Commission Chair MardiLyn Saathoff called the Feb. 28, 2020 Oregon State Lottery Commission meeting to order. Chair Saathoff stated for the record that the commissioners are attending today’s meeting via telephone, Commissioners Patel and Valdivia are excused, and a quorum of commissioners is present.

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

Chair Saathoff noted for the record that this month’s meeting will not include public comment. The next opportunity for public comment will be at the March 20, 2020 meeting. (After the Feb. 28 meeting, the March meeting was changed to a telephone meeting. The next opportunity for public comment will be at the April 24, 2020 meeting.)

A. COMMISSIONER COMMUNICATIONS
Presenter: MardiLyn Saathoff, chair

No commissioner communications were shared.

B. MINUTES OF THE PREVIOUS MEETINGS
Presenter: MardiLyn Saathoff, chair

Minutes of the Dec. 20, 2019 meeting, amended, Exhibit 1
Minutes of the Jan. 30, 2020 meeting, Exhibit 2
The commission reviewed the amended Dec. 20, 2019 and the Jan. 30, 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 for both sets of minutes.
Commissioner Telfer moved that the minutes of the Oregon State Lottery Commission Meetings held Dec. 20, 2019 and Jan. 30, 2020 be approved as final, as presented today. Commissioner Wilcox seconded the motion. The
motion passed by a 3-0 quorum vote, with Commissioners Telfer, Wilcox and Chair Saathoff voting aye.

C. FINANCIAL REPORT,
   Presenter: Kathy Ortega, chief financial officer

Monthly financial statements, January 2020, Exhibit 3
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 asked clarifying questions about items on the operating statement and balance sheet.

Chair Saathoff called for a motion.
Commissioner Telfer moved that the Oregon State Lottery financial statements for the month ending Jan. 31, 2020 be approved for the record as presented today. Commissioner Wilcox seconded the motion. The motion passed by a 3-0 quorum vote, with Commissioners Telfer, Wilcox and Chair Saathoff voting aye.

Sports product budget, Exhibit 3
Ortega reminded the commission that the approved FY20 budget did not include a complete budget for the sports betting product due to many unknown factors. Staff have completed an analysis of the sports betting program to finalize the financial projections for FY20.
   – Commissioner Telfer asked what is causing the loss, which is different than what was originally anticipated, and Director Pack shared that Lottery knew that launching a new sales channel and product would take time to get to profitability. The drivers of the loss include some costs that are higher than originally anticipated including start-up costs, legal fees, testing costs, geolocation costs and labor costs. Lottery is working on getting the run-rates to a reasonable rate and the margin is lower than anticipated. The inability to include collegiate wagering in the forecasts is also a factor.
   – Chair Saathoff asked if collegiate wagering was included in the original forecast and Director Pack noted that collegiate wagering was not built entirely into the forecast due to the uncertainty of being able to offer it.
   – Chair Saathoff asked if most of the higher-than-anticipated costs are startup costs or if they will continue and Director Pack replied that many of the higher costs are related to start-up and one-time costs or they will level off since the product has now been launched. Director Pack noted that launching the product was more complicated than originally anticipated and therefore, took more resources.
   – Commissioner Telfer requested a revised three-year forecast.
   – Commissioners Telfer and Wilcox commented on the recent media coverage related to the first-year loss for the sports product.
   – Director Pack shared that staff is evaluating what changes and adjustments can be made to increase sales to get closer to the anticipated profit margin while we wait on resolution of the collegiate wagering issue.
   – Chair Saathoff asked if there have been any comments from the Governor’s Office and Director Pack shared that they are understanding of the situation and supportive.
Chair Saathoff asked if the Scoreboard expenses are apportioned and Ortega replied that they are.

Chair Saathoff called for a motion.

Commissioner Wilcox moved that the Oregon State Lottery Commission approve the addition of the sports product to the FY20 budget as presented today. Commissioner Telfer seconded the motion. The motion passed by a 3-0 quorum vote, with Commissioners Telfer, Wilcox and Chair Saathoff voting aye.

Director Pack thanked the commission for their support and understanding as this product is launched and noted that staff is doing everything possible to make the product more profitable. Chair Saathoff replied that it is rare for a new revenue stream and product to be profitable the first year and noted that the comments and questions from the commissioners is to help them understand the business. Commissioner Telfer noted that her comments were to gather an understanding to help make decisions in the future.

D. LEGISLATIVE UPDATE

Presenter: Kris Skaro, rules and policy analyst

Skaro shared that the legislature is currently meeting for a short session, which lasts 35 days and provided updates on two Lottery-related bills.

HB 4135 would limit the games that the commission can authorize to be playable on a personal electronic device to Powerball and Mega Millions and sports betting games. HB 4057 would prohibit the Lottery from offering sports betting games that include collegiate sporting events. Both bills were moved from the House Committee on Business and Labor to the House Committee on Revenue, where they each had a hearing and a work session to discuss the bill and amendments, but no further action has been taken.

- Commissioner Telfer asked if there is any indication as to what will happen with these bills. Director Pack noted that problem gambling advocates and a few of the Members of the House would like the bill to move but there is no indication that either of them will move right away.
- Chair Saathoff asked if there are plans in place for the next legislative session. Director Pack replied that Lottery will work with the universities, legislators and other stakeholders and will take a more proactive approach.

E. OTHER BUSINESS

No other business was presented.

The next monthly commission meeting is scheduled March 20, 2020 in Salem. (The March meeting was changed to a call-in meeting after the Feb. 28 meeting.)

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

Approved by:

Commissioner MardiLyn Saathoff, Chair
Oregon State Lottery Commission

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