



Together, we do good things.

Debbs Potts Oregon State Lottery Commission Building

500 Airport Road SE
Salem, OR 97301

**OREGON STATE LOTTERY COMMISSION MEETING
May 29, 2020**

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

Director: Barry Pack

Commission Chair MardiLyn Saathoff called the May 29, 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 a summary of the comment that was received.

Kitty Martz shared concerns about the public comment portion of the commission meetings be incrementally reduced. Martz also shared concerns about the reopening of Video Lottery retailers and the expansion into online sports gambling, noting that she believes the Lottery's credibility was compromised. Martz would like the commission to be more transparent when it comes to introducing new products, including fantasy sports and noted that the process of launching a new product should include consulting with experts, conducting research and prevalence studies, public and legislative discussion and ensuring that a democratic process is adhered to.

B. COMMISSIONER COMMUNICATIONS

Presenter: MardiLyn Saathoff, chair

Farewell to Commissioner Valdivia

Chair Saathoff shared that today is Commissioner Valdivia's last commission meeting, noting that his term is ending, and reflected on Commissioner Valdivia's tenure with the Lottery. Chair Saathoff thanked Commissioner Valdivia for his service and support.

Commissioner Telfer thanked Commissioner Valdivia for his service to the Lottery.

Director Pack thanked Commissioner Valdivia for his commitment to the organization, integrity, authenticity, and transparency and shared sentiments from members of the staff.

Commissioner Valdivia thanked everyone and shared that he appreciated working with the staff and the different commissioners that he has served with. He thanked Director Pack and noted that in his experience, Director Pack is the most pleasant, organized administrator that he has worked with and was always confident in the information that was provided.

Farewell to Cynthia Byrnes, Senior Assistant Attorney General, Dept. of Justice

Director Pack shared that Cynthia Byrnes, the Lottery's Department of Justice lead counsel, is retiring and noted that this is her last commission meeting. Director Pack thanked Byrnes for her counsel, professionalism and support through the years.

Chair Saathoff thanked Byrnes, noting that she appreciates that Byrnes' legal work was always stellar and thoughtful, and she always trusted that she was pursuing the interest of her client. Chair Saathoff wished her the best.

Byrnes thanked everyone and noted that working with the Lottery has been challenging at times, but she has enjoyed it.

C. DIRECTOR'S REPORT

Presenter: Barry Pack, director

Director Pack shared that Lottery continues to struggle financially and noted that more information will be provided during today's meeting. Director Pack shared some of the significant steps that have been taken to address the financial difficulties, including cutting back expenditures and staffing measures that include furloughs, layoffs and salary reductions. The focus is on preserving cash to maintain prudent reserves in case there is a resurgence of the virus and maintaining funds to invest in diversifying the product portfolio and sales channels to meet Lottery's constitutional obligations.

Director Pack noted that a bare-bones budget for FY21 will be presented next month for approval and anticipates the need to update the budget on a quarterly basis in response to revenues and changing circumstances.

Lottery offices will remain closed to the public for the foreseeable future and the staff will continue to telework, if they are able. Prizes will continue to be claimed by mail, except for high-dollar prizes, which can be claimed by appointment. Lottery will continue to monitor this from a customer experience as the counties continue to re-open and prize claim volumes grow. Director Pack will notify commissioners if these plans change as a result of revised guidance from the Governor's Office.

Director and Assistant Director's salary reduction, Exhibit 1

Chair Saathoff shared that the meeting materials include a recommendation to reduce Director Pack's and the Assistant Director of Security's salary, which is consistent with the other staffing reductions that have been implemented throughout the agency. Chair Saathoff applauded the Lottery's efforts on the steps taken to address the COVID issues.

Chair Saathoff called for a motion.

Commissioner Telfer moved that the Lottery implement the recommended salary reduction for the director and assistant director of security, 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. MINUTES OF THE PREVIOUS MEETING, Exhibit 2

Presenter: MardiLyn Saathoff, chair

The commission reviewed the April 24, 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 Wilcox moved that the minutes of the Oregon State Lottery Commission Meeting held April 24, 2020 be approved as final, 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. FINANCIAL REPORT, Exhibit 3

Presenter: Kathy Ortega, chief financial officer

Monthly financial statements, April 2020

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

- Chair Saathoff noted that she appreciates that quick measures that were taken to cut costs during this time.

Chair Saathoff called for a motion.

Commissioner Patel moved that the Oregon State Lottery financial statements for the month ending April 30, 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.*

F. LOTTERY REVENUE FORECAST

Presenter: Josh Lehner, economist, Office of Economic Analysis

Lehner provided information about the economic and revenue forecast, including a comparison to previous recessions in Oregon and what recovery may look like, spending and income revisions to the previous forecast, permanent damage to businesses in Oregon, risks and revenue outlook for video product, and the changes that were made to the forecast due to the recession.

- Chair Saathoff asked what data can be used to judge how quickly the economy recovers, how people are feeling about discretionary spending and how fast Lottery can respond. Lehner replied that standard economic data lags but there are high-frequency indicators that are used to monitor and measure economic activity, including the weekly Lottery sales report. Director Pack noted that Lottery will look at what percentage of Video Lottery terminals are enabled and the revenue, compared to what would be expected if 100 percent of the terminals were enabled.

G. TEMPORARY RULEMAKING, Exhibits 4-6

Presenter: Kris Skaro, rules and policy analyst

OAR 177-040-0049, Video Lottery Terminal Management During State of Emergency

Skaro shared an overview of the temporary rule, noting that it explains that during the COVID-19 state of emergency and various phases of reopening, retailers must comply with official guidance about the safe placement, operation, and maintenance of the Video Lottery terminals. The rule commits Lottery to inform retailers about these requirements, assist retailers to help them comply and investigate reports of non-compliance. The rule requires retailers to provide information to Lottery to verify compliance, allows the Lottery to conduct on-site inspections, and explains possible consequences for failure to comply. The temporary rule will be effective until November, when it may need to be adopted as a permanent rule.

- Chair Saathoff asked how non-compliance will be handled and Director Pack shared that there is a multi-agency group coordinating responses to inform and educate retailers and provide support to bring them into compliance, rather than punishing retailers. If retailers are unwilling or unable to comply, non-compliance can be treated as a contract violation.

OAR 177-092, Scoreboard, Virtual sports

Skaro provided information on the amendments to the Scoreboard rules that define virtual sporting events, explain how winners are determined, and explain how game integrity is ensured. The draft rulemaking information will be provided to interested parties to review before adopting as temporary rules. If the option to bet on virtual sports proves popular with players, the commission may be asked to consider permanent adoption of the rule changes later this year.

H. STAFF UPDATES

Presenters: Shad Barnes, digital marketing senior manager and Lyndsey Peterson, gaming products portfolio manager

Peterson shared Video Lottery information for the counties that have re-opened in Phase 1, including sales, number of active retailers and the number of Video Lottery terminals that have been enabled. Peterson also shared information about how Lottery is supporting the retailers through digital communications. Electronic communication was sent out to all retailers that included direct links to a landing page that includes links to resources and printable signage.

- Chair Saathoff asked if sales levels are where we expected and if we are tracking the gap so we can project the overall anticipated loss. Peterson replied that sales are where we expected them versus pre-COVID sales, based on the number of terminals that are enabled.
- Chair Saathoff asked if there has been any pushback from retailers not wanting to follow the guidelines and Peterson shared that there have been some complaints but reiterated that the guidelines are required.
- Chair Saathoff asked if the retailers are asking for concessions regarding the Lottery contract to help recoup the additional costs related to the guidelines and Director Pack noted that we have not received any requests related to the contract, but have been working with retailers on payment issues and shared that Lottery waived some charges in the early stages of the shut-down.

Barnes shared an overview of the digital marketing Play It Safe campaign, which provides tips to minimize exposure to COVID and incorporates responsible gambling considerations that are intensified during periods of disrupted routine and income. The campaign also includes a landing page with reminders, best practices, links and updates on retail reopening.

- Chair Saathoff asked if the responses have been positive and Barnes shared that the campaign has been well-received. Since the campaign is predominantly on social media, feedback is instantaneous.

I. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled June 26, 2020.

The Oregon State Lottery Commission approved the minutes of the May 29, 2020 Oregon State Lottery Commission meeting on June 26, 2020.

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

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

DRAFT

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