skaro, rules and policy analyst

Mega Millions, OAR 177-098, Exhibit 7

Skaro reported that the Multi-State Lottery Association is changing the Mega Millions game in April. The game changes are intended to respond to player demand for bigger and more frequent jackpots, higher non-jackpot prizes and improved odds of winning a jackpot prize. As a member of the Multi-State Lottery Association, Oregon Lottery needs to amend its rules to reflect the game changes. The proposed rule changes increase the ticket price from \$2 to \$5, provide a multiplier that increases the value of non-jackpot prizes, provide updated odds of winning, and repeal previous promotions that are replaced by the permanent game changes. Other non-substantive changes include aligning the rules with the Multi-State Lottery Association's phrasing and terminology. Skaro will complete the public rulemaking process and will report back in March, after the public comment period has closed.

Casino Prohibition, OAR 177-040-0050, Retailer Duties and OAR 177-040-0061, Casino Prohibition, Exhibit 8

Skaro reminded the Commission that during the November meeting, she reported on two proposed casino prohibition rule changes. The first change will require minimum food service requirements for at-risk retailers and provide objective criteria for compliance, which clarifies Lottery's expectations in terms of the number of food items they must offer and dining seats for patrons. The other change will make the inspection criteria objective and measurable which will bring more consistency to the retailer inspections.

Skaro provided an overview of the rulemaking process, adding that Lottery provided five weeks for retailers and members of the public to provide public comment. Lottery received three written comments, which were provided to the Commission prior to today's meeting. The comments received were from current retailers who say the rules do not go far enough and asked Lottery to consider other options such as imposing limits on how much retailer can earn from Video Lottery commissions or give a lower commission rate to retailers whose food and drink sales are below a certain percentage.

- Commissioner Conrad asked about the public outreach and if Lottery tracked the number of people that open the email notices or the response rate when Lottery notifies the public about the proposed rulemaking. Skaro shared that Lottery could do this for the mass emails but for the emails sent to retailers who are most affected by the rule changes and legislators, Lottery is unsure how many recipients opened the emails or read the attachment. Commissioner Conrad requested to see the engagement numbers for future rulemaking.
- Chair Saathoff asked if Lottery can consider making additional changes to make the process more objective in the future and Director Wells responded that this is the first step to clarify the rule and make it more objective and added that Lottery will continue to monitor and adjust as needed.

Chair Saathoff called for a motion.

Commissioner Ramirez moved that OAR 177-040-0050 and OAR 177-040-0061 be amended, as presented today, to be effective February 1, 2025. Commissioner Wilcox seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Conrad, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

F. ALTERNATIVE COMPENSATION AGREEMENT: GAME STORE, LLC, Exhibit 9

Presenter: Mike Wells, director

Director Wells reminded the Commission that under OAR 177-040-0025(4), the director, with approval of the Commission, can enter into an alternative compensation agreement for traditional Lottery retailers to support innovative business models that attract or retain retailers offering different sales styles.

To date, the Commission has approved alternative compensation agreements for two separate retailers whose traditional sales exceeded \$2.5 million in the fiscal year. As a result, their commission rate increased from eight percent to 10 percent. Game Store, LLC has now exceeded the \$2.5 million threshold and has requested consideration to move into the alternative compensation model. Director Wells has reviewed the information and reported that Game Store, LLC has met the established criteria.

- Chair Saathoff noted that this is a prospective approval and clarified that if the retailer has not met the required threshold during the year, there is true up at the end of the year.
- Commissioner Ramirez asked about the history of the agreements and asked about the risk to Lottery when the retailers are dependent on the higher rate. Director Wells shared that this was brought to Lottery several years ago to treat retailers equitably and very few retailers qualify. Director Wells believes this was created to incentivize traditional retailer to grow their businesses and Chair Saathoff also recalls this. Director Wells will provide additional history to the Commission.
- Commissioner Weller asked if the agreement is ongoing and what happens if the retailer drops below the threshold. Director Wells confirmed that this is reviewed annually to ensure the retailers continue to meet the required thresholds.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery Commission approve the alternative compensation agreement for Game Store, LLC, as presented today.

Commissioner Ramirez seconded the motion.

The motion passed by a 5-0 quorum vote, with Commissioners Conrad, Ramirez, Weller, Wilcox, and Chair Saathoff voting aye.

G. LEGISLATIVE UPDATE AND ANNUAL REPORT 2024, Exhibit 10

Presenter: Matt Shelby, senior manager, community and corporate engagement

Legislative update

Shelby reported that the long legislative session began last week and highlighted two bills that Lottery is tracking closely. HB 3115 would prohibit the sale or purchase of a winning lottery ticket and SB 914 would require Lottery to include the problem gambling helpline phone number on billboard advertisements.

- Chair Saathoff noted that since some people sell their winning tickets because they can't make it into the Lottery office to claim their tickets, and asked if there are alternatives for people that can't claim it in person. Shelby replied that the tickets can be mailed and added that offering digital claims and payments would help.

- Commissioner asked which billboards SB 914 would apply to, and Shelby commented that the bill is broad, and that specific information is unknown.
- Commissioner Conrad asked if Lottery has concerns about implementing SB 914 and if Lottery has completed a fiscal impact report for either of the bills. Shelby shared that Lottery has not been asked to complete fiscal impact reports. He added that if this would apply to billboards going forward, the fiscal impact would be less since the billboards can be changed out as needed, instead of updating all of the billboards once the bill is effective.
- Chair Saathoff clarified how the allocations to the state work, specifically that Lottery provides the funds to the state and the legislature decides how the funds are allocated.

Shelby noted that the bill tracker is included in the meeting materials and Lottery will continue to keep the Commission apprised of any legislation that will affect the Lottery.

Annual Report 2024

Shelby walked the Commission through the Annual Report that is posted on Lottery's website (<https://www.oregonlottery.org/annual-report-2024/>) and shared that this information will be helpful to education legislators and members of the public.

H. STAFF UPDATES

Presenters: Tai Calandriello, deputy director and strategy officer; Tina Erickson, manager, lottery products portfolio; Kerry Hemphill, manager, sports betting products; Sar Richards, manager, video gaming products; and Paul Westerman, data scientist

FY25 Quarterly strategy update

Calandriello provided an overview and shared highlights of the FY25 second quarter progress dashboard, which is posted on Lottery's website (<https://www.oregonlottery.org/strategy/>). She noted that sharing and updating its progress on the FY25 Strategic Plan is an expectation from the Governor's Office. The dashboard offers highlights of accomplishments and what is in process for key projects.

- Chair Saathoff added that although the department budget accuracy is in the red for this quarter, there has been significant progress in this area.

Product performance quarterly update

Lottery products - Erickson reported that the second quarter sales included the holiday games, which is the biggest sales time of the year for Scratch-it tickets, and the introduction of a \$30 ticket. Year-over-year sales were up 7.6 percent, with an average purchase price of \$4.47. Holiday games were up 33.7 percent year-over-year. Erickson shared that Lottery will be launching the X Family of Games and a 40th anniversary game during the next quarter.

- Commissioner Conrad asked if there are political concerns over the "X" in the X Family of Games title and Erickson replied that the "X" has been used in the industry for multiplier games for about a decade. Lottery has not received any public comments related to this.

Jackpot and Keno sales are down year-over-year which is attributed to lower jackpots than the previous years. Sales for these games are driven by higher jackpots.

Erickson shared additional information about the Mega Millions enhancement, noting that the enhancements are intended to create larger jackpots, higher minimum prizes and better odds. Erickson provided highlights about the multipliers and player benefits and added that the game enhancements will begin on April 5, 2025.

Erickson reported that Cash Pop replaced Lucky Lines on Jan. 13, 2025, and the weekly sales average for the first two weeks is just under \$400,000, compared to Lucky Lines' weekly sales average of \$33,000.

Video Lottery - Richards provided a quarterly update on Video Lottery, reporting that year-over-year sales were \$285.5 million, down about 1.5 percent for the quarter. Lottery replaced 403 E-20 terminals this quarter, with 830 remaining in the field. They were replaced with the more popular Kascada terminals.

The launch of Fort Knox at the end of October brought an increase in jackpots, with a jump from an average of 112 per day vs. an average of 324 per day. That number is leveling out with the current average being about 200 per day. First time winners increased from 1,438 in November 2023 to 2,499 in November 2024.

Sports betting - Hemphill shared that the first quarter saw over \$255 million in wagers/turnover, and over \$19 million in gross gaming revenue.

Year-over-year growth included:

- The number of bets placed was up 14.4 percent.
- The turnover was up 19.3 percent.
- The number of unique active customers was up 26.7 percent.
- Gross gaming revenue was down 6.18 percent and was driven by NFL games being won by favorite teams which led to good outcomes for sports bettors. Hemphill noted that over extensive time comparisons, the volume growth is positive.

Hemphill shared that the top sports this quarter were football and basketball, making up 64 percent of total turnover and 60 percent of gross gaming revenue. Table tennis and boxing were also key contributors during the quarter. Registrations saw a 44 percent year-over-year increase which was driven by the addition of 7,798 new registration the day of the Tyson vs. Paul boxing match. Upcoming events include Super Bowl LIX on Feb. 9, 2025.

Hemphill followed up to the question asked about female sports during the last quarterly update, noting that \$19.2 million of the \$354.1 million, or 5.4 percent, in sales for the first quarter were attributed to women's sports.

Financial insights - Westerman presented the net revenue, transfers and payout comparison to the September 2024 DAS forecast for the second quarter, including the following statistics:

- Net revenue for the quarter was 2.7 percent lower than the previous year, and 5.6 percent below the net revenue forecast from September.
- Transfers for the quarter were 2.7 percent lower year-over-year, and 5.2 percent below the transfer forecast.
- Year-to-date net revenue is 1.5 percent lower than the previous year, which is 3.7 percent below DAS' May forecast, and is attributed to lower Powerball jackpots.
- Year-to-date transfers are two percent lower than last year and 3.4 percent below the May forecast.

The presentation included an overview that showed the distribution of net revenue and prizes for the product categories and Westerman added that total gross revenue was \$8.6 billion, with Video Lottery accounting for 92 percent of gross revenue and 82 percent of total net revenue. Westerman added that 92 percent of total gross revenue was paid out in prizes to players.

Westerman reviewed the actual and projected quarterly net revenue over the 23-25 biennium, noting that Lottery experienced a 2.7 percent decline to \$351.8 million in quarter two in FY25 to FY24. Westerman noted that the DAS forecast that was released in December estimates net revenue for the third quarter to reach \$373.5 million.

- Chair Saathoff asked about the meetings with DAS to discuss the forecast and Westerman replied that Lottery staff meets with DAS staff quarterly to discuss the product lines, exchange information, discuss macroeconomics and other topics that may impact sales.

Westerman provided sales data with and without Powerball and Mega Millions to demonstrate the strong relationship between sales and jackpot amounts. Westerman noted that Powerball generates more revenue than Mega Millions even though the percentage of players is similar and provided key metrics used to monitor sales as they relate to jackpots including draw sales when the jackpot resets and draw sales per jackpot dollar. When Powerball or Mega Millions have higher jackpots, Oregon's Game Megabucks sales typically increase due to cross-play and Westerman added that a higher percentage of Oregonians play Megabucks than Powerball or Mega Millions.

I. COMMISSIONER COMMUNICATIONS AND OTHER BUSINESS

Audit Committee update - Commissioner Weller reported that the Lottery's Audit Committee met and was briefed on Lottery's Enterprise Risk Management program and results of two completed audit engagements, including the Annual Follow-up Review of Open Audit Recommendations and the Annual Budget Development and Expense Reporting engagement. Commissioner Weller provided a brief overview of each engagement and shared that the Committee also reviewed and approved the 2025 Audit Plan.

- Chair Saathoff asked if Commissioner Weller was satisfied with the progress that has been made on the 2024 Audit Plan. Commissioner Weller believes there has been good progress, with Lottery continuing to work on open audit recommendations. Chair Saathoff asked for confirmation that management responses are timely, and Commissioner Weller confirmed, noting that Lottery staff are working together and doing an excellent job communicating.

Chair Saathoff stated that the next monthly commission meeting is scheduled on Feb. 28, 2025, and adjourned the meeting.

The Oregon State Lottery Commission approved these minutes on Feb. 28, 2025.

Alisa Zavala

Alisa Zavala (Feb 28, 2025 10:23 PST)

Alisa Zavala, Senior Executive Assistant
Lottery Director's Office

Approved by:

MardiLyn Saathoff

MardiLyn Saathoff (Feb 28, 2025 10:28 PST)

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

OSL Commission meeting exhibits are available for one year on the [Oregon Lottery's website](#).