



OREGON LEGISLATIVE POLICY & RESEARCH OFFICE

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Research Report

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Basics About . . . Lottery Revenues and Expenditures

Oregon's state lottery was created by voter initiative in 1984 and began operation in 1985. Revenues have increased steadily, especially since the introduction of video poker in April 1992. Over 50 percent of the lottery's total annual revenue is returned to the lottery-playing public in the form of prizes, and no more than 16 percent can be spent on lottery operations. The remaining revenue goes to fund economic development and, since 1995, education.

Biennial revenue, according to the Oregon Office of Economic Analysis, (\$ millions):

Biennium	Lottery	General Fund	Ratio (%)
1985-87	\$ 60	\$ 3,346	1.8
87-89	107	3,801	2.8
89-91	101	4,628	2.2
91-93	181	5,478	3.3
93-95	471	6,536	7.2
95-97	580*	7,035**	8.2

* September 1996 forecast, including regular & video lottery, other, & interest

** December 1995 forecast

Lottery Shortfall: Reports of declines in lottery revenues are greatly exaggerated. Lottery revenues have increased steadily over the years, recently approaching nearly one-tenth the size of the General Fund (see "ratio" in the table above). The current "shortfall" is actually an over-estimate of lottery revenue growth. During the 1995 legislative session, lottery revenue was projected to grow to \$621.1 million for 1995-97, an increase of almost \$150 million over 1993-95. Eighteen months later, the 1995-97 revenue forecast has been lowered to \$560 million, a "decline" of \$61 million from the earlier forecast. Future lottery revenues are forecast to decline only slightly, primarily due to competition from tribal gaming facilities. The projected 1997-99 lottery revenue is \$533 million (September 1996 forecast), down \$30 million from 1995-97.

Lottery Expenditures: Oregon lottery revenue expenditures were originally dedicated to creating jobs and furthering economic development. In a May 1995 special election, Oregon voters approved a legislative resolution adding public education financing to the uses of lottery revenue. Over its first ten years, lottery revenue expenditures for job creation and economic development totaled more than \$700 million. For 1995-97, just 11 percent of lottery revenue spending (\$85 million) was allocated to economic development, while 75 percent (\$573 million) went to education, and 15 percent (\$110 million) went to other program areas, including human resources, natural resources, and transportation.

The Lottery's Future: Governor Kitzhaber's Task Force on Gaming, headed by Attorney General Ted Kulongoski, investigated problem gambling, dependence on lottery revenue, computer security, tribal gaming, and other issues. The Governor's Task Force on Gaming issued its findings in a report in October 1996.

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