

**Oregon State Lottery
Administrative Overview
October, 2000**

Introduction

The Oregon State Lottery was formed in 1984 to add financially to economic and jobs development programs in the state of Oregon. A result of two voter initiatives, the Oregon State Lottery has contributed funds to educational, environmental, and community development projects during its 16 years of existence. ORS 461.500 provides that at least 84 percent of total annual revenues shall be returned to the public, at least 50 percent must be returned to the public as prizes and the remainder used for the designated public purpose. The remaining 16 percent of total annual revenues are available for the payment of administrative expenses. This unique organizational structure makes the Oregon State Lottery entirely self-funded, with no tax money contributed to its operation, programming, or development.

History

Two voter initiatives, passed in 1984, led to the eventual creation of the Oregon State Lottery. In conjunction with these initiatives, the Legislative Assembly passed ORS Chapter 461, the Oregon State Lottery Act, which effectively created the State Lottery Commission.

The State Lottery Commission is comprised of five members appointed by the Governor and confirmed by the Senate. At least one of these members must be a Certified Public Accountant and another must have at least five years of law enforcement experience. The Director is also appointed by the same process and is responsible for the day-to-day administration of the Lottery and its employees.

On April 25, 1985, the Oregon State Lottery issued its first instant tickets. By November the Megabucks game became the first on-line, computer operated lottery game in Oregon. In 1989 a first-in-the-nation lottery game was introduced; Sports Action became the first sports lottery game based on the outcome of professional athletic contests. Most of the revenue generated by Sports Action is returned to the public through academic and athletic scholarships. By 1992, the Lottery had Keno, Powerball, Daily 4, Break Opens, and Video Lottery games running throughout the state. The Video Lottery gaming system was also a milestone, as it was the first 24-hour, centrally controlled gaming system in the country.

In May 1995, the voters of Oregon enabled a portion of annual State Lottery revenues to be used to finance public education. In 1998, the voters again expanded the program expectations of the Lottery by passing a Constitutional amendment requiring 15 percent

of the non-prize revenue to be allocated for state parks and salmon conservation programs. Since the Lottery began in 1985, over \$2.2 billion in Lottery profits have been allocated to public education and economic development programs throughout Oregon. During that same time, players have won over \$5 billion in prizes, and over \$1 billion has been paid to Oregon businesses for services and supplies needed to operate the Lottery. In addition, local counties receive 2.5 percent of the total revenues from the Video Lottery game system.

The Legislative Assembly is responsible for allocating Lottery revenues to various economic and jobs programs. By law, the Lottery is required to return 84 percent of all revenues back to the public. In 1999, the State Lottery returned approximately 94 percent of its annual revenue. Of the returned revenue, 50 percent must be in the form of prize money and 24 percent is slated for public programs. The remaining 16 percent are allocated for operating expenses accrued by the Lottery. This revolving system of sales-funded administration means that the Oregon State Lottery is entirely self-funded, with tax dollars contributing to its operation.

Current Organization

The Oregon State Lottery is comprised of seven internal divisions. The State Lottery Commission is responsible for overseeing operations, approving financial plans, and ensuring the honesty and fairness of the State Lottery. The Director is appointed by the Governor and presides over the day-to-day operations within the State Lottery. The Director also serves as the Secretary and Executive Officer of the Lottery Commission. The Director's Office is responsible for providing operational support, overseeing public affairs issues, internal audits, rules and regulations, and records management.

The Security Division oversees the general security of the Lottery process. This includes ensuring the integrity of Lottery personnel, retailers, contractors, manufacturers, lottery games, drawings, winning claims, and validations. Security is also able to perform background checks in accordance with personnel decisions and retailers; the division is also authorized to conduct investigations in the event of criminal activity against the State Lottery. Ensuring the security, integrity, honesty, and fairness of its games and operations is the Oregon Lottery's top priority. The Lottery contracts with the Oregon State Police to oversee all security aspects of the games and operations. The Oregon Lottery's Assistant Director for Security is an Oregon State Police Lieutenant, which illustrates the cooperation between the Lottery and the state police. This unique partnership has helped the Security Division to be one of the most exemplary in the nation.

Marketing is primarily concerned with product research, game development, new product development, advertising, and promotions. Support Services records and monitors daily financial activity and reports to the Commission, Governor, and public interests. The Support Division is also responsible for maintaining the payroll, human resources, product distribution, inventory, training and development, information systems, and facilities maintenance. Retail Operations manages sales and service throughout Oregon.

Product sales, equipment maintenance, and retail training all fall under the jurisdiction of the Retail Operations Division.

The State Lottery is currently returning approximately 94 percent of its earned revenue to public programs. The operations of the Lottery have been maintained with only six percent of its annual income (although they are allowed to use up to 16 percent of their annual revenue). In addition, annual traditional prize awards have climbed to 64 percent of the State Lottery's earnings, while video lottery games have returned an astounding 94 percent in terms of prize monetary awards.

For the 1999-2001 biennium, the Legislative Assembly allocated Lottery funds as follows: 66% (\$393.3 million) to Education, 18% (\$110.9 million) to Economic Development, 15% (\$86.9 million) to Parks and Salmon Restoration Projects, and 1% (\$5.2 million) to the Problem Gambling Treatment Fund. The prize winnings for 1999 break down to the following: Scratch-Its (\$86.8 million), Megabucks (\$29 million), Keno (\$58.7 million), Sports Action (\$5.7 million), Powerball (\$21.6 million), Breakopens (\$2.8 million), Cash Quest (\$1.3 million), and Video Lottery (\$550.2 million).

Bibliography

Oregon Laws. 1985, 1997, 1999.
Oregon Revised Statutes. 1999.
Oregon Blue Book. 1999-2000.
Oregon State Lottery Website. www.oregonlottery.org.
Oregon State Lottery Responsibilities. 4-24-95.

Primary Agency Statutes and Administrative Rule Chapters

OAR Chapter 177
ORS 162 Tampering
ORS 164 Criminal Definitions
ORS 167 Enforcement Officers, Authorization
ORS 171 Economic Development, Consequences, Reports
ORS 280 Lottery Financed Projects, Infrastructure
ORS 282 Printing
ORS 285B Cessation of Funding to Unified International Trade Fund
ORS 314 and 316 Taxation
ORS 391 Light Rail Allocations
ORS 447 Disabled Access to Lottery Funded Facilities
ORS 461 Oregon State Lottery
ORS 541 Distribution to Parks and Natural Resources Fund