

INFORMATIONAL MEETING

TAPES 10 A-B;11, A

HOUSE REVENUE COMMITTEE

JANUARY 19, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present: Rep. Vicki Berger, Vice-Chair
 Rep. Brian Boquist, Vice-Chair
 Rep. Sal Esquivel
 Rep. Larry Galizio, Acting Chair
 Rep. Mark Hass
 Rep. Betty Komp
 Rep. Andy Olson
 Rep. Chuck Riley

Members Excused: Rep. Tom Butler

Staff Present: Paul Warner, Legislative Revenue Officer
 Mazen Malik, Economist
 Dale Penn, Director, Oregon State Lottery
 Kristi Bowman, Committee Assistant

TAPE 8, SIDE A

003 Acting Chair Galizio Calls meeting to order at 1:32 P.M.

ORIENTATION MEETING

014 Mazen Malik Begins slide presentation on OR Lottery

029 Malik Slide: Lottery Terminology

043 Malik Slide: Lottery History (2 slides)

078 Malik Slide: Traditional Lottery Games; 2003-04 Net Receipts

089 Malik Slide: Traditional Game Revenue (bar graph)

099 Malik Slide: Traditional Game Revenue; Percentages (bar graph)

108 Malik Slide: Video Lottery Revenue (bar graph)

118 Malik Slide: Video Lottery Revenue: Percentages (bar graph)

124 Malik Slide: Total Lottery Revenue (bar graph)

127 Malik Slide: Total Lottery Revenue: Percentages (bar graph)

141 Malik Slide: Lottery Transfers (bar graph)

155 Malik Slide: 2003-05 Lottery Distributions (pie chart)

167 Rep. Boquist Asked about total revenues received for 2003-05.

170 Malik Response: The numbers can be found in the 2005 OR Public Finance: Basic Facts Research Report #1-05 issued by the Legislative Revenue Office (LRO), page K2.

190 Malik Slide: Issues

205 Malik Slide: Line Games

217 Malik Slide: Video Price Percent

- 231 Malik Slide: Annual Growth: Video
- 243 Malik Slide: Video Compensation Rates (Old Rates)
- 258 Malik Slide: Video Compensation Rates (New Rates 2004)
- 281 Rep. Riley Question: Are there different rates for other different types of organizations? For instance, a 401-C3; are there any discounts on those or does everyone have the same rate?
- 288 Malik Response: I don't know if non-profits have any preference. This can be addressed in the next presentation by the lottery director.
- 299 Rep. Berger Question: What are the decision points for retailer regarding tiers levels?
- 306 Malik Response: Retailer can choose the different tier options.
- 325 Malik Slide: Retailer Compensation (One View of Revenue)

341 Malik Slide: Retailer Compensation (Another View of Revenue)

367 Malik Slide: Retailer Compensation

RECESS 2:00 p.m. Reconvened at 2:15 p.m.

414 Malik Slide: Lottery Expense Percents

450 Dale Penn Begins overview presentation (Exhibit 2)

477 Penn Slide: Mission Statement

TAPE 11 SIDE A

40 Penn Slide: Organizational Structure. Mr. Penn provides his background.

66 Penn Slide: Key Constitutional Changes

72 Penn

Slide: Distribution of Lottery Funds as directed by the OR Constitution and Legislature (pie chart)

- 83 Penn Slide: Game Development
- 92 Penn Slide: Planning/Budget Process
- 110 Penn Slide: FY04 Revenue and Expense Distribution (Traditional Games)
- 117 Rep. Boquist Asks Director Penn to define what transfers to the state are? There is a difference in percentages between Mr. Malik's presentation and Mr. Penn's.
- 121 Penn Response: Mr. Malik's discussion concerned net proceeds of both traditional and video games.. Prizes are taken out of all sales, resulting in the net revenue. Out of that net comes overhead for the lottery as an organization, specific expenses such as printing tickets, overhead expenses, retailer compensation system, and what is left over is transfers to the state.
- 149 Penn Slide: FY04 Revenue and Expense Distribution (Video Lottery)
- 167 Rep. Berger Clarifies that Mr. Penn's slides are for the fiscal year; Mr. Malik's are for the biennium.

- 180 Penn Slide: Contingency Reserve and Administrative Savings
- 215 Penn Slide: 05/07 Capital Requirements
- 241 Penn Slide: Update of OR Lottery Audits
- 258 Penn Slide: Forecast 05/07
- 357 Penn Projects a 5.4% increase for the next biennium for revenue transfer, primarily in the video lottery market.
- 384 Penn Slide: 20 Years of Doing Good Things for OR (from 1985-2005)

TAPE 10 SIDE B

- 049 Rep. Olson Question; What is the percentage of gambling treatment funds?
- 051 Penn Response: It is currently 1%.,however, it hasn't always been a 1% appropriation. A letter from the Lottery Office will be sent soon to the governor and the committee requesting that the 1% be a dedicated amount from the lottery transfers.

- 070 Olson Question: Is there research or a study nationwide as to what the impact of problem gambling and line games might be?
- 072 Penn Response: Oregon has a very good record of treating problem gambling. Treatment funds go toward research and getting the message out about problem gambling—public presentations, newspaper and television ads, and giving the 1-800 number to seek help.
- 094 Rep. Boquist Question: Does the lottery commission have the experience to launch video lottery?
- 103 Penn R: Currently, the lottery is generating sales of \$9 B, and video lottery represents 1/9 of increased revenue (\$1 B). In case the video lottery is not approved, we began testing new line games in the Portland area that can get out in the field by July 3, and the results of that research are very important to us. We are confident that the [video] game can be in the field by July 3 (beginning of fiscal year). Other issues include a retailer network that is enthusiastic about the new games and willing to sign up for the new games.
- 144 Rep. Boquist Asks about why the comparison was used with West VA.
- 155 Penn Response: used West VA because they have a similar retailer network to Oregon's in line games.

186 Rep. Komp Q: Is there a strategic plan on-line or is there somewhere where we can look at your action steps and how you are going to accomplish all the goals stated.

195 Penn R: Not on the lottery web site at this time, but it is in the handouts provided. (Exhibit 3)

211 Paul Warner Committee Administrative announcements

255 Chair Galizio Meeting Adjourned at 3:00 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. Slide Presentation: OR Lottery, Mazen Malik, 12 pp.,01/19/05
2. Slide Presentation: OR Lottery Office Overview, Lottery Office, 15 pp.,01/19/05
- 3 FY 2004-2005 Business Plan, Lottery Office, Lottery Office, 58 pp., 01/19/05