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Memo

Date: January 30, 2020
To: Oregon Lottery Commissioners
From: Barry Pack, director
Subject: Proposed FY 2020 Budget Rebalance

During the months of December and January, Lottery completed a review of the original FY '20 budget approved by the Commission in June 2019. The purpose of the review was to examine all areas of revenue and expense for significant increases or decreases for the remainder of FY '20 and to realign timing of expenditures with our strategic portfolio calendar. The process required each Lottery manager to review their approved budget for areas of spending that could be eliminated or deferred, as well as a review for any pricing adjustments on existing projects or changes needed for expenditures unknown at the time of the original budget preparation.

The Executive Team reviewed all budget adjustments submitted by the program managers to ensure the end goal of assessing spending needs through the remainder of FY '20 while identifying those areas of spending that will be carried forward into FY '21. As a part of this process, staff are developing a budget for the Sports program (Scoreboard) for FY '20 and beyond. This work is still underway and will be brought to the Commission in February 2020. The results presented for approval today are for FY '20 encompassing all operational areas except for the Sports program.

The overall results of the recommended budget rebalance is a total net reduction to all categories of spending of \$12.7M. We are deferring \$14.7M of mostly strategic program costs into FY '21. There are some other savings and requests that can be seen on the attached detailed backup document, the net of which is the \$12.7M mentioned above.

I would be happy to discuss any of the details with you in advance of the January 30 Commission meeting if there are any questions or concerns.

c: Executive Team

**Oregon State Lottery
Mid-Year Budget Realignment
Fiscal Year 2020**

Deferrals from FY '20 Budget to FY '21 Budget	
Defer Video Central System and Responsible Gaming upgrade to FY '21	\$ (3,607,500)
Defer future gaming platform procurement, integration, and QA to FY '21	(3,500,000)
Defer Player Account Management integration to FY '21	(2,000,000)
Defer brand campaign media to FY '21	(1,505,588)
Defer half of the original training and skill set development funds to FY '21	(1,000,000)
Defer Retailer Partner Management implementation, integration services	(1,000,000)
Defer Claims and Payments baseline capability implementation to FY '21	(750,000)
Defer records & document management implementation to FY '21	(450,000)
E20 Button Panel Upgrade project is on hold for FY '20	(220,000)
Other reductions <\$50K	(204,687)
Defer implementation of Video Lotter Central System Player Portal to FY '21	(132,000)
Funds for Sports consultant not spent	(75,000)
Cancellation of retailer aprons this fiscal year and move to 'FY21.	(75,000)
Reduce Signs & Advertising display budget	(70,000)
Total Savings or Deferral from original budget	(14,589,775)

Requests for additional budget funds for expense items	
Lease extension for field trial of IGT Axis Video Lottery Terminals	1,628,000
Develop and mature enterprise information platform	1,010,000
Increase Sports program legal fees	725,000
Additional QA testing for Sports program	720,000
Sponsorships to support Scoreboard (Blazers, Winterhawks, Thorns/Timbers)	660,000
Other items <\$50K	559,883
Additional licenses needed for Lexus Nexus	423,000
Increase QA services budget for GLI, second chance drawings	400,000
Increase QA testing budget for retailer contracts renewal	236,542
VLT bonus pot retention software for Oxygen and E20	200,000
Additional resources for project management from GLI	188,600
Strategic Sourcing Pilot 1 & 2 and Center of Excellence	130,085
Increase for 2nd Chance vendor contract (Akamai) and integration (IGT)	113,000
Increase agency/consultant fees for Pollinate	85,000
Keno napkin increase	75,000
Increase budget for Business Continuity and Disaster Recovery consulting	70,000
Increase for identity as a service solution monthly costs	60,000
Display materials and promotional items for Scoreboard support	53,000
Microsoft Unified Support contract	51,344
Increase for Responsible Gaming check online gaming accreditation pilot	50,000
websites (Oregon Council on Problem Gambling)	50,000
Increase for funding initial research center concepts (Oregon Health Authority, OCPG)	50,000
Promotional scratch-its increase	50,000
Total Requests for additional budget funds for expense items	7,588,454

Requests for Increases - Capital Outlay	
Checkpoint Firewalls	425,000
Internal Control System upgrade	110,000
HR Predictive Index subscription	109,125
New Beaverton Depot lease costs	35,000
IronPort Hardware (email security software)	15,000
Total Capital Outlay Increases	694,125

Savings/Permanent Budget Reductions	
Reduce Video game set budget purchases from original plan	(2,000,000)
Remove Axis parts purchase due to decision not to procure terminals	(1,500,000)
Reduce budget for Sports integration services	(900,000)
Improved approach to PCI testing with outside vendor	(720,000)
Revised strategic direction for TV Media	(463,728)
Savings from implementation of 365 for Sports (MCA connect)	(175,000)
Cancellation of Games Umbrella II campaign in FY '20	(163,454)
Cancellation of play center purchase in FY '20	(150,000)
Cancellation of LED sign purchases	(127,000)
Research projects cancelled	(89,579)
Underspend on parking lot Installation	(66,500)
Total budget savings	(6,355,261)

Overall budget impact of all changes	\$ (12,662,457)
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