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Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE

Salem, OR 97301

## OREGON STATE LOTTERY COMMISSION MEETING April 24, 2020

**Lottery Commission:** MardiLyn Saathoff, chair  
Maulin Patel  
Chris Telfer  
Raul Valdivia  
Julie Wilcox

**Director:** Barry Pack

Commission Chair MardiLyn Saathoff called the April 24, 2020 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that the commissioners are attending today's meeting via telephone and a quorum of commissioners is present.

Commissioners present at the roll call: Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff.

### A. PUBLIC COMMENT

Chair Saathoff stated that members of the public had the opportunity to provide written public comment for this meeting and asked the clerk to read the comment that was received.

Kitty Martz, Certified Gambling Recovery Mentor and Certified Gambling Addiction Counselor, thanked the commission for disabling the Video Lottery terminals at the onset of the COVID-19 cautionary measures and believes that the last month has proved that publicly operated gambling is an unstable, unsustainable form of revenue. Martz fears that the state will turn to Lottery to recoup the shortfall that was created during the closures and noted that publicly operated gambling is a regressive tax on vulnerable residents. Martz stated that the treatment and prevention infrastructure that was established in 2011 should be maintained and noted that funding should not fall below the threshold. Martz believes this is the time to do research and analysis and does not want to see the federal stimulus checks used for gambling. Martz made suggestions about marketing efforts to specifically address individuals with gambling disorders and offered to provide feedback from people in gambling recovery.

## **B. COMMISSIONER AND DIRECTOR COMMUNICATIONS**

Presenter: MardiLyn Saathoff, chair and Barry Pack, director

### **Audit Committee update**

Commissioner Valdivia provided a brief Audit Committee update, which included updates on the changes that will be made to the process for the peer compliance review, open audit recommendations, engagement and activities in progress and the internal audit schedule.

- Chair Saathoff asked if staff will be able to address the open audit items under the current conditions or if there is a risk to the items escalating due to COVID-19.

Commissioner Valdivia noted that management is working closely with the internal audit staff to ensure the items are addressed and does not feel that any delays will cause harm.

### **Director communications**

Director Pack stated that the commission meetings will be held via telephone for the foreseeable future to ensure physical distancing and protect the health and safety of everyone involved and noted that Lottery is continuing the proactive engagement with stakeholders in the treatment, prevention and advocacy communities and retail partners.

Director Pack mentioned that the Lottery's Executive Team is closely monitoring expenditures and revenues and is proactively managing the cash position based on the forecasts that have been shared. The status of the FY21 budget will be shared at the May commission meeting and Director Pack noted that the situation is fluid.

Director Pack has been consulting with the Governor's Office on potential scenarios to reopen the economy and the potential impact to Lottery retailers and revenue. Discussions are preliminary and there is nothing to report, other than the discussions have begun.

Lottery recently conducted a survey with Lottery employees to gauge the extent to which employees felt that leadership was meeting their needs during the pandemic. The response rate to the survey was 73 percent and most Lottery employees agree the Lottery cares for their wellbeing, keeps them informed, that they are well-prepared to do their jobs and that leadership has communicated a clear plan of action in response to the coronavirus. We received more positive feedback on these questions than the national average and Director Pack noted that there are parts of the organization that feel differently. Leaders in those areas will work with staff to see where improvements can be made.

- Chair Saathoff commended the Lottery's leadership for being proactive in answering the commissioner's questions and providing information.

### C. MINUTES OF THE PREVIOUS MEETING, Exhibit 1

Presenter: MardiLyn Saathoff, chair

The commission reviewed the March 20, 2020 Oregon State Lottery Commission Meeting draft minutes, which were circulated in advance of the meeting, and recommended no additional changes to the record.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the minutes of the Oregon State Lottery Commission Meeting held March 20, 2020 be approved as final, as presented today. Commissioner Patel seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

### D. FINANCIAL REPORT, Exhibit 2

Presenter: Kathy Ortega, chief financial officer

#### Monthly financial statements, March 2020

Ortega provided an overview of the financial statements and described expenses and variances in the operating statement, services and supplies, balance sheet and capital outlay.

- Commissioner Telfer asked when the Video Lottery machines were disabled, and Director Pack reminded the commission that it was March 17.
- Commissioner Telfer asked a clarifying question about expenditures.
- Chair Saathoff asked about the capital spend and if cutbacks will hinder the Lottery when the business comes back. Director Pack stated that the two goals guiding decisions being made about expenditures are the preservation of cash and ensuring that we are in a position for a strong re-entry into the market.
- Commissioner Valdivia asked about the variance in the net revenue, noting that we generally see a positive variance, and would like to know if the actual loss is more than what is on the report. Ortega noted that this is due mostly due to Video Lottery sales and noted that March and April are typically the strongest months of the year for Video Lottery sales. Ortega will provide more information after the meeting. Chair Saathoff noted that some of that will be adjusted when the forecast is adjusted.
- Commissioner Patel asked a clarifying question about indirect expenses for Video Lottery. Ortega shared that is due to the allocation and correcting entries that were made.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery financial statements for the month ending March 31, 2020 be approved for the record as presented today. Commissioner Telfer seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

## E. RULEMAKING, Exhibit 3

Presenter: Kris Skaro, rules and policy analyst

### **OAR 177-040-0017 and 177-045-0030, Additional Video Lottery Retailer Application Requirements and Lottery Authority to Prevent and Resolve Concentrations**

Skaro reminded the commission that an overview of the rulemaking was provided at the January commission meeting and provided a summary of the proposed rule changes and the rulemaking process. The proposed changes ensure the legal validity of OAR 177-040-0017, updates the rule with respect to additional requirements for some Video Lottery retailer applicants and clarifies some issues with respect to concentrations. No public comment was received related to these rules.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the rules in OAR 177-040-0017 and 177-045-0030 be amended as presented, to be effective May 1, 2020.

Commissioner Valdivia seconded the motion. *The motion passed by a 5-0 quorum vote, with Commissioners Patel, Telfer, Valdivia, Wilcox and Chair Saathoff voting aye.*

## F. STAFF UPDATES

Presenters: Shad Barnes, digital marketing senior manager; Tina Erickson, lottery products portfolio manager; Kerry Hemphill, sports betting products manager; Lyndsey Peterson, gaming products portfolio manager; Stacy Shaw, product marketing senior manager; Kathy Stromberg, chief corporate affairs officer

Stromberg provided a brief overview of the presentation.

Erickson provided sales and product information about Scratch-its, Keno and jackpot games, including how COVID-19 is affecting these products.

- Chair Saathoff asked a clarifying question about the impact to jackpot games and how that relates to what the rest of the nation is seeing.
- Chair Saathoff asked if we are looking at how other states are adjusting and dealing with the loss of revenues and plans going forward. Director Pack replied that we are looking to other states but noted that our business model is different than most other US lotteries. The product team has been working with the Canadian jurisdictions to understand some of the steps that they are taking.

Peterson shared Video Lottery sales and product information, noting that forecasts will be revised due to current events. Peterson also shared information about the work that the team is working on, including working through alternate scenarios and roadmap revisions for projects that are in process. Considerations include timelines, budgets, resources and retailer impacts. Some field work is continuing, based on retailer requests, system monitoring needs and field trial contract commitments.

Hemphill provided information about a cyber-attack that affected the SBTech platform that powers Scoreboard. Scoreboard was offline for just over five days as a precautionary measure while the issue was resolved. Player data and funds were not compromised and SBTech will compensate Lottery for the projected revenue loss.

Hemphill shared information about Scoreboard's monthly performance and noted that average markets available per day have dropped significantly due to nearly all professional sporting events being put on hold. With limited standard sporting events being available, the team is actively researching and evaluating potential options to enhance the portfolio, such as new sport options, virtual sports and eSports. Recent sport additions include bandy, darts, table tennis, sumo, bowls, Chinese baseball, and simulated NASCAR and INDYCAR motor racing. Lottery is also researching the role kiosks may play in the retail strategy for sports betting and has a test kiosk and POS terminal onsite to gather requirements and collect learnings.

- Chair Saathoff asked how quickly new types of games can be added to the platform. Hemphill shared that standard sports and eSports are included on the current platform and can go live within a day or so, once approved. The next step for the virtual sports option is to move to product testing and certification and would like to have it added within the next couple of months.

Shaw presented information about product marketing, including budget reductions and deferred marketing spend to align with resumption of business. Ongoing evaluation and adjustments will be made as needed as the market evolves.

Barnes shared information about budget reductions and noted that Lottery is maximizing engagement through the digital channel, and no or low-cost digital advertising. This includes sharing information through Scoreboard about the games customers can purchase, play and enjoy from home; highlight Lottery products at grocery and convenience stores and safe ways to purchase; focus on virtual problem gambling treatment options that are available; and utilize social channels to promote community support of retailers. Shaw called attention to a social media post that supported retailers and engaged customers.

Shaw talked about the messaging and media modifications for responsible gaming and problem gambling outreach through social media and digital display ads, that include moving to a relevant tone for customers that are staying home, focusing on GamTalk, and placing an emphasis on tele-health for outreach. As businesses begin to reopen, messaging will pivot to keeping the gains that problem gamblers have made while gambling has been unavailable.

## **G. OTHER BUSINESS**

No other business was presented.

The next monthly commission meeting is scheduled May 29, 2020.

The Oregon State Lottery Commission approved the minutes of the April 24, 2020 Oregon State Lottery Commission meeting on May 29, 2020.

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Alisa Zavala  
Senior Executive Assistant to the Commission  
Lottery Director's Office

Approved by:

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Commissioner MardiLyn Saathoff, Chair  
Oregon State Lottery Commission

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*OSL Commission meeting exhibits are available at <https://oregonlottery.org/about/commission-meetings>.*