



Together, we do good things.

# Memo

**Date:** June 12, 2020  
**To:** Oregon State Lottery Commissioners  
**From:** Barry Pack, Director  
**Subject:** Proposed FY '21 Budget

As we have discussed, the Lottery faces uncertain financial pressures because of revenue losses related to COVID-19, which makes budgeting for operations more challenging than normal. With uncertain revenues and prospects for a resurgence or second wave of the virus leading to a return to restaurant and bar closures in some counties or statewide, Lottery staff recommend a nimble approach to the budget for FY '21.

The executive staff have put together a “bare bones” budget that maintains base levels of operations and continues investments to modernize our business to optimize operations and gain efficiencies long-term. I recommend the Commission adopt this budget as a baseline budget with the understanding that Lottery staff will present recommended adjustments quarterly as revenues come in and expenditure needs change.

Revenue and transfers are based off the May Lottery Revenue Forecast by the Office of Economic Analysis. After expenses, the proposed budget reflects a net profit of \$502.9m and transfers of \$412m. At this point, Lottery projects starting the fiscal year with \$86m in the contingency fund and ending the fiscal year with \$54.7m in the contingency.

This budget proposes spending \$27.9m in modernization projects out of the investment fund focused on 5 key areas:

1. Back office technology, tools and capability development to create an enterprise integration platform and enable enterprise information management;
2. Upgrade ERP financial system;
3. Upgrade existing video and traditional products (Intelligen and Aurora) and research new product proofs-of-concept;
4. Development of our digital capabilities that enable seamless and safe customer experiences and other automation productivity tools;
5. Skill development support in change management, customer experience management and digital transformation to ensure employees are prepared to support new technologies, processes and changing roles required across all modernization efforts.

Ortega and I will be walking you through the budget in advance of the commission meeting this month. In the meantime, please do not hesitate to reach out with any questions.

**Oregon State Lottery**  
**Proposed Budget**  
Statement of Profit & Loss FY '21

Revenues from 05/20/20 June Forecast Revision

	FY 2020 Projection	FY 2021 Proposed Budget
<b>Revenue</b>		
Video Lottery <sup>SM</sup>	\$ 9,754,608,019	\$ 9,038,385,332
Scratch-Its <sup>SM</sup>	143,268,049	142,469,172
Megabucks <sup>SM</sup>	29,340,214	30,574,738
Pick 4 <sup>SM</sup>	1,737,253	1,757,196
Powerball <sup>®</sup>	32,445,013	38,196,056
Mega Millions <sup>®</sup>	22,853,686	26,028,506
Win For Life <sup>SM</sup>	3,624,675	3,703,685
Keno	89,763,586	84,090,880
Lucky Lines <sup>SM</sup>	1,978,810	1,825,000
Raffle <sup>SM</sup>	2,500,000	2,500,000
Scoreboard	178,330,475	349,360,410
<b>Total Revenue</b>	<b>10,260,449,780</b>	<b>9,718,890,975</b>
Less: Prizes	9,390,063,893	8,890,220,030
<b>Net Revenue</b>	<b>870,385,887</b>	<b>828,670,945</b>
<b>Direct Expenses</b>		
Commissions	206,471,114	189,777,421
Game Vendor Charges	13,765,279	19,786,419
Tickets	4,370,000	3,317,127
Advertising	11,121,813	7,901,150
Sales Support	963,231	688,850
Game Equip/Parts & Maintenance	6,461,267	8,630,604
Depreciation	22,119,941	21,209,149
<b>Total Direct Expenses</b>	<b>265,272,645</b>	<b>251,310,720</b>
<b>Gross Profit</b>	<b>605,113,242</b>	<b>577,360,225</b>
<b>Indirect Revenue</b>	<b>21,000,000</b>	<b>9,000,000</b>
<b>Indirect Expenses</b>		
Public Information	4,137,855	1,998,144
Market Research	636,887	502,800
Salaries & Benefits	66,097,448	58,334,332
Services & Supplies	25,555,506	18,905,727
Depreciation	2,973,556	3,430,956
Interest Expense	288,752	300,000
<b>Total Indirect Expenses</b>	<b>99,690,004</b>	<b>83,471,959</b>
<b>Net Profit</b>	<b>\$ 526,423,238</b>	<b>\$ 502,888,266</b>
<b>Transfers</b>	<b>\$ 698,844,266</b>	<b>\$ 412,056,110</b>
Capital Outlay Budget	\$ 56,010	\$ 39,070
Admin Expense %	3.4%	3.4%