



**INVITATION TO TENDER BONDS**

made by the  
**STATE OF OREGON**  
to the Holders (described herein) of  
**STATE OF OREGON DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE REFUNDING BONDS  
2021 SERIES B (FEDERALLY TAXABLE)**

of all or any portion of the maturities listed in Table 1 on page (i) herein for a cash price

**THIS TENDER OFFER WILL EXPIRE AT 5:00 P.M., EASTERN TIME ON TUESDAY, APRIL 16, 2024, UNLESS THE TENDER OFFER IS TERMINATED EARLIER OR EXTENDED AS DESCRIBED HEREIN. TENDERED BONDS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE. SEE “TERMS OF THE TENDER OFFER” HEREIN.**

This Invitation to Tender Bonds, which includes APPENDIX A and APPENDIX B, and which is dated April 2, 2024 (as it may be amended or supplemented, the “**Tender Offer**”) describes an invitation by the State of Oregon (the “**State**”), acting by and through its Office of the State Treasurer (the “**Treasurer**”) (hereinafter the State and the Treasurer are collectively referred to as the “**Issuer**”), with the assistance of Jefferies LLC (“**Jefferies**”) and Goldman Sachs & Co. LLC (“**Goldman Sachs**”) as Dealer Managers (the “**Dealer Managers**”), to the beneficial owners (the “**Holders**” or “**Bondholders**”) of the Issuer’s outstanding bonds of the series and maturities listed in Table 1 on page (i) of this Tender Offer (“**Table 1**”) (collectively, the “**Target Bonds**”), to tender such Target Bonds for cash purchase by the Issuer at a Purchase Price (defined herein) to be determined based on the applicable fixed spread (each, a “**Fixed Spread**”) to be added to the yield on the relevant benchmark United States Treasury Security (each, a “**Benchmark Treasury Security**”), plus accrued interest on the Target Bonds of the maturity corresponding thereto tendered and accepted for purchase (“**Accrued Interest**”) to but not including the Settlement Date (as hereinafter defined). On or about April 9, 2024, the Issuer will publish the Pricing Notice in the form attached hereto as APPENDIX B, which will establish the Fixed Spread by either confirming or amending each “**Indicative Fixed Spread**” as listed in Table 1 for each maturity and corresponding CUSIP of the respective Target Bonds.

Subject to the terms and conditions of this Tender Offer and assuming all conditions to this Tender Offer have then been satisfied or waived by the Issuer, the Issuer will purchase the Target Bonds tendered and accepted for purchase on May 1, 2024, unless such date is extended by the Issuer (the “**Settlement Date**”), provided that the Target Bonds have been validly tendered for purchase by the Expiration Date set forth below. The principal amount of the Target Bonds of each CUSIP to be purchased by the Issuer pursuant to this Tender Offer, if any, will not exceed the maximum principal amount for such Target Bonds as set forth in Table 1 herein. Bondholders whose Target Bonds are tendered and accepted for purchase by the Issuer will receive the purchase price and Accrued Interest on such Target Bonds on the Settlement Date.

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase by the Issuer pursuant to this Tender Offer will be a portion of net proceeds of the Issuer’s State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding) (the “**Refunding Bonds**”). If issued, the Refunding Bonds will be dated the Settlement Date and be issued in the manner, on the terms and with the security described in the Preliminary Official Statement dated April 2, 2024, which is attached hereto as APPENDIX A (the “**Refunding Bonds POS**”). The purchase of any Target Bonds tendered pursuant to this Tender Offer is contingent on, among other things, the issuance of the Refunding Bonds, and is also subject to certain other conditions, including, without limitation, the Financing Conditions (as defined herein). See “**INTRODUCTION—General**” herein.

**TARGET BONDS THAT ARE NOT OFFERED FOR PURCHASE BY HOLDERS PURSUANT TO THIS TENDER OFFER, AS WELL AS TARGET BONDS WHICH THE ISSUER DOES NOT PURCHASE PURSUANT TO THIS TENDER OFFER (ALL SUCH TARGET BONDS BEING COLLECTIVELY REFERRED TO HEREIN AS THE “UNPURCHASED BONDS”) WILL REMAIN OUTSTANDING. UNPURCHASED BONDS THAT ARE OFFERED BY HOLDERS BUT NOT PURCHASED BY THE ISSUER WILL BE RETURNED TO THEIR RESPECTIVE HOLDERS. IN NO EVENT SHALL THIS TENDER OFFER IN ANY WAY AFFECT THE ABILITY OF THE ISSUER TO REFUND, REDEEM, OR OFFER TO PURCHASE OR EXCHANGE SOME OR ALL OF THE UNPURCHASED BONDS ACCORDING TO THEIR TERMS AT ANY TIME. See “INTRODUCTION – General” and “– Unpurchased Bonds” herein.**

To make an informed decision as to whether, and how, to tender Target Bonds for purchase pursuant to this Tender Offer, Bondholders must read this Tender Offer carefully and, in its entirety, including the Refunding Bonds POS attached hereto as APPENDIX A, and consult with their broker, account executive, financial advisor, attorney and/or other professionals. For more information about risks concerning this Tender Offer, please see “**ADDITIONAL CONSIDERATIONS**” herein.

Any Bondholder wishing to offer Target Bonds must follow the procedures more specifically described herein. Bondholders and their broker, account executive, financial advisor, attorney and/or other professionals with questions about this Tender Offer should contact the Dealer Managers or the Information Agent and Tender Agent (as defined herein).

**Key Dates and Times**

*All of these dates and times are subject to change. All times are Eastern time.*

*Notices of changes will be sent in the manner provided for in this Tender Offer.*

Launch Date and Post Refunding Bonds POS .....	Tuesday, April 2, 2024
Pricing Notice .....	On or about Tuesday, April 9, 2024
Expiration Date .....	5:00 p.m. on Tuesday, April 16, 2024
Preliminary Acceptance Date .....	Wednesday, April 17, 2024
Determination of Purchase Prices .....	Approximately 10:00 a.m. on Thursday, April 18, 2024
Notice of Purchase Prices .....	Thursday, April 18, 2024
Final Acceptance Date and Final Acceptance Notice .....	Thursday, April 18, 2024
Settlement Date (unless earlier terminated or extended).....	Wednesday, May 1, 2024

*The Dealer Managers are:*  
**Jefferies LLC**  
**Goldman Sachs & Co. LLC**

*The Information Agent and Tender Agent is:*  
**Globic Advisors Inc.**

**TABLE 1 - BONDS SUBJECT TO THE TENDER OFFER**

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE REFUNDING BONDS  
2021 SERIES B (FEDERALLY TAXABLE)**

CUSIP (68607V) <sup>1</sup>	Maturity Date (April 1)	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security <sup>2</sup>	Indicative Fixed Spreads <sup>3</sup>
2P9	2025	0.899	\$ 8,665,000	\$6,915,000	2-Year	- 5 bps
2Q7	2026	1.119	9,335,000	9,335,000	2-Year	- 35 bps
2R5	2027	1.401	11,050,000	11,050,000	3-Year	- 32 bps
2S3	2028	1.641	11,210,000	11,210,000	5-Year	- 25 bps
2T1	2029	1.875	11,390,000	11,390,000	5-Year	- 20 bps
2U8	2030	2.005	11,610,000	11,610,000	7-Year	- 20 bps
2V6	2031	2.105	11,845,000	11,845,000	7-Year	- 15 bps
2W4	2032	2.205	12,095,000	12,095,000	10-Year	- 10 bps
2X2	2033	2.255	12,360,000	12,360,000	10-Year	- 5 bps

<sup>1</sup> CUSIP is a registered trademark of FactSet. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

<sup>2</sup> Each Benchmark Treasury Security (as defined herein) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on April 18, 2024.

<sup>3</sup> Indicative Fixed Spreads (as defined herein) are preliminary and subject to change. Actual Fixed Spreads will appear in the Pricing Notice.

## IMPORTANT INFORMATION

**This Tender Offer, including APPENDIX A and APPENDIX B, contains important information which should be read in its entirety before any decision is made with respect to this Tender Offer. The information in this “IMPORTANT INFORMATION” section is subject to the more detailed information and instructions contained elsewhere in this Tender Offer.**

This Tender Offer and other information with respect to this Tender Offer is and will be available with the assistance of Jefferies LLC and Goldman Sachs & Co. LLC (the “**Dealer Managers**”) and Globic Advisors Inc. (the “**Information Agent and Tender Agent**”) at <http://emma.msrb.org> and <https://www.globic.com/orlottery>. Bondholders wishing to tender their Target Bonds for purchase pursuant to this Tender Offer should follow the procedures described in this Tender Offer. The Issuer may cancel, amend or otherwise modify or waive any terms or conditions of this Tender Offer as described herein. The obligation of the Issuer to accept offered Target Bonds or to purchase Target Bonds offered and accepted for purchase is subject to the conditions set forth herein, including the Financing Conditions (as defined herein). The Issuer further reserves the right to accept nonconforming tenders or waive irregularities in any tender. The consummation of this Tender Offer is also subject to certain other conditions as described herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this Tender Offer or passed upon the fairness or merits of this Tender Offer or upon the accuracy or adequacy of the information contained in this Tender Offer. Any representation to the contrary is a criminal offense.

This Tender Offer is not being extended to, and offers of Target Bonds and Target Bonds tendered pursuant to this invitation will not be accepted from or on behalf of, Bondholders in any jurisdiction in which this Tender Offer or such offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In any jurisdictions where the securities “blue sky” or other laws require this Tender Offer to be distributed through a licensed or registered broker or dealer, this Tender Offer shall be deemed to be distributed on behalf of the Issuer through the Dealer Managers or one or more registered brokers or dealers licensed under the laws of that jurisdiction.

The delivery of this Tender Offer shall not under any circumstances create any implication that any information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the Issuer since the date hereof. The information contained in this Tender Offer is as of the date of this Tender Offer only and is subject to change, completion, or amendment without notice.

The Dealer Managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, including APPENDIX A. The Dealer Managers have not independently verified any of the information contained herein, and assumes no responsibility for the accuracy or completeness of any such information. References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this Tender Offer.

**None of the Issuer, the Dealer Managers or the Information Agent and Tender Agent are responsible for (i) making or transmitting any offer to sell bonds, (ii) The Depository Trust Company (“DTC”) process, or (iii) Holder interactions with DTC and DTC participants. None of the Issuer, the Dealer Managers or the Information Agent and Tender Agent makes any recommendation that any Bondholder offer or refrain from offering all or any portion of such Bondholder’s Target Bonds for purchase. Bondholders must make their own decisions and should read this Tender Offer carefully and consult with their broker, account executive, financial advisor, attorney and/or other appropriate professional (“Financial Representative”) in making these decisions.**

Certain statements included or incorporated by reference into this Tender Offer constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “forecast,” “plan,” “expect,” “estimate,” “budget” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not plan to issue any updates or revisions to those forward-looking statements if or when changes occur to its expectations, or events, conditions or circumstances on which such statements are based.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
General .....	1
Purpose.....	3
Tender Consideration .....	3
Binding Contract to Sell.....	4
Source of Funds to Purchase Target Bonds.....	4
Unpurchased Bonds.....	4
Brokerage Commissions and Solicitation Fees .....	4
Dealer Managers, Information Agent and Tender Agent.....	4
TERMS OF THE TENDER OFFER.....	5
Expiration Date .....	5
Offers Only Through the Issuer’s ATOP Account.....	5
Information to Bondholders .....	5
Authorized Denominations .....	6
Accrued Interest .....	6
Provisions Applicable to All Offers .....	6
Representations by Tendering Bondholders to the Issuer .....	7
Tender of Target Bonds by Financial Institutions; Issuer’s ATOP Account .....	7
Determinations as to Form and Validity of Tender Offer; Right of Waiver .....	8
Amendment or Withdrawals of Tenders Prior to an Expiration Date .....	8
Irrevocability of Offers; Return of Target Bonds Not Purchased .....	9
Determination of Amounts to be Purchased; Preliminary Acceptance Notice .....	9
Acceptance of Offers for Purchase; Final Acceptance Notice .....	9
Acceptance of Tenders Constitutes Irrevocable Agreement .....	10
Settlement Date; Purchase of Target Bonds.....	10
Extension, Termination and Amendment of the Tender Offer; Changes to Terms .....	11
ADDITIONAL CONSIDERATIONS.....	11
SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES.....	12
DEALER MANAGERS.....	14
INFORMATION AGENT AND TENDER AGENT.....	14
APPROVAL OF LEGAL PROCEEDINGS .....	14
MISCELLANEOUS.....	14
AVAILABLE INFORMATION; CONTACT INFORMATION .....	15
APPENDIX A: Form of Pricing Notice .....	A-1
APPENDIX B: Refunding Bonds POS .....	B-1

**INVITATION TO TENDER BONDS  
made by the**

**STATE OF OREGON**

to the Holders (described herein) of the:

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE REFUNDING BONDS  
2021 SERIES B (FEDERALLY TAXABLE)**

of all or any portion of the maturities listed in Table 1 on page (i) herein for a cash price

**INTRODUCTION**

**General**

This Invitation to Tender Bonds, which includes APPENDIX A and APPENDIX B, and which is dated April 2, 2024 (as it may be amended or supplemented, the “**Tender Offer**”) describes an invitation by the State of Oregon (the “**State**”), acting by and through its Office of the State Treasurer (the “**Treasurer**”) (hereinafter the State and the Treasurer are collectively referred to as the “**Issuer**”), with the assistance of Jefferies LLC (“**Jefferies**”) and Goldman Sachs & Co. LLC (“**Goldman Sachs**”) as Dealer Managers (the “**Dealer Managers**”), to the beneficial owners (the “**Holders**” or “**Bondholders**”) of the Issuer’s outstanding bonds of the series and maturities listed in Table 1 on page (i) of this Tender Offer (“**Table 1**”) (collectively, the “**Target Bonds**”), to tender such Target Bonds for cash purchase by the Issuer. The Issuer is offering to purchase up to the maximum principal amount of each Target Bond listed in Table 1 (each, a “**Maximum Principal Amount**”). The Target Bonds were issued pursuant to Article XV, Section 4 of the Oregon Constitution and Oregon Revised Statutes (“**ORS**”) Sections 286A.560 to 286A.585, inclusive (all of such constitutional and statutory provisions being herein together called the “**Act**”).

Should the Issuer determine to purchase any Target Bonds of a CUSIP, there will be a single purchase price (each, a “**Purchase Price**”) for such purchased Target Bonds of such CUSIP at which all such Target Bonds of such CUSIP will be purchased. The Purchase Price for the Target Bonds of a CUSIP which the Issuer determines to purchase, if any, will be based on a fixed spread (“**Fixed Spread**”) to be added to the yields on certain benchmark United States Treasury Securities (each a “**Benchmark Treasury Security**”), as set forth in Table 1. On or about April 9, 2024, the Issuer will publish the pricing notice in the form attached hereto as APPENDIX B (as it may be amended and supplemented, the “**Pricing Notice**”), which will establish the Fixed Spread by either confirming or amending each “**Indicative Fixed Spread**” as listed in Table 1 for each maturity and corresponding CUSIP of the respective Target Bonds.

Each Bondholder is invited by the Issuer to submit an offer (an “**Offer**”) to sell to the Issuer, for payment in cash, all or part of its beneficial ownership interests in the Target Bonds. The Target Bonds, if any, which the Issuer decides to purchase will be purchased on May 1, 2024, unless such date is extended by the Issuer (as it may be extended, the “**Settlement Date**”), assuming all conditions to this Tender Offer have then been satisfied or waived by the Issuer. Accrued but unpaid interest on Target Bonds purchased by the Issuer, if any, up to but not including the Settlement Date (the “**Accrued Interest**”) will also be paid on the Settlement Date.

The Issuer may decide to purchase less than all (or none) of the Target Bonds offered to the Issuer, subject to the terms of this Invitation. Offers must be submitted by 5:00 p.m., Eastern time, on April 16,

2024 (or such later date as the Issuer may determine, the “**Expiration Date**”). The Issuer may extend, amend, waive the terms of or otherwise modify this Tender Offer at any time on or prior to the Expiration Date. The Issuer may also, at any time prior to the Settlement Date, cancel this Tender Offer if the Financing Conditions set forth herein are not satisfied or are waived by the Issuer. See “TERMS OF THE TENDER OFFER – Extension, Termination and Amendment of the Tender Offer; Changes to Terms” for a description of the right of the Issuer to extend, cancel, amend, waive the terms of or otherwise modify this Tender Offer.

The total amount paid to all Bondholders whose Target Bonds are validly tendered and accepted for purchase by the Issuer pursuant to this Tender Offer (the “**Aggregate Purchase Price**”), plus Accrued Interest, will be from a portion of the proceeds of the Issuer’s State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding) (the “**Refunding Bonds**”) and other available moneys of the Issuer. If issued, the Refunding Bonds will be dated the Settlement Date. The Issuer, the Refunding Bonds, the manner and terms of issuance of the Refunding Bonds, and the security for the Refunding Bonds are described in the Preliminary Official Statement relating to the Refunding Bonds dated April 2, 2024 (the “**Refunding Bonds POS**”), which is attached hereto as APPENDIX B.

Notwithstanding any other provision of this Tender Offer, the Issuer has no obligation to accept for purchase any tendered Target Bonds and the Issuer’s obligation to pay for Target Bonds validly tendered (and not validly withdrawn) and accepted pursuant to this Tender Offer is subject to the satisfaction of or waiver of the following conditions on or prior to the Settlement Date:

(a) the successful completion by the Issuer of the issuance of the Refunding Bonds, the proceeds of which will be sufficient to, together with other available moneys of the Issuer, (i) fund the purchase of all Target Bonds validly tendered and accepted for purchase pursuant to this Tender Offer, and (ii) pay all fees and expenses associated with the issuance of the Refunding Bonds and this Tender Offer;

(b) receipt of all certifications and opinions required by the Dealer Manager Agreement, and

(c) when taken together with the issuance of the Refunding Bonds, the Issuer determining in its reasonable judgment that it will obtain a satisfactory and sufficient economic benefit as a result of market conditions, the expected or actual level of participation by Holders of the Target Bonds, or any other factors not within the sole control of the Issuer, all on terms and conditions that are in the Issuer’s best interest (collectively, the “**Financing Conditions**”).

The Issuer reserves the right, subject to applicable law, to amend or waive any of the conditions to this Tender Offer, in whole or in part, at any time prior to the Expiration Date.

*None of the Issuer, the Dealer Managers or Globic Advisors Inc. (the “**Information Agent and Tender Agent**”) makes any recommendation that any Bondholder tender or refrain from tendering all or any portion of such Bondholder’s Target Bonds for purchase. Bondholders must make their own decisions and should read this Tender Offer carefully and in full, and consult with their broker, account executive, financial advisor, attorney and/or other appropriate professional in making these decisions.*

Subject to the terms and conditions of this Tender Offer, the Issuer will purchase the Target Bonds tendered and accepted for purchase, provided that such Target Bonds have been validly tendered by the Expiration Date and accepted by the Issuer on or before 5:00 p.m., Eastern time, on April 18, 2024 (as extended from time to time in accordance with this Tender Offer, the “**Final Acceptance Date**”), assuming

all conditions to this Tender Offer have then been satisfied or waived by the Issuer on or prior to the Settlement Date. Subject to the conditions set forth herein, Bondholders whose Target Bonds are tendered for purchase in accordance with the provisions of this Tender Offer and purchased by the Issuer will receive payment of the applicable purchase price, plus Accrued Interest on the Target Bonds of the maturity corresponding thereto tendered for purchase to but not including the Settlement Date.

In the event tendered Target Bonds are not purchased by the Issuer, or all conditions to this Tender Offer are not satisfied or waived by the Issuer on or prior to the Settlement Date, any Target Bonds tendered pursuant to this Tender Offer shall be returned to the Holder and remain outstanding.

## **Purpose**

This Tender Offer is part of a plan of finance to use a portion of the proceeds from the sale of the Refunding Bonds to retire the Target Bonds that are validly tendered and accepted for purchase pursuant to this Tender Offer. As described herein, the Issuer's purchase of Target Bonds that are validly tendered and accepted for purchase is contingent upon the satisfaction or waiving of the Financing Conditions which includes, among other things, the issuance of the Refunding Bonds. There can be no assurance that the Refunding Bonds will be issued or when they will be issued, or that the proceeds thereof will be sufficient to enable the Issuer to purchase any or all of the Target Bonds validly tendered and accepted for purchase by the Issuer.

The final decision to purchase tendered Target Bonds, and, if less than all of the Target Bonds that are tendered are purchased, which Target Bonds, if any, will be accepted for purchase by the Issuer, will be based upon market conditions and other factors some of which are outside of the control of the Issuer.

## **Tender Consideration**

Determination of Purchase Prices. On or about April 9, 2024, the Issuer will publish the Pricing Notice, which will establish the Fixed Spread by either confirming or amending each "Indicative Fixed Spread" as listed in Table 1 for each maturity and corresponding CUSIP of the respective Target Bonds.

The applicable Fixed Spread for a CUSIP, expressed as an interest rate percentage, will be added to the yield on the Benchmark Treasury Security (the "**Treasury Security Yield**") corresponding thereto to arrive at a yield (each a "**Purchase Yield**") used to calculate the Purchase Price for each maturity and corresponding CUSIP of the Target Bonds. The Benchmark Treasury Security for each CUSIP is identified in Table 1 and in the Pricing Notice. The Treasury Security Yield will equal the bid-side yield of the Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages at approximately 10:00 a.m., Eastern Time on April 18, 2024.

Each Purchase Yield will be used to calculate the Purchase Price for each maturity and corresponding CUSIP of the Target Bonds. The Purchase Prices will be calculated using the market standard bond pricing formula as of the Settlement Date using the relevant Purchase Yield and the maturity date and interest rate for each of the Target Bonds.

The Issuer expects to publish a Notice of Purchase Prices on April 18, 2024. The purchase price to be received by a Bondholder will equal the product of the Purchase Price and the par amount of such Bondholder's Target Bonds validly tendered and accepted for purchase divided by 100. In addition to the Purchase Prices of the Target Bonds accepted for purchase by the Issuer, Accrued Interest on such Target Bonds will be paid by the Issuer on the Settlement Date.

Availability of Information. The Pricing Notice, Preliminary Acceptance Notice (defined herein), Notice of Purchase Prices and the Final Acceptance Notice (defined herein) will be made available: (i) by posting on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (the “**EMMA Website**”) using the CUSIP numbers for the Target Bonds listed in Table 1; (ii) to The Depository Trust Company (“**DTC**”) and to the DTC participants holding the Target Bonds; and (iii) by posting electronically on the website of the Information Agent and Tender Agent at <https://www.globic.com/orlottery>.

### **Binding Contract to Sell**

If a Bondholder’s Offer to sell Target Bonds is accepted by the Issuer by the time specified herein, the Bondholder will be obligated to sell, and the Issuer will be obligated to purchase, such Target Bonds on the Settlement Date at the Purchase Price for such Target Bonds, plus Accrued Interest, subject to the Financing Conditions described herein.

### **Source of Funds to Purchase Target Bonds**

The Aggregate Purchase Price and Accrued Interest on the Target Bonds validly tendered and accepted for purchase will be funded from proceeds of the Refunding Bonds and other available moneys of the Issuer.

### **Unpurchased Bonds**

The Issuer is offering to purchase up to the Maximum Principal Amount of each Target Bond for cash. Holders of Target Bonds who do not tender their Target Bonds, as well as Holders of Target Bonds who tender Target Bonds for purchase that are not accepted for purchase by the Issuer pursuant to this Tender Offer (the “**Unpurchased Bonds**”), will continue to hold such Unpurchased Bonds and such Unpurchased Bonds will remain outstanding.

The Issuer reserves the right, in its sole discretion, and may decide to, refund, redeem, and/or tender for some or all of the Unpurchased Bonds in the future through the issuance of future Issuer obligations, which may be publicly offered, privately placed, taxable or tax-exempt. See “**ADDITIONAL CONSIDERATIONS.**”

### **Brokerage Commissions and Solicitation Fees**

Bondholders will not be obligated to pay any brokerage commissions or solicitation fees to the Issuer, the Dealer Managers, or the Information Agent and the Tender Agent in connection with this Tender Offer. However, Bondholders should consult with their broker, bank, account executive or other financial institution which maintains the account in which their Target Bonds are held (their “**Financial Representative**”) to determine whether it will charge any commissions or fees.

### **Dealer Managers, Information Agent and Tender Agent**

Jefferies LLC and Goldman Sachs & Co. LLC are serving as the Dealer Managers for this Tender Offer. Investors with questions about this Tender Offer should contact the Dealer Managers or the Information Agent and Tender Agent for this Tender Offer, at the addresses and telephone numbers set forth under the caption “**AVAILABLE INFORMATION; CONTACT INFORMATION.**”



## **TERMS OF THE TENDER OFFER**

### **Expiration Date**

This Tender Offer will expire at 5:00 p.m., Eastern time, on the Expiration Date, unless earlier terminated or extended. Target Bonds tendered after 5:00 p.m., Eastern time, on the Expiration Date and prior to the acceptance of tenders by the Issuer as described below under the heading “TERMS OF THE TENDER OFFER—Acceptance of Tenders Constitutes Irrevocable Agreement” may be accepted by the Issuer, in its sole discretion, for purchase.

The Issuer may extend the Expiration Date, the Preliminary Acceptance Date (defined herein), the Final Acceptance Date or the Settlement Date, or cancel, amend or otherwise modify or waive any conditions of this Tender Offer. See “TERMS OF THE TENDER OFFER—Extension, Termination and Amendment of the Tender Offer; Changes to Terms” herein.

### **Offers Only Through the Issuer’s ATOP Account**

The Target Bonds are held in book-entry-only form through the facilities of DTC. The Issuer, through the Information Agent and Tender Agent, will establish an Automated Tender Offer Program (“**ATOP**”) account (the “**Issuer’s ATOP Account**”) at DTC for the Target Bonds to which this Tender Offer relates promptly after the date of this Tender Offer. Bondholders who wish to tender Target Bonds pursuant to this Tender Offer may do so through the Issuer’s ATOP Account.

ALL TENDERS FOR PURCHASE MUST BE MADE THROUGH THE ISSUER’S ATOP ACCOUNT. THE ISSUER WILL NOT ACCEPT ANY TENDERS FOR PURCHASE THAT ARE NOT MADE THROUGH THE ISSUER’S ATOP ACCOUNT. LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS TENDER OFFER.

Any financial institution that is a participant in DTC may make a book-entry tender of the Target Bonds by causing DTC to transfer such Target Bonds into the Issuer’s ATOP Account relating to this Tender Offer and providing the applicable series, maturity and CUSIP number in accordance with DTC’s procedures for such transfer. Bondholders who are not DTC participants can only tender Target Bonds pursuant to this Tender Offer by instructing their Financial Representative to tender the Bondholder’s Target Bonds through the Issuer’s ATOP Account. To ensure a Bondholder’s Target Bonds are tendered to the Issuer’s ATOP Account by 5:00 p.m., Eastern time, on the Expiration Date, the Bondholder must provide instructions to the Bondholder’s Financial Representative in sufficient time for the Financial Representative to tender the Target Bonds to the Issuer’s ATOP Account by this deadline. A Bondholder should contact its Financial Representative for information as to when the Financial Representative needs the Bondholder’s instructions in order to tender the Bondholder’s Target Bonds to the Issuer’s ATOP Account by 5:00 p.m., Eastern time, on the Expiration Date. See “TERMS OF THE TENDER OFFER – Tender of Target Bonds by Financial Institutions; Issuer’s ATOP Account.”

THE ISSUER, THE DEALER MANAGERS, AND THE INFORMATION AGENT AND TENDER AGENT ARE NOT RESPONSIBLE FOR THE TRANSFER OF ANY TENDERED TARGET BONDS TO THE ISSUER’S ATOP ACCOUNT OR FOR ANY MISTAKES, ERRORS OR OMISSIONS IN THE TRANSFER OF ANY TENDERED TARGET BONDS.

### **Information to Bondholders**

The Issuer may give information about this Tender Offer to the market and Bondholders by posting on the EMMA Website. Additionally, the Issuer may give information about this Tender Offer to the Information

Agent and Tender Agent (collectively referred to herein, together with the EMMA Website, as the “**Information Services.**”). The Information Agent and Tender Agent will deliver information provided to it by the Issuer through its website <https://www.globic.com/orlottery>. Posting by the Issuer of information on the EMMA Website will be deemed to constitute delivery of this information to each Bondholder.

**The Issuer, the Dealer Managers, and the Information Agent and Tender Agent have no obligation to ensure that a Bondholder actually receives any information given to the Information Services.**

Bondholders who would like to receive information transmitted by or on behalf of the Issuer to the Information Services may receive such information from the Dealer Managers or the Information Agent and Tender Agent by contacting them using the contact information under the caption “AVAILABLE INFORMATION; CONTACT INFORMATION.”

*Any updates to this Tender Offer, including, without limitation any supplements to the Refunding Bonds POS, will be distributed through the EMMA Website and will additionally be made available to the Dealer Managers and Information Agent and Tender Agent. The final Official Statement with respect to the Refunding Bonds (which will set forth the maturities, principal amounts and interest rates on the Refunding Bonds) will be posted to the EMMA Website subsequent to the Final Acceptance Date and prior to the Settlement Date.*

### **Authorized Denominations**

A Bondholder may tender Target Bonds for purchase of a particular CUSIP number that it owns in an amount of its choosing, but only in a principal amount equal to the minimum denomination of \$5,000 (the “**Minimum Authorized Denomination**”) or any multiple of \$5,000 in excess thereof.

### **Accrued Interest**

The Purchase Prices of the Target Bonds validly tendered and accepted for purchase will not include any Accrued Interest on a tendered Target Bond of a particular CUSIP number from the last payment of interest thereon to but not including the Settlement Date. In addition to the Purchase Prices of the Target Bonds purchased by the Issuer pursuant to this Tender Offer, Accrued Interest on such Target Bonds from the last payment of interest thereon to but not including the Settlement Date will be paid by, or on behalf of, the Issuer to the tendering Bondholders on the Settlement Date.

### **Provisions Applicable to All Offers**

General. A Bondholder may only tender Target Bonds it owns or controls. By tendering Target Bonds pursuant to this Tender Offer, a Bondholder will be deemed to have represented and agreed with the Issuer as set forth herein under “TERMS OF THE TENDER OFFER – Representations by Tendering Bondholders to the Issuer.” All tenders shall survive the death or incapacity of the tendering Bondholder.

Need for Advice. A Bondholder should ask its Financial Representative or financial advisor for help in determining: (i) whether to tender Target Bonds of a particular CUSIP number for purchase, and (ii) the principal amount of Target Bonds of such CUSIP number to be tendered. A Bondholder also should inquire as to whether its Financial Representative or financial advisor will charge a fee for submitting tenders. The Issuer, the Dealer Managers, and the Information Agent and Tender Agent will not charge any Bondholder for tendering Target Bonds.

Need for Specificity of Offer. An Offer cannot exceed the par amount of Target Bonds owned by the Bondholder and must include the following information: (1) the CUSIP number(s) of the Target Bond(s)

being tendered, and (2) the principal amount of the Target Bonds of such CUSIP number being tendered (such principal amount must be equal to or greater than the Minimum Authorized Denomination and, if greater than the Minimum Authorized Denomination, must be stated in integral multiples of \$5,000 and if not so stated, for tenders of less than all of the Holder's position in the Target Bonds, such principal amount will be reduced to the greatest integral multiple of \$5,000). Any Bondholder located outside of the United States should check with their broker to determine if there are any additional minimal increments, alternative settlement timing or other limitations.

"All or none" offers are not permitted. A Bondholder also cannot condition its offer for any single Target Bond CUSIP on the acceptance of its offer for a separate Target Bond CUSIP.

No alternative, conditional or contingent tenders will be accepted.

### **Representations by Tendering Bondholders to the Issuer**

By tendering Target Bonds for purchase, each tendering Bondholder will be deemed to have represented to and agreed with the Issuer that:

(a) the Bondholder has received this Tender Offer, including the Refunding Bonds POS, and has had the opportunity to review this Tender Offer, including the Refunding Bonds POS, in its entirety, prior to making its decision to tender Target Bonds, and agrees if the purchase of any tendered Target Bonds is consummated, the purchase of such Target Bonds shall be on the terms and conditions set forth in this Tender Offer;

(b) the Bondholder has full power and authority to tender, sell, assign and transfer the tendered Target Bonds; and on the Settlement Date, the Issuer will acquire good, marketable and unencumbered title thereto, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, upon payment to the Bondholder of the applicable Purchase Price(s) plus Accrued Interest;

(c) the Bondholder has made its own independent decision to tender its Target Bonds for purchase pursuant to this Tender Offer, and as to the terms thereof, and such decision is based upon the Bondholder's own judgment and upon advice from its Financial Representative or such advisors with whom the Bondholder has determined to consult;

(d) the Bondholder is not relying on any communication from the Issuer, the Dealer Managers or the Information Agent and Tender Agent as investment advice or as a recommendation to tender the Bondholder's Target Bonds at the applicable Purchase Prices, it being understood that the information from the Issuer, the Dealer Managers and the Information Agent and Tender Agent related to the terms and conditions of this Tender Offer shall not be considered investment advice or a recommendation to tender Target Bonds; and

(e) the Bondholder is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand, agree and accept, the terms and conditions of this Tender Offer.

### **Tender of Target Bonds by Financial Institutions; Issuer's ATOP Account**

The Issuer, through the Information Agent and Tender Agent, will establish the Issuer's ATOP Account at DTC for the CUSIP numbers to which this Tender Offer relates promptly after the date of this

Tender Offer. Tenders of Target Bonds pursuant to this Tender Offer may only be made by transfer to the Issuer's ATOP Account as an offer to sell Target Bonds for cash.

Concurrently with the delivery of Target Bonds through book-entry transfer into the Issuer's ATOP Account, an Agent's Message (as described below) in connection with such book-entry transfer must be transmitted to and received at the Issuer's ATOP Account by not later than 5:00 p.m., Eastern time, on the Expiration Date; provided, however, a tender of Target Bonds related to an Agent's Message transmitted to the Issuer's ATOP Account after such time may be accepted by the Issuer for purchase if the Issuer, in its sole discretion, waives the defect in the timing of the delivery of such message. The confirmation of a book-entry transfer to the Issuer's ATOP Account as described above is referred to herein as a "Book-Entry Confirmation." The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information Agent and Tender Agent and forming a part of a Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering Target Bonds that are the subject of such Book-Entry Confirmation, stating the CUSIP number(s) and the principal amount(s) of the Target Bonds that have been tendered by such DTC participant pursuant to this Tender Offer, and acknowledging that such participant agrees to be bound by the terms of this Tender Offer. By causing DTC to transfer Target Bonds into the Issuer's ATOP Account, a financial institution warrants to the Issuer that it has full authority, and has received from the Bondholder(s) of such Target Bonds all direction necessary, to tender and sell such Target Bonds as set forth in this Tender Offer.

NONE OF THE ISSUER, THE DEALER MANAGERS, OR THE INFORMATION AGENT AND TENDER AGENT ARE RESPONSIBLE FOR THE TRANSFER OF ANY TENDERED TARGET BONDS TO THE ISSUER'S ATOP ACCOUNT OR FOR ANY MISTAKES, ERRORS OR OMISSIONS IN THE TRANSFER OF ANY TENDERED TARGET BONDS.

#### **Determinations as to Form and Validity of Tender Offer; Right of Waiver**

All questions as to the validity (including the time of receipt of Agent's Messages by the Information Agent and Tender Agent), form, eligibility and acceptance of any Target Bonds tendered for purchase pursuant to this Tender Offer will be determined by the Issuer in its sole discretion and such determinations will be final, conclusive and binding.

The Issuer reserves the right to waive any irregularities or defects in any tender. The Issuer, the Dealer Managers and the Information Agent and Tender Agent are not obligated to give notice of any defects or irregularities in tenders and they will have no liability for failing to give such notice.

#### **Amendment or Withdrawals of Tenders Prior to an Expiration Date**

A Holder may amend its Offer by causing a withdrawal message for the Offer to be received at the Issuer's ATOP account with a new Offer for the same Target Bonds to be submitted to the Issuer's ATOP account by not later than 5:00 p.m., Eastern time, on the Expiration Date.

A Holder may withdraw its Offer by causing a withdrawal notice to be received at the Issuer's ATOP account by not later than 5:00 p.m., Eastern time, on the Expiration Date.

**Bondholders who have tendered their Target Bonds for purchase will not receive any information from the Issuer, the Dealer Managers or the Information Agent and Tender Agent concerning offers by other Bondholders. Bondholders will not be afforded an opportunity to amend their offers after 5:00 p.m. on the Expiration Date. An amended or withdrawn offer must specify the applicable CUSIP number, and with respect to amended offers, the principal amount previously offered and the new amount being offered. All questions as to the validity (including the time of**

receipt) of an amendment or withdrawal will be determined by the Issuer in its sole discretion and will be final, conclusive and binding.

### **Irrevocability of Offers; Return of Target Bonds Not Purchased**

All Offers will become irrevocable at 5:00 p.m. Eastern time on the Expiration Date (unless otherwise extended).

Bondholders will not have the ability to submit amended offers after the Expiration Date.

The Issuer will instruct DTC to return to the offering institutions those Target Bonds that were offered but were not accepted for purchase. None of the Issuer, the Dealer Managers or the Information Agent and Tender Agent is responsible or liable for the return of Target Bonds to offering institutions or Bondholders or for when such Target Bonds are returned.

### **Determination of Amounts to be Purchased; Preliminary Acceptance Notice**

On April 17, 2024, unless such time or date is extended by the Issuer (the “**Preliminary Acceptance Date**”), the Issuer will determine the preliminary principal amount (if any) of the Target Bonds of a CUSIP that it will purchase, based on satisfaction of the Financing Conditions. Notice of the preliminary principal amount of the Target Bonds (if any) for each CUSIP that the Issuer initially agrees to purchase in accordance with this Tender Offer will be provided to the Information Services on the Preliminary Acceptance Date via the publication of a “**Preliminary Acceptance Notice**.”

### **Acceptance of Offers for Purchase; Final Acceptance Notice**

On the Final Acceptance Date, upon the terms and subject to the conditions of this Tender Offer, the Issuer will announce its acceptance for purchase of the Target Bonds, if any, validly tendered by Bondholders pursuant to this Tender Offer by giving notice (the “**Final Acceptance Notice**”) as described below, with acceptance subject to the satisfaction or waiver by the Issuer of the conditions to purchase tendered Target Bonds.

The Final Acceptance Notice is expected to be provided to the Information Services no later than 5:00 p.m., Eastern time, on the Final Acceptance Date. This Final Acceptance Notice will state: (i) the principal amount of the tendered Target Bonds of each maturity and corresponding CUSIP that the Issuer has agreed to accept for purchase (at the Purchase Prices therefor set forth in the Notice of Purchase Prices) in accordance with this Tender Offer, which may be zero for a particular maturity and corresponding CUSIP, or (ii) that the Issuer has decided not to purchase any Target Bonds.

Following the delivery of the Final Acceptance Notice, any Target Bonds not accepted for purchase as a result of the procedures described herein will be returned to tendering institutions promptly in accordance with DTC’s ATOP procedures. *The Issuer, the Dealer Managers, and the Information Agent and Tender Agent are not responsible or liable for the operation of the Issuer’s ATOP Account by DTC to properly credit such released Target Bonds to the applicable account of the DTC participant or Financial Representative or by such DTC participant or Financial Representative for the account of the Bondholder.*

Should the Issuer determine to purchase some but not all of the tendered Target Bonds of a particular CUSIP, it will accept such Target Bonds tendered for purchase on a pro rata basis. The principal amount of each individual Offer will be adjusted, pro rata, based upon a proration factor for each such CUSIP (each a “**Proration Factor**”). In such event, should the principal amount of any individual Offer, when adjusted by the Proration Factor, result in an amount that is not a multiple of \$5,000, the principal

amount of such offer will be rounded up to the nearest multiple of \$5,000. If as a result of such adjustment, the principal amount of a holder's unaccepted Target Bonds is less than the Minimum Authorized Denomination of \$5,000, the Issuer will reject such holder's Offer in whole. The Issuer will determine the Proration Factor that permits it to accept the maximum amount of Target Bonds it has determined to purchase, which will not exceed the Maximum Principal Amount of a particular CUSIP.

The Issuer is not required to purchase any Target Bond offered. Subject to the terms and conditions of the Tender Offer set forth herein, the Issuer will determine which Target Bonds (and the corresponding series, maturity, CUSIP and amount), if any, it will purchase, and the Issuer therefore has the right to purchase none, some, or all of the offered Target Bonds for each CUSIP.

**Notwithstanding any other provision of this Tender Offer, the consummation of this Tender Offer and the Issuer's obligation to purchase Target Bonds validly tendered (and not validly withdrawn) and accepted for purchase pursuant to this Tender Offer is subject to the satisfaction of or waiver of the Financing Conditions discussed herein.**

#### **Acceptance of Tenders Constitutes Irrevocable Agreement**

Acceptance by the Issuer of validly tendered Target Bonds will constitute an irrevocable agreement between the tendering Bondholder and the Issuer to sell and purchase such Target Bonds, subject to the conditions and terms of this Tender Offer, including the satisfaction of or waiver of the Financing Conditions discussed herein.

#### **Settlement Date; Purchase of Target Bonds**

Subject to satisfaction of all conditions to the Issuer's obligation to purchase Target Bonds tendered and accepted for purchase, as described herein, including, without limitation, the Financing Conditions, the Settlement Date is the day on which such Target Bonds will be purchased at the applicable Purchase Price(s), together with Accrued Interest thereon. The Settlement Date will occur following the Final Acceptance Date, subject to all conditions to this Tender Offer having been satisfied or waived by the Issuer. The expected Settlement Date is May 1, 2024, unless extended by the Issuer, assuming all conditions to this Tender Offer have been satisfied or waived by the Issuer. Bondholders whose Target Bonds are purchased on the Settlement Date will receive Accrued Interest up to but not including the Settlement Date.

The Issuer may, in its sole discretion, change the Settlement Date by giving notice to the Information Services prior to the change.

Subject to satisfaction of all conditions to the Issuer's obligation to purchase Target Bonds tendered and accepted for purchase pursuant to this Tender Offer, as described herein, payment by the Issuer, or on the Issuer's behalf, will be made in immediately available funds on the Settlement Date by deposit with DTC of the aggregate Purchase Price and Accrued Interest on the Target Bonds accepted for purchase. The Issuer expects that, in accordance with DTC's standard procedures, DTC will transmit the aggregate Purchase Prices plus Accrued Interest in immediately available funds to each of its participant financial institutions holding the Target Bonds accepted for purchase on behalf of Bondholders for delivery to the Bondholders. **The Issuer, the Dealer Managers and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the aggregate Purchase Price plus Accrued Interest paid by DTC to DTC participants or by DTC participants to the tendering Bondholders.**

## **Extension, Termination and Amendment of the Tender Offer; Changes to Terms**

Through and including the Expiration Date, the Issuer may extend this Tender Offer by notice given to the Information Services at any time but no later than the first Business Day (defined below) following the previously scheduled Expiration Date, or any prior extension thereof. Notice of an extension of the Expiration Date will be effective when such notice is given.

The Issuer has the right to extend the Preliminary Acceptance Date, the Final Acceptance Date or Settlement Date by notice given to the Information Services at any time but no later than the first Business Day following the previously scheduled Preliminary Acceptance Date, Final Acceptance Date, or Settlement Date, as applicable, or any prior extension thereof. Notice of an extension of the Preliminary Acceptance Date, Final Acceptance Date, or Settlement Date will be effective when such notice is given.

The Issuer may amend, waive the terms of or otherwise modify this Tender Offer at any time on or prior to the Expiration Date, by giving notice to the Information Services of such amendment, waiver or other modification. The amendment, waiver or modification will be effective at the time specified in such notice.

The Issuer may, at any time prior to the Settlement Date, cancel this Tender Offer if the conditions set forth herein are not satisfied or waived by the Issuer by giving notice to the Information Services of such cancellation. The Issuer will have no obligation to purchase Target Bonds if cancellation of this Tender Offer occurs.

If the Issuer amends, modifies or waives any of the terms or conditions of this Tender Offer in any respect, the Issuer may (but is not required to) disseminate additional Tender Offer materials and extend this Tender Offer to the extent required to allow, in the Issuer's judgment, reasonable time for dissemination to Holders and for Holders to respond.

No extension or amendment or other modification or waiver of the terms or conditions of this Tender Offer will change the Issuer's right to decline to purchase Target Bonds without liability on the conditions stated herein or give rise to any liability of the Issuer or the Information Agent and Tender Agent to any Holder or nominee.

**"Business Day"** means any day other than (i) a Saturday or a Sunday, or (ii) a day on which the offices of the Issuer or banking institutions in New York, New York, are required or authorized by law to be closed.

*None of the Issuer, the Dealer Managers or the Information Agent and Tender Agent have any obligation to ensure that a Bondholder actually receives any information given to the Information Services.*

### **ADDITIONAL CONSIDERATIONS**

***None of the Issuer, the Dealer Managers or the Information Agent and Tender Agent make any recommendation that any Bondholder tender or refrain from tendering all or any portion of the Target Bonds. Each Bondholder must make its own informed decision and should read this Tender Offer and the Refunding Bonds POS in their entirety and consult with its broker, account executive, financial advisor and/or other financial professional in making such decision.***

In deciding whether to participate in this Tender Offer, each Bondholder should consider carefully, in addition to the other information contained in this Tender Offer, the following:

Unpurchased Bonds. Holders of Unpurchased Bonds will continue to hold such Unpurchased Bonds and such Unpurchased Bonds will remain outstanding.

The purchase or redemption by the Issuer of Target Bonds of any CUSIP number may have certain potential adverse effects on owners of Unpurchased Bonds, including (but not limited to) that the principal amount of the Unpurchased Bonds available to trade publicly may be reduced, which could adversely affect the liquidity and market value of any Unpurchased Bonds of that CUSIP number that remain outstanding.

Potential Subsequent Transactions. The Issuer may at any time redeem or refund (on an advance or current basis), all or any portion of the Unpurchased Bonds or may invite Holders to tender such Target Bonds for purchase by the Issuer. Accordingly, it is possible that such Target Bonds would be redeemed or purchased at a more or less advantageous price than will be available through this Tender Offer at any time as part of another transaction.

Tradability. The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondholders may be able to sell Target Bonds at a price greater than the Purchase Price(s).

Ratings. As of the date of this Tender Offer, the Target Bonds are rated “Aa2” by Moody’s Investors Service, Inc. and “AAA” by S&P Global Ratings. The ratings of the Target Bonds by each rating agency reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by such rating agency with respect thereto should be obtained from such rating agency.

There is no assurance that the current ratings assigned to the Target Bonds will continue for any given period of time or that any of such ratings will not be revised upward or downward, suspended or withdrawn entirely by any rating agency. Any such upward or downward revision, suspension or withdrawal of such ratings may have an effect on the availability of a market for or the market price of the Target Bonds. Each Bondholder should review these ratings and consult with its Financial Representatives concerning them.

Market Conditions. The purpose of this Tender Offer is to provide the Issuer with the opportunity to retire a portion of the Target Bonds. The final decision to purchase Target Bonds, and which Target Bonds will be accepted for purchase by the Issuer will be based upon market conditions and other factors outside of the control of the Issuer.

Timeliness of Offers. This Tender Offer will expire at 5:00 p.m., Eastern time, on the Expiration Date, unless extended or terminated as described in “TERMS OF THE TENDER OFFER – Extension, Termination and Amendment of the Tender Offer; Changes to Terms.” Target Bonds tendered for purchase as described in this Tender Offer after 5:00 p.m., Eastern time, on the Expiration Date will not be accepted for tender, except in the Issuer’s sole discretion.

## **SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

The following is a general summary of the U.S. federal income tax consequences for Bondholders that respond to this Tender Offer and have their offer to tender their Target Bonds accepted by the Issuer. The discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations promulgated thereunder, and relevant rulings and decisions now in effect, all of which are subject to change or differing interpretations. No assurances can be given that future changes in U.S. federal income tax laws will not alter the conclusions reached herein. The discussion below does not purport to deal with U.S. federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all



aspects of U.S. federal income taxation that may be relevant to a particular investor in the Target Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under U.S. federal income tax laws (including individuals who are neither citizens nor residents of the United States; foreign corporations, trusts and estates, in each case, as defined for U.S. federal income tax purposes; insurance companies; tax-exempt organizations; financial institutions; brokers-dealers; partnerships and other entities classified as partnerships for U.S. federal income tax purposes; and persons who have hedged the risk of owning the Target Bonds). Tendering Bondholders should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS"), and no assurance can be given that the IRS will not take contrary positions, with respect to any of the U.S. federal income tax consequences discussed below. This U.S. federal income tax discussion is included for general information only and should not be construed as a tax opinion nor tax advice by the Issuer or any of their advisors or agents to the Bondholders, and Bondholders therefore should not rely upon such discussion.

The discussion does not deal with special classes of beneficial owners of the Target Bonds, such as dealers or traders in securities, investors that elect mark to market accounting, banks, financial institutions, insurance companies, retirement plans or other tax-deferred or tax advantaged accounts, tax-exempt organizations, partnerships or other pass-through entities (or entities treated as such for U.S. federal income tax purposes), U.S. expatriates, persons holding their Target Bonds as a part of a hedging, integration, conversion or constructive sale transaction or a straddle, Bondholders that are "United States persons," as defined in section 7701(a)(30) of the Code ("**U.S. Holders**") and are subject to the alternative minimum tax, U.S. Holders that have a functional currency other than the U.S. Dollar, and persons who are not U.S. Holders (all of such holders of the Target Bonds should consult their tax advisors).

**BONDHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE TENDER OF THE TARGET BONDS PURSUANT TO THIS TENDER OFFER.**

A Bondholder who sells their Target Bonds tendered pursuant to this Tender Offer generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (1) the amount realized, which is the amount of cash received (except to the extent attributable to accrued but unpaid interest on the Bonds) by the Bondholder and (2) the Bondholder's adjusted tax basis in the tendered Target Bonds. A Bondholder's adjusted tax basis in a tendered Target Bond generally will be the purchase price paid by the Bondholder for the tendered Target Bond, decreased by any amortized bond premium, and increased by the amount of any original issue discount previously included in income by such Bondholder with respect to such tendered Target Bond.

Any gain or loss arising in connection with a taxable sale pursuant to this Tender Offer may be capital gain or loss (either long-term or short-term, depending on the Bondholder's holding period for the tendered Target Bonds) or may be ordinary income or loss, depending on the particular circumstances of the tendering Bondholder, and may be long-term capital gain if the Bondholder has held the tendered Target Bond for a period exceeding one year. Non-corporate holders may be eligible for reduced rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to various limitations.

Bondholders that are U.S. Holders will be subject to "backup withholding" of federal income tax in the event they fail to furnish a taxpayer identification number or there are other, related compliance failures. Bondholders should consult their own tax advisors regarding whether backup withholding applies to them and, if backup withholding applies, regarding qualification for an exemption from backup withholding and the procedures for obtaining such exemption.

## **DEALER MANAGERS**

Pursuant to the terms of the Dealer Manager Agreement between the Issuer and the Dealer Managers, the Issuer has retained Jefferies and Goldman Sachs to act on its behalf as Dealer Managers for this Tender Offer. The Issuer has agreed to pay the Dealer Managers customary fees for their services and to reimburse the Dealer Managers for their reasonable out-of-pocket costs and expenses relating to this Tender Offer. References in this Tender Offer to the Dealer Managers refer to Jefferies and Goldman Sachs in their capacity as the Dealer Managers.

The Dealer Managers may contact Bondholders regarding this Tender Offer and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Tender Offer to beneficial owners of the Target Bonds.

The Dealer Managers and their respective affiliates together comprise full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealer Managers and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own account and for the accounts of their respective customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the Issuer, including the Target Bonds.

In addition to their respective roles as Dealer Managers for the Target Bonds, Goldman Sachs and Jefferies are also serving as Senior Managers and Underwriters for the issuance of the Refunding Bonds, as described in the Refunding Bonds POS.

The Dealer Managers are not acting as a financial or municipal advisor to the Issuer in connection with this Tender Offer.

## **INFORMATION AGENT AND TENDER AGENT**

Globic Advisors Inc. is serving as Information Agent and Tender Agent for this Tender Offer and will receive customary fees for its services and reimbursement for its reasonable out-of-pocket costs and expenses relating to this Tender Offer.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the issuance of the Refunding Bonds will be passed upon by Hawkins Delafield & Wood LLP, as Bond Counsel to the Issuer. A copy of the form of opinion of Bond Counsel that will be delivered with the Refunding Bonds is set forth in APPENDIX D of the Refunding Bonds POS, which is attached hereto as APPENDIX B. Certain legal matters in connection with the Refunding Bonds will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, as counsel to the Underwriters of the Refunding Bonds.

## **MISCELLANEOUS**

No one has been authorized by the Issuer, the Dealer Managers or the Information Agent and Tender Agent to recommend to any Bondholder whether to tender Target Bonds pursuant to this Tender Offer or the

amount of Target Bonds to tender. No one has been authorized to give any information or to make any representation in connection with this Tender Offer other than those contained in this Tender Offer. Any recommendations, information and representations given or made cannot be relied upon as having been authorized by the Issuer, the Dealer Managers or the Information Agent and Tender Agent.

None of the Issuer, the Dealer Managers or the Information Agent and the Tender Agent makes any recommendation that any Bondholder tender or refrain from tendering or exchanging all or any portion of the principal amount of such Bondholder's Target Bonds. Bondholders must make their own decisions and should read this Tender Offer carefully and consult with their broker, account executive, financial advisor, attorney and/or other professional in making these decisions.

#### **AVAILABLE INFORMATION; CONTACT INFORMATION**

Certain information relating to the Target Bonds and the Issuer may be obtained by contacting the Dealer Managers or Information Agent and Tender Agent at the contact information set forth below. Such information is limited to (i) this Tender Offer, including the information set forth in the Refunding Bonds POS, which is attached hereto as APPENDIX B, and (ii) information about the Issuer available through the EMMA Website.

Investors with questions about this Tender Offer should contact the Dealer Managers or the Information Agent and Tender Agent utilizing the contact information below:

#### ***The Dealer Managers for this Tender Offer are:***

##### **Jefferies LLC**

Attn: Municipal Syndicate Desk  
520 Madison Avenue  
New York, New York 10022  
Tel: (800) 567-8567  
Email: [muni\\_underwriting@jefferies.com](mailto:muni_underwriting@jefferies.com)

##### **Goldman Sachs & Co. LLC**

Attn: Ken Ukaigwe  
200 West Street  
New York, New York 10282  
Tel: (212) 357-3189  
Email: [ken.ukaigwe@gs.com](mailto:ken.ukaigwe@gs.com)

#### ***The Information Agent and Tender Agent for this Tender Offer is:***

##### **Globic Advisors Inc.**

Attn: Robert Stevens  
485 Madison Avenue, 7<sup>th</sup> Floor  
New York, New York 10022  
Tel: (212) 227-9622  
Email: [rstevens@globic.com](mailto:rstevens@globic.com)  
Document Website: <https://www.globic.com/orlottery>

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX A**

**FORM OF PRICING NOTICE  
RELATING TO THE**

**INVITATION TO TENDER BONDS DATED APRIL 2, 2024**

*made by*

**STATE OF OREGON**

to the Holders (described herein) of

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE REFUNDING BONDS  
2021 SERIES B (FEDERALLY TAXABLE)**

*of the maturities and corresponding CUSIPs listed on page (i) of the Tender Offer for a cash price*

The purpose of this Pricing Notice dated [April 9, 2024] (the “**Pricing Notice**”), is to either confirm or amend the Fixed Spreads for the Target Bonds. [Except as provided below with respect to the Benchmark Treasury Securities (as defined below), all] [All] other terms relating to the Tender Offer (hereinafter defined) remain unchanged.

Pursuant to the Invitation to Tender Bonds dated April 2, 2024 (as it may be amended or supplemented, the “**Tender Offer**”), State of Oregon (the “**State**”), acting by and through its Office of the State Treasurer (the “**Treasurer**”) (the “**Issuer**”) invites Bondholders to tender Target Bonds for cash at the applicable purchase price (the “**Purchase Price**”) based on a fixed spread (“**Fixed Spread**”) to be added to the yields on certain benchmark United States Treasury Securities (“**Benchmark Treasury Securities**”) set forth in this Pricing Notice, plus Accrued Interest on the Target Bonds tendered for purchase to but not including the Settlement Date. All terms used herein and not otherwise defined are used as defined in the Tender Offer.

As set forth in the Tender Offer, the Issuer retains the right to extend the Tender Offer or amend the terms of the Tender Offer (including a waiver of any term) in any material respect, provided, that the Issuer shall provide notice as described in the Tender Offer. In such event, any offers submitted with respect to the affected Target Bonds prior to such change in the Fixed Spreads for such Target Bonds pursuant to the Tender Offer will remain in full force and effect and any Bondholder of such affected Target Bonds, as applicable, wishing to revoke their offer to tender such Target Bonds for purchase must affirmatively withdraw such offer prior to the Expiration Date, as extended.

The Tender Offer, including the Preliminary Official Statement relating to the Issuer’s State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding), a portion of the proceeds of which will be used to purchase the tendered Target Bonds, if such Target Bonds are purchased, is available: (i) at the Municipal Securities Rulemaking Board through its EMMA website, currently located at <http://emma.msrb.org>, using the CUSIP numbers for the Target Bonds, and (ii) on the website of the Information Agent and Tender Agent at <https://www.globic.com/orlottery>.

Any questions are to be directed to the Information Agent and Tender Agent at (212) 227-9622.

**TENDER OFFER – FIXED SPREADS**

Pursuant to the Tender Offer, the Fixed Spreads for the Target Bonds are listed below. [There has been no change in the Indicative Fixed Spreads listed in Table 1 on page (i) of the Tender Offer.]

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE REFUNDING BONDS  
2021 SERIES B (FEDERALLY TAXABLE)**

CUSIP <sup>1</sup>	Maturity Date	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security <sup>2</sup>	Fixed Spread
--------------------	---------------	-------------------	------------------------------	--	--	--------------

The yields on the Benchmark Treasury Securities will be determined at approximately 10:00 a.m. Eastern on [April 18, 2024].

---

<sup>1</sup> CUSIP is a registered trademark of FactSet. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

<sup>2</sup> Each Benchmark Treasury Security (as defined herein) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on April 18, 2024.

**Illustrative Purchase Price Calculations: Benchmark Treasury Yields as of [April \_\_], 2024**

The tables below provide an example of the Purchase Price realized by a Bondholder that submits an offer based on the following yields for the Benchmark Treasury Securities as of [April \_\_], 2024 and the Fixed Spreads. This example is being provided for convenience only and is not to be relied upon by a Bondholder as an indication of the Purchase Yield or Purchase Price that may be paid by the Issuer.

Based on these Benchmark Treasury Security yields, the following Purchase Prices would be derived:

CUSIP <sup>1</sup>	Maturity Date	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security <sup>2</sup>	Fixed Spreads	Illustrative Benchmark Yield	Illustrative Purchase Yield*	Illustrative Purchase Price*
--------------------	---------------	-------------------	------------------------------	--	--	---------------	------------------------------	------------------------------	------------------------------

<sup>1</sup> CUSIP is a registered trademark of FactSet. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

<sup>2</sup> Each Benchmark Treasury Security (as defined herein) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on [April 18, 2024].

\* Preliminary, subject to change.

### Illustrative Purchase Price Calculations: Interest Rate Sensitivity

As a measure of the sensitivity of the Purchase Price to changes in the yield on the Benchmark Treasury Security, the following table shows the impact on the Purchase Price of a 0.10% (10 basis point) movement in the yield on the Benchmark Treasury Security

CUSIP <sup>1</sup>	Maturity Date	Illustrative Purchase Yield*	Illustrative Purchase Prices*	
			Assuming a 0.10% Increase in Treasury Security Yield	Assuming a 0.10% Decrease in Treasury Security Yield
			Current Treasury Yield	

\*Preliminary, subject to change.

<sup>1</sup> CUSIP is a registered trademark of FactSet. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.



**APPENDIX B**  
**REFUNDING BONDS POS**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

This Preliminary Official Statement and the information contained therein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## PRELIMINARY OFFICIAL STATEMENT DATED APRIL 2, 2024

This Official Statement has been prepared on behalf of the State of Oregon, acting by and through the Office of the Oregon State Treasurer and the Oregon Department of Administrative Services, to provide information on the 2024 Bonds. Selected information presented on this cover page is for the convenience of the users. To make an informed decision regarding the 2024 Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

NEW ISSUES – NEGOTIATED  
BOOK-ENTRY ONLY

RATINGS: See “Ratings”



**\$218,855,000\***  
**STATE OF OREGON**  
**DEPARTMENT OF ADMINISTRATIVE SERVICES**  
**OREGON STATE LOTTERY REVENUE BONDS**  
**VARIOUS SERIES†**

**Dated: Date of Delivery**

**Due: As shown on inside cover pages**

Tax Status	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel (“Bond Counsel”) to the State of Oregon (the “State”) acting by and through the Office of the State Treasurer (the “Treasurer” and collectively, the State and the Treasurer, the “Issuer”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2024 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2024 Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2024 Tax-Exempt Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In the opinion of Bond Counsel interest on the 2024 Series B Bonds is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the 2024 Tax-Exempt Bonds and the 2024 Series B Bonds (together, the “2024 Bonds”) is exempt from Oregon personal income tax under existing law. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.
Purpose	The 2024 Bonds are being issued to (i) make loans or grants for, or to pay, a portion of the costs of the Tax-Exempt Projects and Taxable Projects (each as described herein), (ii) refund the Refunded Bonds (as described herein), (iii) purchase the Purchased Bonds (as defined herein), (iv) make deposits into the Prior Bonds Reserve Subaccount, and 2009A&B Reserve Subaccount, if necessary, and (v) pay costs of issuing the 2024 Bonds. See “PLAN OF FINANCE.”
Security	The 2024 Bonds are special obligations of the State payable solely from and having an equal and ratable ( <i>pari passu</i> ) pledge of and lien upon Unobligated Net Lottery Proceeds (as defined herein), Subsidy Payments (as defined herein), amounts available in any Lottery Revenue Bond funds and in the subaccount of the Reserve Account established to secure that series of Lottery Revenue Bonds, and any Appropriated Funds (as defined herein). The 2024 Series A Bonds and the 2024 Series B Bonds will be secured by the Prior Bonds Reserve Subaccount. The 2024 Series C Bonds will be secured by the 2007 Reserve Subaccount. The 2024 Series D Bonds will be secured by the 2009 A&B Reserve Subaccount. See “SOURCES OF PAYMENT AND SECURITY—Reserve Account and State Moral Obligation.”
Interest Payment Dates	Interest on the 2024 Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2024, until maturity or the redemption prior to maturity or maturities thereof.
Denominations	\$5,000 and any integral multiple thereof.
Redemption	The 2024 Bonds are subject to optional redemption as described herein. See “DESCRIPTION OF THE 2024 BONDS—Redemption of 2024 Bonds.”
Closing/Settlement	The 2024 Bonds are expected to be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about May __, 2024.
Legal Counsel	Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to the State; Oregon Department of Justice, Salem, Oregon, Counsel to the State and the Department of Administrative Services; and Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, Counsel to the Underwriters.
Fiscal Agent	The Bank of New York Mellon Trust Company, N.A., as the State of Oregon’s Fiscal Agent.
Trustee	U.S. Bank Trust Company, National Association

**Goldman Sachs & Co. LLC**

**Jefferies**

**Loop Capital Markets**

**American Veterans Group, PBC**

**Mesirow Financial, Inc.**

**Raymond James**

**UMB Bank, N.A.**

**US Bancorp**

\* Preliminary, subject to change.

† As shown on the inside cover.

**SUMMARY OF VARIOUS SERIES TO BE ISSUED**

**\$218,855,000\***

**DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

	<b>\$92,895,000 2024 SERIES A (TAX-EXEMPT PROJECTS &amp; REFUNDING)</b>	<b>\$71,205,000 2024 SERIES B (FEDERALLY TAXABLE PROJECTS)</b>	<b>\$29,465,000 2024 SERIES C (TAX-EXEMPT REFUNDING)</b>	<b>\$25,290,000 2024 SERIES D (TAX-EXEMPT REFUNDING)</b>
<b>Tax Status:</b>	Tax-Exempt	Federally Taxable	Tax-Exempt	Tax-Exempt
<b>Purpose:</b>	New Money and Refunding	New Money	Refunding	Refunding
<b>Interest Payment Dates:</b>	April 1 and October 1 of each year, commencing October 1, 2024	April 1 and October 1 of each year, commencing October 1, 2024	April 1 and October 1 of each year, commencing October 1, 2024	April 1 and October 1 of each year, commencing October 1, 2024
<b>First Optional Redemption at Par:*</b>	April 1, 20__	April 1, 20__	Non-callable	Non-callable

---

\* Preliminary, subject to change.

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

**\$92,895,000\***  
**2024 SERIES A**  
**(TAX-EXEMPT PROJECTS & REFUNDING)**

<b><u>Maturity Date</u></b> <b><u>(April 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate*</u></b>	<b><u>Yield*</u></b>	<b><u>CUSIP No.**</u></b> <b><u>(68607V)</u></b>
2025	\$6,795,000			
2026	3,790,000			
2027	4,385,000			
2028	2,225,000			
2029	2,335,000			
2030	2,450,000			
2031	2,575,000			
2032	2,700,000			
2033	2,840,000			
2037	235,000			
2038	7,685,000			
2039	8,070,000			
2040	8,470,000			
2041	8,895,000			
2042	9,340,000			
2043	9,805,000			
2044	10,300,000			

---

\* Preliminary, subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

**\$71,205,000\***  
**2024 SERIES B**  
**(FEDERALLY TAXABLE PROJECTS)**

<b><u>Maturity Date</u></b> <b><u>(April 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate*</u></b>	<b><u>Yield*</u></b>	<b><u>CUSIP No.**</u></b> <b><u>(68607V)</u></b>
2025	\$3,290,000			
2026	4,320,000			
2027	4,535,000			
2028	4,755,000			
2029	4,980,000			
2030	5,220,000			
2031	5,465,000			
2032	5,730,000			
2033	6,010,000			
2034	6,300,000			
2035	6,610,000			
2036	6,935,000			
2037	7,055,000			

---

\* Preliminary, subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

**\$29,465,000\***  
**2024 SERIES C**  
**(TAX-EXEMPT REFUNDING)**

<b><u>Maturity Date</u></b> <b><u>(April 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate*</u></b>	<b><u>Yield*</u></b>	<b><u>CUSIP No.**</u></b> <b><u>(68607V)</u></b>
2025	\$9,970,000			
2026	9,510,000			
2027	9,985,000			

---

\* Preliminary, subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

**\$25,290,000\***  
**2024 SERIES D**  
**(TAX-EXEMPT REFUNDING)**

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Yield*</b>	<b>CUSIP No**</b>
<b><u>(April 1)</u></b>	<b><u>Amount*</u></b>	<b><u>Rate*</u></b>		<b><u>(68607V)</u></b>
2025	\$25,290,000			

---

\* Preliminary, subject to change.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.



No dealer, broker, salesperson or other person is authorized by the State or the Underwriters to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the 2024 Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the 2024 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The public offering prices or yields set forth on the inside cover pages hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2024 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages hereof.

This Preliminary Official Statement has been “deemed final” as of its date by the State, except for the omission of offering prices, interest rates, selling commissions, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the 2024 Bonds depending on such matters, in accordance with Rule 15c2-12(b)(i) under the Securities Exchange Act of 1934, as amended.

Certain statements contained in this Official Statement, including the appendices, do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “forecast,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The State specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except to the extent expressly required by the State’s continuing disclosure certificate described herein.

The 2024 Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2024 Bonds have not been registered or qualified under the securities laws of any state, the 2024 Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

## TABLE OF CONTENTS

<p>INTRODUCTION ..... 1</p> <p style="padding-left: 20px;">General..... 1</p> <p style="padding-left: 20px;">Purpose ..... 2</p> <p style="padding-left: 20px;">Security for the 2024 Bonds..... 2</p> <p style="padding-left: 40px;">Reserve Account, Reserve Subaccounts and State Moral Obligation ..... 3</p> <p style="padding-left: 40px;">Additional Bonds ..... 4</p> <p>AUTHORIZATION ..... 4</p> <p style="padding-left: 20px;">Lottery Revenue Bond Authorization ..... 4</p> <p style="padding-left: 20px;">2023-25 Biennium Authority ..... 4</p> <p style="padding-left: 20px;">Master Indenture ..... 4</p> <p>PLAN OF FINANCE..... 5</p> <p style="padding-left: 20px;">The 2024 Bonds Projects ..... 5</p> <p style="padding-left: 20px;">Plan of Refunding ..... 5</p> <p style="padding-left: 20px;">Verification ..... 7</p> <p style="padding-left: 20px;">Tender Offer and Purchase of the Purchased Bonds ..... 7</p> <p style="padding-left: 20px;">Estimated Sources and Uses of 2024 Bond Proceeds..... 9</p> <p>DESCRIPTION OF THE 2024 BONDS ..... 9</p> <p style="padding-left: 20px;">General..... 9</p> <p style="padding-left: 20px;">Redemption of 2024 Bonds..... 10</p> <p style="padding-left: 20px;">Selection of Bonds to be Redeemed..... 11</p> <p style="padding-left: 20px;">Notice of Redemption ..... 12</p> <p style="padding-left: 20px;">Defeasance ..... 12</p> <p>SOURCES OF PAYMENT AND SECURITY ..... 12</p> <p style="padding-left: 20px;">Constitutional Requirement to Pay Lottery Revenue Bonds ..... 12</p> <p style="padding-left: 20px;">Pledged Sources of Repayment..... 13</p> <p style="padding-left: 20px;">Allocations and Uses of Lottery Proceeds ..... 13</p> <p style="padding-left: 20px;">Unobligated Net Lottery Proceeds and Subsidy Payments..... 14</p> <p style="padding-left: 20px;">Lien of Pledged Revenues on Lottery Proceeds..... 14</p> <p style="padding-left: 20px;">Reserve Account and State Moral Obligation..... 14</p> <p style="padding-left: 20px;">Appropriation Procedures; The Emergency Board ... 18</p> <p style="padding-left: 20px;">Education Stability Fund..... 18</p> <p style="padding-left: 20px;">Parity Status of Lottery Revenue Bonds ..... 19</p> <p style="padding-left: 20px;">Allocation of Unobligated Net Lottery Proceeds ..... 19</p> <p style="padding-left: 20px;">Additional Bonds ..... 20</p> <p style="padding-left: 20px;">Parity Derivative Products ..... 20</p> <p style="padding-left: 20px;">Subordinate Obligations..... 21</p> <p>CERTAIN PROVISIONS OF THE MASTER INDENTURE ..... 21</p> <p style="padding-left: 20px;">General..... 21</p> <p style="padding-left: 20px;">Proposed Amendments ..... 22</p> <p>THE DEPARTMENT OF ADMINISTRATIVE SERVICES ..... 23</p> <p style="padding-left: 20px;">Role in State Government..... 23</p> <p style="padding-left: 20px;">Role with the Lottery and Administration of Lottery Bonds ..... 23</p> <p>APPENDIX A    General Information Relating to the State of Oregon</p> <p>APPENDIX B    Basic Financial Statements of the Oregon State Lottery for the Fiscal Year Ended June 30, 2023</p> <p>APPENDIX C    Summary of the Master Indenture</p> <p>APPENDIX D    Form of Bond Counsel Opinion</p> <p>APPENDIX E    Form of Continuing Disclosure Certificate</p> <p>APPENDIX F    Description of DTC and Its Book-Entry System</p>	<p>THE OREGON STATE LOTTERY ..... 24</p> <p style="padding-left: 20px;">History of the Oregon State Lottery ..... 24</p> <p style="padding-left: 20px;">Constitutional Provisions ..... 24</p> <p style="padding-left: 20px;">Management and Organization..... 26</p> <p style="padding-left: 20px;">Officers of the Oregon State Lottery ..... 26</p> <p style="padding-left: 20px;">Integrity of Lottery Operations..... 27</p> <p style="padding-left: 20px;">Mix of Games..... 28</p> <p style="padding-left: 20px;">Lottery Expenses ..... 29</p> <p style="padding-left: 20px;">The Oregon Gaming Market ..... 30</p> <p style="padding-left: 20px;">Governor’s Office ..... 30</p> <p style="padding-left: 20px;">Gambling Treatment..... 30</p> <p>UNOBLIGATED NET LOTTERY PROCEEDS AND DEBT SERVICE COVERAGE ..... 31</p> <p style="padding-left: 20px;">Historical Unobligated Net Lottery Proceeds and Debt Service Coverage..... 31</p> <p style="padding-left: 20px;">Forecasting Lottery Revenues ..... 33</p> <p style="padding-left: 20px;">Projected Debt Service Coverage ..... 33</p> <p style="padding-left: 20px;">Annual Debt Service on the Lottery Revenue Bonds ..... 36</p> <p>RECENT DEVELOPMENTS..... 37</p> <p style="padding-left: 20px;">2023-25 Biennium Budgetary Actions ..... 37</p> <p style="padding-left: 20px;">Recent Actions of the Legislative Assembly: Economic Preparedness; Critical Investments..... 37</p> <p style="padding-left: 20px;">Revenue and Economic Information as of March 2024 Forecast ..... 39</p> <p>LITIGATION..... 40</p> <p style="padding-left: 20px;">No Litigation Challenging the Bonds ..... 40</p> <p style="padding-left: 20px;">Claims Against the Lottery Exceeding \$100 Million..... 40</p> <p style="padding-left: 20px;">Pending or Threatened Litigation Against the State ..... 40</p> <p style="padding-left: 20px;">Claims Against the State of Oregon Exceeding \$200 Million..... 40</p> <p style="padding-left: 20px;">Pro Se Cases ..... 41</p> <p style="padding-left: 20px;">Initiatives, Referendum and Referrals ..... 41</p> <p>TAX MATTERS..... 42</p> <p style="padding-left: 20px;">2024 Tax-Exempt Bonds..... 42</p> <p style="padding-left: 20px;">2024 Series B Bonds ..... 45</p> <p>ERISA CONSIDERATIONS ..... 47</p> <p>CERTAIN LEGAL MATTERS ..... 50</p> <p>UNDERWRITING..... 50</p> <p style="padding-left: 20px;">Underwriters/Related Parties ..... 51</p> <p>RATINGS ..... 51</p> <p>MUNICIPAL ADVISOR ..... 51</p> <p>CONTINUING DISCLOSURE ..... 51</p> <p style="padding-left: 20px;">Prior Continuing Disclosure Compliance..... 52</p> <p>MISCELLANEOUS..... 52</p>
---	--

**OREGON STATE GOVERNOR**

Tina Kotek

**SECRETARY OF STATE**

LaVonne Griffin-Valade

**OREGON STATE TREASURER**

Tobias Read

**SPECIAL SERVICES**

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
200 SW Market Street, Suite 350  
Portland, OR 97201

**FISCAL AGENT**

The Bank of New York Mellon Trust Company, N.A.  
101 2<sup>nd</sup> Street, Suite 2400  
San Francisco, CA 94105

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
44 Montgomery Street, 3<sup>rd</sup> Floor  
San Francisco, CA 94104

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**STATE OF OREGON  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
OREGON STATE LOTTERY REVENUE BONDS**

<b>\$92,895,000*</b> <b>2024 Series A</b> <b>(Tax-Exempt Projects</b> <b>&amp; Refunding)</b>	<b>\$71,205,000*</b> <b>2024 Series B</b> <b>(Federally Taxable</b> <b>Projects)</b>	<b>\$29,465,000*</b> <b>2024 Series C</b> <b>(Tax-Exempt</b> <b>Refunding)</b>	<b>\$25,290,000*</b> <b>2024 Series D</b> <b>(Tax-Exempt</b> <b>Refunding)</b>
--	---	---	---

**INTRODUCTION**

**General**

This Official Statement, including the cover page, inside cover page and appendices, sets forth information concerning the State of Oregon (the “State”), the Oregon Department of Administrative Services (the “Department” or “DAS”) and the Oregon State Lottery (the “Lottery”) and is delivered in connection with the issuance by the State of its State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding) (the “2024 Series A Bonds”), its State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series B (Federally Taxable Projects) (the “2024 Series B Bonds”), its State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series C (Tax-Exempt Refunding) (the “2024 Series C Bonds”) and its State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series D (Tax-Exempt Refunding) (the “2024 Series D Bonds”), and together with the 2024 Series A Bonds and the 2024 Series C Bonds (the “2024 Tax-Exempt Bonds”). The 2024 Series A Bonds, the 2024 Series B Bonds, the 2024 Series C Bonds and the 2024 Series D Bonds are herein referred to as the “2024 Bonds.”

The State, with the assistance of Jefferies LLC (“Jefferies”) and Goldman Sachs & Co. LLC (“Goldman”), as dealer managers (the “Dealer Managers”), has released an “Invitation to Tender Bonds” dated April 2, 2024 (the “Invitation”), pursuant to which it invited owners of certain Outstanding Lottery Bonds (defined below) described in more detail in the Invitation (the “Target Bonds”) to tender such Target Bonds for purchase by the State (the “Tender Offer”). The purchase of bonds validly tendered and accepted for purchase (the “Purchased Bonds”) will be funded by a portion of the proceeds of the 2024 Series A Bonds as described herein. As outlined in the Invitation, the State reserves the right not to purchase any Target Bonds so tendered pursuant to the terms of the Invitation. See “PLAN OF FINANCE—Tender and Purchase.”

The Lottery Revenue Bonds (as defined below), including the 2024 Bonds, are issued pursuant to Oregon Revised Statutes (“ORS”) Sections 286A.560 to 286A.585, inclusive, and any supplemental or amending legislation (collectively, the “Act”) and Article XV, Section 4 of the Oregon Constitution. See “AUTHORIZATION.”

The 2024 Bonds are also being issued under the Fifth Amended and Restated Master Indenture of Trust, dated as of April 5, 2017 (the “Fifth Restated Master Indenture”), between the State, acting by and through its State Treasurer and the Department, and U.S. Bank Trust Company, National Association (the “Trustee”), and the Thirty-Third Supplemental Indenture of Trust, to be dated the date the 2024 Bonds are issued and delivered (the “Thirty-Third Supplemental Indenture”), between the State, acting by and through its State Treasurer and the Department, and the Trustee. The Fifth Restated Master Indenture as

---

\* Preliminary, subject to change.

supplemented and amended from time to time, including as supplemented by the Thirty-Third Supplemental Indenture, is referred to in this Official Statement as the “Master Indenture.”

The State has previously issued 60 series of its Oregon State Lottery Revenue Bonds under the Master Indenture. As of April 1, 2024, approximately \$1.2 billion aggregate principal amount of such bonds remain outstanding (collectively, the “Outstanding Lottery Bonds”). In the future, the State may issue Additional Bonds (as defined herein) on parity with the Outstanding Lottery Bonds and the 2024 Bonds upon satisfaction of the conditions set forth in the Master Indenture. The Outstanding Lottery Bonds, the 2024 Bonds and any future Additional Bonds are referred to in this Official Statement and in the Master Indenture as the “Lottery Revenue Bonds.” See “UNOBLIGATED NET LOTTERY PROCEEDS AND DEBT SERVICE COVERAGE—Annual Debt Service on the Lottery Revenue Bonds,” “SOURCES OF PAYMENT AND SECURITY—Additional Bonds” below and “SUMMARY OF THE MASTER INDENTURE—Definitions—Bonds” in Appendix C.

All references in this Official Statement to any summaries of statutes, documents and proceedings are qualified in their entirety by reference to the originals thereof. Capitalized terms used herein and not defined have the meanings ascribed to them in the Master Indenture. Some of these definitions are listed in the “SUMMARY OF THE MASTER INDENTURE” in Appendix C.

## **Purpose**

The 2024 Bonds are being issued to (i) make loans or grants for, or to pay, a portion of the costs of the Tax-Exempt Projects and Taxable Projects (each as described herein), (ii) refund the Refunded Bonds (as described herein), (iii) purchase the Purchased Bonds, (iv) make deposits into the Prior Bonds Reserve Subaccount, if necessary, and (v) pay costs of issuing the 2024 Bonds. See “PLAN OF FINANCE.”

## **Security for the 2024 Bonds**

Pursuant to the Act, the Lottery Revenue Bonds, including the 2024 Bonds, are special obligations of the State of Oregon that are payable solely from and having an equal and ratable (*pari passu*) pledge of and lien on Unobligated Net Lottery Proceeds, Subsidy Payments, amounts available in any Lottery Revenue Bond funds and in the subaccount of the Reserve Account established to secure that Series of Lottery Revenue Bonds, and any Appropriated Funds. Neither the full faith and credit nor the taxing power of the State of Oregon are pledged or committed to the payment of Lottery Revenue Bonds or any other commitment of the State authorized by the Act.

As defined in the Master Indenture, “Unobligated Net Lottery Proceeds” consist of all revenues derived from the operation of the Lottery, including any and all games or other activities which the Lottery may operate in the future, except for revenues used for the payment of prizes and expenses of the Lottery. See “SOURCES OF PAYMENT AND SECURITY—Allocations and Uses of Lottery Proceeds.”

“Appropriated Funds” for a particular fiscal year means any moneys, other than Unobligated Net Lottery Proceeds and Subsidy Payments, specifically appropriated or otherwise specifically made available by the Oregon Legislative Assembly (the “Legislative Assembly”) or the Emergency Board for a fiscal year to replenish any reserves established as additional security for Lottery Revenue Bonds pursuant to a certification described in the Master Indenture (as further defined below, the “Lottery Revenue Bond Reserves”). The Act requires the Director of the Department to notify the Governor and the Legislative Assembly or the Emergency Board if Appropriated Funds are needed to replenish the Lottery Revenue Bond Reserves due to a draw on such Lottery Revenue Bond Reserves to pay debt service on the Lottery Revenue Bonds, but the State has no obligation to provide Appropriated Funds. This requirement in the Act for the State to consider providing Appropriated Funds to replenish the Lottery Revenue Bond Reserves

is referred to in this Official Statement as the State’s “moral obligation.” See “SOURCES OF PAYMENT AND SECURITY.”

“Pledged Revenues” means (a) the Unobligated Net Lottery Proceeds; (b) any Subsidy Payments; (c) all amounts in any funds or accounts held by the Trustee under the Master Indenture (except any amounts that may have been reserved for payment of rebates to the United States in connection with Lottery Revenue Bonds), including any Appropriated Funds deposited with the Trustee; (d) all the State’s right, title and interest under any Credit Facility (including any money drawn or paid thereunder); and (e) any amounts the State may subsequently pledge or commit to pay the Lottery Revenue Bonds.

“Subsidy Payments” means any interest subsidy payments that the State is eligible to receive from the United States in connection with Lottery Revenue Bonds, including but not limited to subsidy payments by the federal government for Build America Bonds that are issued under the federal American Recovery and Reinvestment Act of 2009 or any similar legislation.

**THE LOTTERY REVENUE BONDS ARE SPECIAL OBLIGATIONS OF THE STATE. THE STATE IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE LOTTERY REVENUE BONDS FROM ANY SOURCE OTHER THAN THE PLEDGED REVENUES. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO PAYMENT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE LOTTERY REVENUE BONDS.**

#### **Reserve Account, Reserve Subaccounts and State Moral Obligation**

The State Treasurer, on behalf of the State and pursuant to the authority granted by the Act, has covenanted in the Master Indenture that the State shall maintain a balance in each subaccount of the Reserve Account (each, a “Reserve Subaccount”) that is equal to the Reserve Requirement for that subaccount, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture. The Reserve Account contains separate subaccounts securing different Series of Lottery Revenue Bonds. Amounts in each subaccount of the Reserve Account may only be used to pay the Lottery Revenue Bonds that are secured by that Reserve Subaccount. If the balance in a Reserve Subaccount falls below the Reserve Requirement for that Reserve Subaccount because of a draw to pay debt service on the Lottery Revenue Bonds or because of the loss in value of Investment Securities, the State is required to deposit into the Debt Service Account and into the Reserve Subaccount the first available Unobligated Net Lottery Proceeds until the balance is equal to the Reserve Requirement.

The State has further provided its moral obligation to provide Appropriated Funds as necessary, after a draw on the Reserve Account has been made, to maintain the balance in each subaccount of the Reserve Account at its Reserve Requirement. The State has not provided its moral obligation to make such deposits if the balance has been reduced because of an investment loss or because of the insolvency of a Reserve Credit Facility Provider or the provider of a guaranteed investment contract or similar instrument. See “SOURCES OF PAYMENT AND SECURITY—Reserve Account and State Moral Obligation” and “CERTAIN PROVISIONS OF THE MASTER INDENTURE.”

The Master Indenture includes requirements for amendments with and without consents of the Owners. In the Thirty-Third Supplemental Indenture, under which the 2024 Bonds are being issued, the State has reserved the right to amend the Master Indenture and any Supplemental Indenture, to among other things, permit replenishing deficiencies in Reserve Subaccounts in certain circumstances and to provide for certain other matters as described herein and in Appendix C (the “Proposed Indenture Amendments”). **By purchase and acceptance of the 2024 Bonds, the Owners of the 2024 Bonds will be deemed to have irrevocably consented to the Proposed Indenture Amendments set forth in the Thirty-Third**

**Supplemental Indenture and described herein and in Appendix C.** See “CERTAIN PROVISIONS OF THE MASTER INDENTURE—Proposed Amendments” and APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Proposed Amendments.”

*Reserve Subaccounts and 2024 Bonds.* Upon the issuance of the 2024 Bonds, the State expects the amount on deposit in each respective Reserve Subaccount to be sufficient to satisfy the Reserve Requirement for all Series of Lottery Revenue Bonds that are secured by such Reserve Subaccount. The 2024 Series A Bonds and the 2024 Series B Bonds will be secured by the Prior Bonds Reserve Subaccount. The 2024 Series C Bonds will be secured by the 2007 Reserve Subaccount. The 2024 Series D Bonds will be secured by 2009 A&B Reserve Subaccount. Each Reserve Subaccount may also secure other Series of Lottery Revenue Bonds and any Additional Bonds that the State subsequently elects to secure with such Reserve Subaccount as more particularly described herein. Amounts in each Reserve Subaccount may only be used to pay the respective Lottery Revenue Bonds that are secured by such subaccount. For additional details, see “SOURCES OF PAYMENT AND SECURITY—Reserve Account and State Moral Obligation—Reserve Subaccounts.”

### **Additional Bonds**

The State may issue additional Lottery Revenue Bonds in accordance with the Act and the Master Indenture (“Additional Bonds”). Additional Bonds have a pledge of and lien on the Pledged Revenues that is on parity with the lien of the pledge that secures all other Lottery Revenue Bonds issued under the Master Indenture. Other than with respect to refundings, the issuance of Additional Bonds is subject to certain conditions set forth in the Master Indenture, among which is certification by the Department that both historical and projected Unobligated Net Lottery Proceeds demonstrate a coverage of four times (4.0x) the Maximum Annual Debt Service on all Outstanding Lottery Bonds (including such Additional Bonds) for the periods required to be included in such certification. The 2024 Bonds are to be issued in compliance with the requirements of the Master Indenture for issuing Additional Bonds. See “SOURCES OF PAYMENT AND SECURITY—Additional Bonds” and APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Definitions—Maximum Annual Debt Service” and “—Additional Bonds.”

## **AUTHORIZATION**

### **Lottery Revenue Bond Authorization**

Pursuant to Article XV, Section 4 of the Oregon Constitution and the Act, the State is authorized to issue Lottery Revenue Bonds, including the 2024 Bonds.

### **2023-25 Biennium Authority**

State law requires the Legislative Assembly to establish the amount of Lottery Revenue Bonds that may be issued during each two-year budget period (a “biennium”) for purposes other than refunding. The total amount of Lottery Revenue Bonds authorized for the 2023-25 biennium (the “2023-25 Biennium”) by the Legislative Assembly is \$528,330,000, excluding any refunding bonds. The 2024 Bonds will be issued consistent with this biennial authorization for authorized purposes and projects described under the heading “PLAN OF FINANCE—The 2024 Bonds Projects.”

### **Master Indenture**

The 2024 Bonds are being issued as Additional Bonds under the Master Indenture. See “SOURCES OF PAYMENT AND SECURITY—Additional Bonds” and APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Additional Bonds.”



**PLAN OF FINANCE**

**The 2024 Bonds Projects\***

The State intends to make grants or loans for, or to pay all or a portion of, the costs of the projects as described below and to pay a portion of the costs of issuing the 2024 Bonds with proceeds of the 2024 New Money Bonds. The projects expected to be financed with proceeds of the 2024 Series A Bonds are referred to herein as the “Tax-Exempt Projects” and the projects expected to be financed with the proceeds of the 2024 Series B Bonds are referred to herein as the “Taxable Projects.” The Tax-Exempt Projects and the Taxable Projects are referred to herein as the “2024 New Money Projects”. The State may substitute other authorized projects for any of these projects.

**TABLE 1  
EXPECTED PROJECTS\***

Series	Project Agency/ Grantee	Project Summary	Estimated Bond Proceeds <sup>(1)</sup>
2024 A	Dept. of Admin Svcs.	Lane Co. Affordable Housing & Early Learning Center	\$ 4,900,000
2024 A	Dept. of Admin Svcs.	Lane Co. Behavioral Health Stabilization Center	5,000,000
2024 A	Dept. of Admin Svcs.	Redmond Public Safety Center	3,000,000
2024 A	Water Resources Dept.	Irrigation Modernization Grants Program	25,000,000
2024 A	Water Resources Dept.	Water Development Projects	5,000,000
2024 A	Oregon Health Auth.	Community Acute Psychiatric Facility Capacity Program	25,000,000
<b>TOTAL</b>			<b>\$67,900,000</b>
2024 B	Business Oregon	Child Care Infrastructure Grants Program	\$25,000,000
2024 B	Business Oregon	Special Public Works Fund	15,000,000
2024 B	Housing & Comm. Svcs.	Affordable Housing Preservation	25,000,000
<b>TOTAL</b>			<b>\$65,000,000</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Does not include financing costs.

Source: Department of Administrative Services.

**Plan of Refunding\***

Subject to market conditions, the State intends to use a portion of proceeds of the 2024 Series A Bonds, the 2024 Series C Bonds and the 2024 Series D Bonds (the “2024 Refunding Bonds”) to currently refund certain Outstanding Lottery Bonds shown in the following table (collectively, the “Refunded Bonds”) and to pay a portion of the costs of issuing the 2024 Bonds. The list of Refunded Bonds set forth below is not final and is subject to change prior to the sale of the 2024 Bonds. The State reserves the right not to refund any or all of the Refunded Bonds listed below and to refund any or all of its bonds not listed below.

\* Preliminary, subject to change.

**TABLE 2A\***  
**BONDS TO BE REFUNDED WITH PROCEEDS OF THE 2024 SERIES A BONDS<sup>(1)</sup>**

<b>Series to be Refunded</b>	<b>Principal Amount</b>	<b>Maturity Date (April 1)</b>	<b>Redemption Date</b>	<b>Redemption Price (%)</b>	<b>CUSIP No.** (68607V)</b>
2014 Series A	\$2,130,000	2025	_____, 2024	100	F67
2014 Series A	2,245,000	2026	_____, 2024	100	F75
2014 Series A	2,360,000	2027	_____, 2024	100	F83

\* Preliminary, subject to change.

<sup>(1)</sup> Subject to market conditions, the State may determine not to refund some or all of the Refunded Bonds or to refund additional Outstanding Lottery Bonds.

**TABLE 2B\***  
**BONDS TO BE REFUNDED WITH PROCEEDS OF THE 2024 SERIES C BONDS<sup>(1)</sup>**

<b>Series to be Refunded</b>	<b>Principal Amount</b>	<b>Maturity Date (April 1)</b>	<b>Redemption Date</b>	<b>Redemption Price (%)</b>	<b>CUSIP No.** (68607V)</b>
2014 Series B	\$10,205,000	2025	_____, 2024	100	H57
2014 Series B	9,880,000	2026	_____, 2024	100	H65
2014 Series B	10,370,000	2027	_____, 2024	100	H73

\* Preliminary, subject to change.

<sup>(1)</sup> Subject to market conditions, the State may determine not to refund some or all of the Refunded Bonds or to refund additional Outstanding Lottery Bonds.

**TABLE 2C\***  
**BONDS TO BE REFUNDED WITH PROCEEDS OF THE 2024 SERIES D BONDS<sup>(1)</sup>**

<b>Series to be Refunded</b>	<b>Principal Amount</b>	<b>Maturity Date (April 1)</b>	<b>Redemption Date</b>	<b>Redemption Price (%)</b>	<b>CUSIP No.** (68607V)</b>
2014 Series C	\$28,065,000	2025	_____, 2024	100	J48

\* Preliminary, subject to change.

<sup>(1)</sup> Subject to market conditions, the State may determine not to refund some or all of the Refunded Bonds or to refund additional Outstanding Lottery Bonds.

The proceeds of the 2024 Refunding Bonds are to be held by The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”) until applied to refund the Refunded Bonds on the dates fixed for redemption (the “Redemption Dates”) shown in the tables above.

The proceeds of the 2024 Refunding Bonds are to be used to redeem the Refunded Bonds on the Redemption Dates and at the prices (expressed as a percentage of the principal amounts to be redeemed) set forth in the tables immediately above. For this purpose, the State intends to establish one or more escrow deposit accounts (the “Escrow Deposit Accounts”) with the Escrow Agent for the Refunded Bonds. The State expects to purchase direct obligations of the United States or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States for deposit into the Escrow Deposit Accounts together with cash or cash equivalents, if necessary, in an amount sufficient to provide for the

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

payment of the redemption price of and interest on the Refunded Bonds that are not being redeemed on the Date of Delivery.

### **Verification**

Causey Demgen & Moore P.C. (the “Verification Agent”) is expected to deliver to the State on or before the date the 2024 Refunding Bonds are issued its reports indicating that it has verified the mathematical accuracy of (i) the mathematical computations relating to the sufficiency of the cash, if any, and maturing principal of and interest on the escrow investments to pay, when due, the principal of and interest and premium on the Refunded Bonds and (ii) any mathematical computations required by Bond Counsel related to the yield on the 2024 Refunding Bonds and certain escrow investments purchased with the 2024 Refunding Bonds, if applicable.

Bond Counsel may also rely upon such information in concluding that, subject to the condition that the State comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, (the “Code”) under present law, interest on the 2024 Refunding Bonds is not includible in gross income of the owners thereof for federal income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. See “TAX MATTERS.”

### **Tender Offer and Purchase of the Purchased Bonds**

A portion of proceeds of the 2024 Series A Bonds is expected to be used to purchase the Purchased Bonds. On April 2, 2024, pursuant to the Invitation, the State invited holders of the Target Bonds, described in more detail in the Invitation and listed below, to tender such Target Bonds for purchase by the State. The Target Bonds tendered and purchased by the State in accordance with the terms of the Invitation are referred to herein as the “Purchased Bonds.” The offer to purchase Target Bonds is made solely through the Invitation and is subject to the terms and conditions set forth therein. The purchase of the Purchased Bonds is contingent upon the issuance of the 2024 Series A Bonds and certain other conditions to the acceptance of the Purchased Bonds as set forth in the Invitation. The State reserves the right to accept none, some or all of the Target Bonds validly tendered pursuant to the terms of the Invitation. The State expects to purchase the Purchased Bonds, for cash, subject to the terms and conditions set forth in the Invitation. The Purchased Bonds are to be purchased and cancelled on the Settlement Date set forth in the Invitation, which is expected to be the Date of Delivery of the 2024 Series A Bonds. Upon such purchase and cancellation, the Purchased Bonds shall no longer be deemed “Outstanding” within the meaning of the Master Indenture.

**TABLE 3**  
**SUMMARY OF THE 2021 SERIES B TARGET BONDS AND THE PURCHASED BONDS**

CUSIP No.** (68607V)	Maturity Date (April 1)	Interest Rate (%)	Outstanding Principal Amount (Target Bonds)	Purchased Principal Amount (Purchased Bonds)
2P9	2025	0.899	\$8,665,000	
2Q7	2026	1.119	9,335,000	
2R5	2027	1.401	11,050,000	
2S3	2028	1.641	11,210,000	
2T1	2029	1.875	11,390,000	
2U8	2030	2.005	11,610,000	
2V6	2031	2.105	11,845,000	
2W4	2032	2.205	12,095,000	
2X2	2033	2.255	12,360,000	

In the event a Dealer Manager owns any of the Target Bonds, such Dealer Manager, or any of their respective affiliates, may each participate in the tender of such Target Bonds pursuant to the terms and conditions of the Invitation.

**This section is not intended to summarize all of the terms of the Tender Offer and reference is made to the Invitation for a discussion of the terms of the Tender Offer and the conditions for settlement of the Purchased Bonds.**

---

\*\*CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the State, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

## Estimated Sources and Uses of 2024 Bond Proceeds

The estimated sources and uses of the proceeds of the 2024 Bonds are as follows:

	<u>2024 Series A Bonds</u>	<u>2024 Series B Bonds</u>	<u>2024 Series C Bonds</u>	<u>2024 Series D Bonds</u>	<u>Total</u>
<b><u>SOURCES OF FUNDS</u></b>					
Par Amount					
Original Issue Premium					
Moneys on Deposit for Refunded and Purchased Bonds <sup>(1)</sup>					
Reserve Subaccount(s) Excess Balance					
Total Sources					
<b><u>USES OF FUNDS</u></b>					
Deposit to Projects Account					
Deposit to Reserve Subaccount(s)					
Purchase of Purchased Bonds					
Deposit to Escrow Deposit Account					
Underwriters' Discount					
Costs of Issuance <sup>(2)</sup>					
Total Uses					

<sup>(1)</sup> Including funds released from 2009 A&B Reserve Subaccount, upon refunding of the 2014 Series C Bonds.

<sup>(2)</sup> Includes legal fees, municipal advisor fees, rating agency fees and other expenses including with respect to the 2024 Series A Bonds the costs related to the Tender Offer.

## DESCRIPTION OF THE 2024 BONDS

### General

When issued, the 2024 Bonds will be dated their date of delivery and will bear interest at the rates per annum and will mature, subject to redemption prior to maturity, on the dates and in the principal amounts set forth on the inside cover pages of this Official Statement. Interest on the 2024 Bonds, calculated on the basis of a 360-day year comprising twelve 30-day months, will be payable on April 1 and October 1 of each year, commencing October 1, 2024. The 2024 Bonds are issuable in fully registered form and in denominations of \$5,000 and integral multiples thereof, without coupons.

When issued, the 2024 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC is to act as securities depository for the 2024 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interests in the 2024 Bonds purchased. Except as provided in the Master Indenture, so long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the registered owner of the 2024 Bonds as nominee of DTC, references in this Official Statement (other than under the heading "TAX MATTERS") to "Owners," "Bondholders" or "Registered Owners" mean Cede & Co. or DTC and not the Beneficial Owners of the 2024 Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC participant acquires an interest in the 2024 Bonds. See Appendix F for a description of DTC and its book-entry system.

## Redemption of 2024 Bonds \*

*2024 Series A Bonds – Optional Redemption.* The 2024 Series A Bonds maturing on or after April 1, 20\_\_\* are subject to optional redemption prior to maturity at the option of the State, in whole or in part at any time on or after April 1, 20\_\_\* (with the maturities to be selected by the State and by lot within each maturity) at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption.

*2024 Series B Bonds – Optional Redemption.* The 2024 Series B Bonds maturing on or after April 1, 20\_\_\* are subject to optional redemption prior to maturity at the option of the State, in whole or in part at any time on or after April 1, 20\_\_\* (with the maturities to be selected by the State) at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the date fixed for redemption.

*2024 Series B Bonds – Make-Whole Optional Redemption.* Prior to April 1, 20\_\_\*, the 2024 Series B Bonds are subject to optional redemption by the State prior to their stated maturity dates, as a whole or in part, on any business day at the “Make-Whole Redemption Price,” plus accrued and unpaid interest on the 2024 Series B Bonds to be redeemed on the date fixed for redemption. For the purposes of this paragraph, the following terms shall have the following meanings:

The “Make-Whole Redemption Price” is the greater of (i) 100 percent of the principal amount of the 2024 Series B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2024 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2024 Series B Bonds are to be redeemed, discounted to the date on which the 2024 Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” defined below, plus the “Applicable Spread” defined below.

“Applicable Spread” means with respect to the 2024 Series B Bonds maturing \_\_\_\_, \_\_ basis points.

“Treasury Rate” means, with respect to any redemption date for a particular 2024 Series B Bond, the yield to maturity as of such Valuation Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available on the Valuation Date selected by the State (excluding inflation indexed securities) (or, if such Statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2024 Series B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actual traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the State or the Trustee, the Make-Whole Redemption Price of the 2024 Series B Bonds, with respect to (ii) above, will be calculated by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State’s expense. The State and the Trustee may conclusively rely on the determination of the Treasury Rate by the investment banking firm or financial advisory firm and on any Make-Whole Redemption Price calculated by an independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

---

\* Preliminary, subject to change.

“Valuation Date” means a Business Day not later than the third Business Day preceding the redemption date but no more than 45 calendar days prior to the redemption date.

*2024 Series C Bonds – Optional Redemption.* The 2024 Series C Bonds are not subject to optional redemption prior to maturity.

*2024 Series D Bonds – Optional Redemption.* The 2024 Series D Bonds are not subject to optional redemption prior to maturity.

### **Selection of Bonds to be Redeemed**

*2024 Series A Bonds.* In the case of redemption of the 2024 Series A Bonds at the option of the State, the State will select the maturities of the 2024 Series A Bonds to be redeemed.

If fewer than all of any series of the 2024 Series A Bonds of a maturity are to be redeemed prior to maturity, then (i) if such 2024 Series A Bonds of such maturity are in book-entry form at the time of such redemption, the Fiscal Agent is required to instruct DTC to instruct the DTC Participants to select the 2024 Series A Bonds of such series and maturity for redemption by lot, and neither the State nor the Fiscal Agent will have any responsibility to ensure that DTC or the DTC Participants properly select such 2024 Tax-Exempt Bonds of such series and maturity for redemption; and (ii) if the 2024 Series A Bonds of such series and maturity are not then in book-entry form at the time of such redemption, on each redemption date, the Fiscal Agent is required to select the specific maturities of the applicable series of 2024 Series A Bonds for redemption as directed by the State and by lot within a maturity.

*2024 Series B Bonds.* In the case of redemption of 2024 Series B at the option of the State, the State will select the maturities of the 2024 Series B Bonds to be redeemed.

If the 2024 Series B Bonds are not registered in book-entry only form, any optional redemption of less than all of a maturity of the 2024 Series B Bonds shall be effected by the Fiscal Agent among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular 2024 Series B Bonds to be redeemed shall be determined by the Fiscal Agent, using such method as it shall deem fair and appropriate.

If the 2024 Series B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2024 Series B Bonds, if less than all of the 2024 Series B Bonds of a maturity are called for prior redemption, the 2024 Series B Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided that, so long as the 2024 Series B Bonds are held in book-entry form, the selection for redemption of such 2024 Series B Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided pursuant to DTC operational arrangements. If the Fiscal Agent does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2024 Series B Bonds will be selected for redemption by lot in accordance with DTC procedures.

It is the State’s intent with respect to the 2024 Series B Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the State and the Beneficial Owners be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, the State can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2024 Series B Bonds on a Pro Rata Pass-Through Distribution of

Principal basis as discussed above, then the 2024 Series B Bonds will be selected for redemption in accordance with DTC procedures by lot.

### **Notice of Redemption**

The Thirty-Third Supplemental Indenture provides that for any 2024 Bonds in the book-entry-only system, the Fiscal Agent is to give notice of any redemption of a 2024 Bond to DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed, or such lesser time as may be permitted under DTC's operational arrangements then in effect, and in the manner required in the State's Letter of Representations to DTC. For 2024 Bonds that are not in the book-entry-only system, the Thirty-Third Supplemental Indenture provides that official notice of any redemption is to be given by the Fiscal Agent on behalf of the State by mailing a copy of an official redemption notice by first-class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner or Owners of the 2024 Bond or Bonds to be redeemed, at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Fiscal Agent, unless the Owner of such 2024 Bond or Bonds waives notice.

The Thirty-Third Supplemental Indenture permits any notice of optional redemption of the 2024 Bonds to contain a statement that the redemption will be conditioned upon receipt by the Fiscal Agent of moneys sufficient to pay the redemption price of such 2024 Bonds or upon the satisfaction of any other condition, or that notice of redemption may be rescinded upon the occurrence of any other event. Notice of such rescission or of the failure of any such condition is to be given by the Fiscal Agent to affected Owners of the 2024 Bonds.

The Thirty-Third Supplemental Indenture provides that, upon the giving of proper notice of redemption, any 2024 Bonds or portions of 2024 Bonds to be redeemed on the date fixed for redemption (except as described above) will become due and payable at the redemption price therein specified, and from and after such date (unless the State defaults in the payment of the redemption price) such 2024 Bonds or portions of 2024 Bonds are to cease to bear interest.

### **Defeasance**

All or any portion of the 2024 Bonds may be paid and discharged in full in accordance with the terms of the Master Indenture by paying or providing for payment of the 2024 Bonds. See APPENDIX C—"SUMMARY OF THE MASTER INDENTURE—Defeasance."

## **SOURCES OF PAYMENT AND SECURITY**

### **Constitutional Requirement to Pay Lottery Revenue Bonds**

Article XV, Section 4 of the Oregon Constitution requires the Legislative Assembly to appropriate net proceeds from the Lottery to repay Lottery Revenue Bonds before appropriating net proceeds from the Lottery for any other purpose. As required by the Constitution, remaining net proceeds from the Lottery are distributed to the Education Stability Fund, to the Parks and Natural Resources Fund, to the Veterans' Services Fund and are allocated and applied to certain economic development, educational and veterans' services purposes. See "—Allocations and Uses of Lottery Proceeds" and "—Education Stability Fund," "THE OREGON STATE LOTTERY—History of the Oregon State Lottery," "—Constitutional Provisions."



## **Pledged Sources of Repayment**

The Lottery Revenue Bonds are special obligations of the State payable on an equal and ratable (*pari passu*) basis from, and with a lien in favor of the Trustee upon, the Pledged Revenues. See “INTRODUCTION—Security for the 2024 Bonds” for the definition of “Pledged Revenues.”

Only the Pledged Revenues are pledged to the repayment of the Lottery Revenue Bonds. As authorized by the Act, the State has provided its moral obligation to replenish the Reserve Account in the event that the Reserve Account is drawn down below the Reserve Requirement to pay debt service on the Bonds. Amounts that may be appropriated by the State from time to time to replenish the Reserve Account are not expressly pledged to the repayment of any Lottery Revenue Bonds prior to the time any such Appropriated Funds are actually deposited into the Reserve Account.

The State has also pledged the Pledged Revenues to pay amounts, if any, due to Reserve Credit Facility Providers in connection with Reserve Credit Facilities. See “SUMMARY OF THE MASTER INDENTURE—Reserve Account” and the definitions of “Reserve Credit Facility” and “Reserve Credit Facility Provider” in Appendix C.

## **Allocations and Uses of Lottery Proceeds**

In order of priority of claim on Lottery proceeds, applicable state law provides for the following applications of Lottery proceeds.

First, gross Lottery proceeds are credited to the State Lottery Administrative Account with the State Treasury from which prizes and expenses of the Lottery are paid.

Second, net proceeds (gross Lottery proceeds less prizes and expenses) are transferred quarterly to the Department for deposit to the Economic Development Fund.

*Net proceeds that are transferred quarterly to the Department are referred to as “Unobligated Net Lottery Proceeds.”*

Third, Oregon statutes and the Master Indenture require that the Unobligated Net Lottery Proceeds be transferred to pay Lottery Revenue Bonds, to replenish reserves for Lottery Revenue Bonds, and for other authorized purposes, including satisfying the constitutional dedications described in the next paragraph. If Unobligated Net Lottery Proceeds are not sufficient to both pay Lottery Revenue Bonds and satisfy the constitutional dedications described in the next paragraph, Oregon statutes provide that the available Unobligated Net Lottery Proceeds will be applied first to pay the Lottery Revenue Bonds. See “– Allocation of Unobligated Net Lottery Proceeds” below.

Article XV, Section 4 of the Oregon Constitution requires that 18 percent of net proceeds from the Lottery be transferred to the Education Stability Fund described below, that 15 percent of net proceeds from the Lottery be transferred to the Parks and Natural Resources Fund and that, effective July 1, 2019, 1.5 percent of net proceeds from the Lottery be transferred to a Veterans’ Services Fund created by the Legislative Assembly.

Fourth, remaining amounts are required to be allocated to various economic development and public education projects, including the provision of a week-long outdoor school opportunity for all fifth and sixth graders in the State, and the Public Employees Retirement System Employer Incentive Fund, as authorized by Article XV, Section 4 of the Oregon Constitution and applicable State law.

## **Unobligated Net Lottery Proceeds and Subsidy Payments**

The Master Indenture requires that prior to any use of such moneys for any other purpose, all Unobligated Net Lottery Proceeds and Subsidy Payments be deposited into the Debt Service Account (1) for the period from July 1 through September 30 of each fiscal year, until the Debt Service Account contains an amount equal to the greater of: (a) one half the scheduled debt service for that fiscal year on the Lottery Revenue Bonds or (b) all Lottery Revenue Bond principal, interest and any redemption premium that is required to be paid on or before December 31 of that fiscal year; (2) for the period from October 1 through June 30 of each fiscal year, until the Debt Service Account contains an amount equal to the remaining scheduled debt service for that fiscal year. The Unobligated Net Lottery Proceeds consist of all revenues derived from the operation of the Lottery, including any and all games or other activities the Lottery may operate in the future, except for revenues used for the payment of prizes and expenses of the Lottery. See “—Allocations and Uses of Lottery Proceeds” and “—Parity Status of Lottery Revenue Bonds.”

## **Lien of Pledged Revenues on Lottery Proceeds**

Under the Master Indenture, the State Treasurer, on behalf of the State, has pledged and assigned to the Trustee all right, title and interest of the State in and to the Pledged Revenues to the repayment of all Lottery Revenue Bonds, including the 2024 Bonds. In addition, under the Master Indenture, the State has pledged the Unobligated Net Lottery Proceeds available for transfer to the Reserve Account to pay amounts due to a Reserve Credit Facility Provider under or in connection with any Reserve Credit Facilities. The Act specifically authorizes the State’s pledge of the Pledged Revenues and provides that the lien of such pledge (1) is valid and binding immediately upon delivery of each Series of Lottery Revenue Bonds, (2) attaches immediately upon receipt of any amounts constituting part of the Pledged Revenues by the State, regardless of when or whether such amounts are allocated or transferred to the appropriate fund, (3) is effective without physical delivery, filing or other act and (4) is superior to all other claims, liens or appropriations of any kind whatsoever, except to the extent specifically limited in the State Treasurer’s pledge. The Act provides that the State shall not create any lien or encumbrance on Unobligated Net Lottery Proceeds that is superior to the lien of the pledge granted by the State Treasurer, except as permitted by the terms of the State Treasurer’s pledge. The only liens and encumbrances on the Pledged Revenues that may be on parity with the 2024 Bonds are other Lottery Revenue Bonds. See “SUMMARY OF THE MASTER INDENTURE—Pledge” in Appendix C. The Act provides that all Pledged Revenues credited to the Bond Fund are continuously appropriated only to the payment of the principal of, premium, if any, and interest on the Lottery Revenue Bonds when due, and to funding lottery bond reserves and paying amounts due in connection with the Lottery Revenue Bonds.

## **Reserve Account and State Moral Obligation**

*Authorization and Initial Funding of the Reserve Account.* The Master Indenture requires the State to maintain the Reserve Account and to maintain a balance in each subaccount established in the Reserve Account that is at least equal to the Reserve Requirement for the Lottery Revenue Bonds that are secured by such subaccount. Amounts in each subaccount of the Reserve Account may only be used to pay the Lottery Revenue Bonds that are secured by that subaccount.

Pursuant to the Master Indenture, the Reserve Requirement is calculated separately for each subaccount. The Reserve Requirement for a Reserve Subaccount is generally defined in the Master Indenture as the lesser of (i) Maximum Annual Debt Service on all Lottery Revenue Bonds secured by such subaccount Outstanding on the date of calculation or (ii) the Minimum Amount for that subaccount.

“Minimum Amount” is defined in the Master Indenture as the sum of the amounts the State is required to have in the subaccount under the following rule: whenever the State issues a Series of Lottery Revenue Bonds that is secured by a subaccount in the Reserve Account, the State shall add to any required balance in the subaccount the lesser of (a) the amount required to make the balance in such subaccount equal to Maximum Annual Debt Service on all Outstanding Lottery Bonds secured by that subaccount (with the Lottery Revenue Bonds of the additional Series treated as Outstanding) or (b) the Tax Maximum for the Series Being issued. The Master Indenture provides that the Minimum Amount may be calculated whenever a Series of Lottery Revenue Bonds is issued and, when a Series of Lottery Revenue Bonds is paid, defeased or otherwise ceases to be secured by the subaccount, may be recalculated as if that Series had not been issued. See “SUMMARY OF THE MASTER INDENTURE—Definitions—Minimum Amount” in Appendix C.

“Tax Maximum” is defined in the Master Indenture as, for any Series of Lottery Revenue Bonds, the lesser of (x) Maximum Annual Debt Service for the Series, (y) 125 percent of the average annual debt service for the Series for all fiscal years during which the Series will be Outstanding, calculated as of the date of issuance of that Series, or (z) 10 percent of the proceeds of the Series, as “proceeds” is defined for purposes of Section 148(d) of the Code, calculated as of the date of issuance of such Series. See “SUMMARY OF THE MASTER INDENTURE—Definitions—Tax Maximum” in Appendix C. Because the State is not required to add more than the Tax Maximum to a Reserve Subaccount when Additional Bonds are issued, the balance in a Reserve Subaccount may be less than Maximum Annual Debt Service on the Lottery Revenue Bonds that are secured by that subaccount. As of April 1, 2024, each Reserve Subaccount was funded at Maximum Annual Debt Service.

The State may establish additional subaccounts within the Reserve Account when Additional Bonds are issued. Alternatively, the State may elect to secure a Series of Additional Bonds with the related Reserve Subaccount or with any other subaccount to the extent permitted by the Supplemental Indenture establishing such subaccount.

The Master Indenture also provides that the State is not obligated to add amounts to the Reserve Subaccount that secures Additional Bonds of a Series in connection with a refunding if the debt service on the refunding Lottery Revenue Bonds secured by that Reserve Subaccount does not exceed the debt service on the refunded Lottery Revenue Bonds secured by that Reserve Subaccount by more than \$5,000 in any fiscal year.

See “SUMMARY OF THE MASTER INDENTURE” in Appendix C, including the definitions of “Reserve Credit Facility,” “Reserve Requirement,” “Minimum Amount” and “Tax Maximum,” and the information under the subheading “Reserve Account.”

***Maintenance of the Reserve Account and State Moral Obligation.*** The State Treasurer, on behalf of the State and pursuant to the authority granted by the Act, has covenanted in the Master Indenture that the State shall maintain the Reserve Account and shall maintain a balance in each Reserve Subaccount that is at least equal to the Reserve Requirement for that subaccount, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

If the balance in a Debt Service subaccount 15 calendar days before a date on which Bond principal, interest or premium is required to be paid (a “Payment Date”) is not sufficient to pay debt service due on that Payment Date on the Lottery Revenue Bonds that are secured by that subaccount, the Trustee is required to transfer the amount of the deficiency from the corresponding subaccount in the Reserve Account. The amounts so transferred are to be applied solely to pay Lottery Revenue Bonds that are secured by that subaccount of the Reserve Account. Transfers from a Reserve Subaccount funded with cash or Investment Securities are to be made 15 calendar days prior to the Payment Date or on the next Business Day if the

Payment Date is not a Business Day. If the Reserve Subaccount is funded with Reserve Credit Facilities, the transfer is to be made as soon as the Reserve Credit Facilities permit amounts to be withdrawn, but not earlier than 15 calendar days prior to the Payment Date and not later than that Payment Date.

If the Trustee is required to make a transfer from the Reserve Account to the Debt Service Account because the amount deposited in the Debt Service Account fifteen days prior to a Lottery Revenue Bond Payment Date is not sufficient to make the Lottery Revenue Bond payments that are due on that Payment Date, the Director of the Department is required to notify the Governor that Appropriated Funds are required to allow the Lottery Revenue Bonds to be timely paid, and to deliver a certification of such deficiency to the Legislative Assembly, if it is in session, or to a joint legislative committee (commonly referred to as the “Emergency Board”) appointed by the Legislative Assembly to act on its behalf if the Legislative Assembly is not in session. See “—Appropriation Procedures; The Emergency Board.” In the Director’s certification, the Director is required to identify the amount then required to restore the balance in all subaccounts of the Reserve Account to their required levels and to certify that the Legislative Assembly or the Emergency Board must provide Appropriated Funds to allow the Lottery Revenue Bonds to be timely paid.

In the Thirty-Third Supplemental Indenture, the State has reserved the right to amend the Master Indenture and any Supplemental Indenture, to provide for certain amendments, which among other things provide for replenishing deficiencies in the Reserve Subaccounts resulting from the bankruptcy or insolvency of a Reserve Credit Facility Provider or GIC provider over a five-year period as further described herein. For additional information concerning the Proposed Indenture Amendments, see “CERTAIN PROVISIONS OF THE MASTER INDENTURE—Proposed Amendments” and APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Proposed Amendments.”

The Act permits the Legislative Assembly or the Emergency Board to authorize the transfer of Appropriated Funds to replenish any deficiency in the Reserve Account in the amount or amounts certified by the Director of the Department in accordance with the preceding paragraphs. This permission is referred to as the State’s “moral obligation.”

***Nature of the State’s Moral Obligation.*** The State’s moral obligation does not represent any legal compulsion or obligation to provide any Appropriated Funds, and the Act provides that the State will not be liable to any party for a failure to provide Appropriated Funds. The following language is included in the Act:

*By enacting this subsection, the Legislative Assembly acknowledges its current intention to provide appropriated funds in the amount certified by the director under this subsection. However, the Legislative Assembly or the Emergency Board shall not have any legal obligation to provide any appropriated funds. ORS 286A.580(6).*

***Reserve Subaccounts.*** Upon the issuance of the 2024 Bonds, the State expects to have five subaccounts in the Reserve Account securing specific series of Outstanding Lottery Bonds. As shown in the following table, the Reserve Subaccounts are funded at their required amounts and are funded with a combination of cash and investments and Reserve Credit Facilities.

**TABLE 4\***  
**OREGON STATE LOTTERY REVENUE BONDS RESERVE SUBACCOUNTS**

<b>Reserve Subaccount</b>	<b>Debt Service Reserve Requirement (In Millions)<sup>(1)</sup></b>	<b>Method of Funding</b>	<b>Secured Series</b>
Prior Bonds Reserve Subaccount	\$113.5	Cash and investments <sup>(2)</sup>	2013 Series C 2014 Series A <sup>(4)</sup> 2015 Series A/C 2017 Series A/B/C 2019 Series A/B 2021 Series A/B <sup>(5)</sup> 2022 Series A/B 2023 Series A/B
2007 Reserve Subaccount	11.7	Reserve Credit Facility <sup>(3)</sup>	2014 Series B <sup>(6)</sup>
2009 A&B Reserve Subaccount	35.6	Cash and investments	2014 Series C <sup>(7)</sup> 2015 Series D
2009 D Reserve Subaccount	3.2	Cash and investments	2015 Series E
2010 A&B Reserve Subaccount	3.0	Cash and investments	2015 Series F

\* Preliminary, subject to change.

<sup>(1)</sup> For purposes of the Preliminary Official Statement, figures are as of April 1, 2024 and does not reflect the issuance of the 2024 Bonds, refunding of Refunded Bonds, or purchase of Purchased Bonds.

<sup>(2)</sup> Includes an investment contract with AIG Matched Funding Corp. in the amount of \$2.5 million collateralized at 104-105% with a weekly mark-to-market expiring April 1, 2027.

<sup>(3)</sup> Originally issued by Financial Security Assurance Inc., now held by Assured Guaranty Municipal Corp. ("AGM"), and set to expire on April 1, 2027, the final maturity date of the 2014 Series B Bonds.

<sup>(4)</sup> Subject to market conditions, upon issuance of the 2024 Series A Bonds, the 2014 Series A Bonds will be refunded and the 2024 Series A Bonds will be secured by the Prior Bonds Reserve Subaccount.

<sup>(5)</sup> The 2021 Series B Bonds are Target Bonds and may be purchased by the 2024 Series A Bonds.

<sup>(6)</sup> Subject to market conditions, upon issuance of the 2024 Series C Bonds, the 2014 Series B Bonds will be refunded and the 2024 Series C Bonds will be secured by the 2007 Reserve Subaccount.

<sup>(7)</sup> Subject to market conditions, upon issuance of the 2024 Series D Bonds, the 2014 Series C Bonds will be refunded and the 2024 Series D Bonds will be secured by the 2009 A&B Reserve Subaccount.

Source: Department of Administrative Services.

Upon the issuance of the 2024 Bonds, (1) the Prior Bonds Reserve Subaccount will secure the 2024 Series A Bonds and the 2024 Series B Bonds, (2) the 2007 Reserve Subaccount will secure the 2024 Series C Bonds, and (3) the 2009 A&B Reserve Subaccount will secure the 2024 Series D Bonds. Each Reserve Subaccount will be funded, upon the issuance of the 2024 Bonds, at no less than its respective Maximum Annual Debt Service. The Prior Bonds Reserve Subaccount securing the 2024 Series A Bonds and the 2024 Series B Bonds is described further below.

**Prior Bonds Reserve Subaccount.** The State established the Prior Bonds Reserve Subaccount to secure all the Lottery Revenue Bonds issued prior to January 1, 2007 (the "Prior Bonds") and any Series issued after that date that the State elects to secure with the Prior Bonds Reserve Subaccount. Upon the issuance of the 2024 Series A Bonds and the 2024 Series B Bonds, 17\* Series of Outstanding Lottery Revenue Bonds (inclusive of the 2024 Series A Bonds and 2024 Series B Bonds) are to be secured by the Prior Bonds Reserve Subaccount.

The Prior Bonds Reserve Subaccount is funded with a combination of cash or cash equivalents and investment securities, including a guaranteed investment contract ("GICs"). The GIC is collateralized with

---

\* Preliminary, subject to change.

U.S. Treasury and Agency investments of not less than 100% of the amount that is available to be drawn on them. If the ratings of the GIC providers improve the collateral may be withdrawn.

***Reserve Credit Facilities.*** The State has reserved the right to substitute a Reserve Credit Facility for any portion of the cash and investment securities in any Reserve Subaccount. A Reserve Credit Facility must be issued or provided by a Reserve Credit Facility Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Reserve Credit Facility is issued, in one of the two highest rating categories by a Rating Agency which rates the Bonds secured by the applicable Reserve Credit Facility at the time of the substitution. The State may also invest amounts in any Reserve Subaccount in additional GICs. For a description of how amounts in the Reserve Subaccounts, including GICs and Reserve Credit Facilities, are valued, see APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Investments; Valuations.”

### **Appropriation Procedures; The Emergency Board**

While the Legislative Assembly is in session, as described below, an appropriation may be made by the passage of a bill by both the State Senate and State House of Representatives that authorizes the expenditure of moneys during the biennium for certain purposes. The bill becomes law upon signing by the Governor or upon failure of the Governor to sign within a prescribed period. After the bill is passed, the Governor may veto an entire bill, single items in appropriation bills or the emergency clause in a bill. A two-thirds vote of the Legislative Assembly may override the Governor’s veto, in which case the vetoed bill, item, or clause becomes law. Article IV, Section 10 of the Oregon Constitution provides for annual sessions of the Legislative Assembly, with sessions in odd-numbered years for a period not to exceed 160 calendar days in duration, and sessions in even-numbered years for a period not to exceed 35 calendar days in duration. See APPENDIX A—“THE STATE OF OREGON GOVERNMENTAL ORGANIZATION—The Legislative Branch” and “STATE FINANCIAL OPERATIONS—Budgetary Process.”

State law also provides a mechanism that permits money to be allocated for a moral obligation if the Legislative Assembly is not in session. Article III, Section 3 of the Oregon Constitution provides that when the Legislative Assembly is not in session, the Emergency Board may make emergency allocations of money appropriated to the Emergency Board for such purposes and authorize expenditures beyond budgetary limits. The Emergency Board typically meets every other month while the Legislative Assembly is not in session. The Legislative Assembly adopts a formal calendar of pre-scheduled Emergency Board meetings at the end of each regular legislative session. See APPENDIX A—“THE STATE OF OREGON GOVERNMENTAL ORGANIZATION—The Legislative Branch” and “STATE FINANCIAL OPERATIONS—Budgetary Process.”

### **Education Stability Fund**

Oregon law and the Master Indenture permit the State to use interest earnings on amounts in the Education Stability Fund to pay Lottery Revenue Bonds that were issued to finance public education. The State may deposit those interest earnings in the Dedicated Payments Subaccount in the Bond Fund and may instruct the Trustee to apply the amounts so deposited to the payment of debt service on one or more Series of Lottery Revenue Bonds. The Master Indenture provides that to the extent that the State deposits amounts in the Dedicated Payments Subaccount, the obligation of the State to deposit Unobligated Net Lottery Proceeds in the Bond Fund will be reduced. Earnings on the Education Stability Fund are not pledged to pay the Lottery Revenue Bonds.

## Parity Status of Lottery Revenue Bonds

The Master Indenture provides that the Lottery Revenue Bonds, including the 2024 Bonds, have an equal and ratable (*pari passu*) pledge of and lien on Pledged Revenues, including Unobligated Net Lottery Proceeds, Subsidy Payments, amounts available in any Lottery Revenue Bonds funds and in the subaccount of the Reserve Account established to secure that Series of Lottery Revenue Bonds, and any Appropriated Funds.

## Allocation of Unobligated Net Lottery Proceeds

The Master Indenture requires that Unobligated Net Lottery Proceeds and Subsidy Payments be allocated as soon as practicable after receipt, as follows:

***First Allocation Period.*** In the period from July 1 through September 30 of each fiscal year (the “First Allocation Period”):

*first*, to the Debt Service Account in an amount that, when added to the amounts available in the Debt Service Account and the Dedicated Payments Subaccount, makes the balance in the Debt Service Account, plus the amount available in the Dedicated Payments Subaccount, equal to the greater of (a) one half of the Lottery Revenue Bond principal, interest and redemption premium, if any, that is scheduled to be paid during the current fiscal year or (b) all of the Lottery Revenue Bond principal, interest and any redemption premium that is required to be paid on or before December 31 of that fiscal year;

*second*, to the subaccounts in the Reserve Account in an amount that, when added to the amount on deposit in each subaccount of the Reserve Account, is necessary to restore the balance in all subaccounts of the Reserve Account to their Reserve Requirements;

*third*, any amounts due during that period under or in connection with any Reserve Credit Facility that are not paid from amounts described in clause “second” above; and

*fourth*, to the Administrative Fund in an amount that is required to pay any amounts due under a Credit Facility and any other Lottery Revenue Bond-related Costs that are scheduled to be paid during that period and for which funds are not otherwise available.

***Second Allocation Period.*** In the period from October 1 through June 30 of each fiscal year (the “Second Allocation Period” and together with the First Allocation Period, collectively, the “Allocation Periods”):

*first*, to the Debt Service Account in an amount that, when added to the amounts available in the Debt Service Account and the Dedicated Payments Subaccount, makes the balance in the Debt Service Account, plus the amount available in the Dedicated Payments Subaccount, at least equal to the remaining Lottery Revenue Bond principal, interest and any redemption premium due during that fiscal year;

*second*, to the subaccounts in the Reserve Account in an amount that was required to be transferred in the preceding period, but was not so transferred because Unobligated Net Lottery Proceeds were not sufficient to allow that transfer to be made;

*third*, to pay any amounts due during that period under or in connection with any Reserve Credit Facility that are not paid in clause “second” above; and

*fourth*, to the Administrative Fund in an amount that is required to pay any amounts due under a Credit Facility and any other Bond-related Costs that are scheduled to be paid during that period and for which funds are not otherwise available.

The Master Indenture provides that no Unobligated Net Lottery Proceeds may be allocated to the Reserve Account or to pay any other Lottery Revenue Bond-related Costs until the Debt Service Account has been fully funded to the required level for the applicable Allocation Period described above.

### **Additional Bonds**

The State may issue Additional Bonds for any lawful purpose if:

- (1) there is no continuing Event of Default under the Master Indenture;
- (2) at the time of the issuance of the Additional Bonds there is no deficiency in the Debt Service Account;
- (3) the State identifies the subaccount in the Reserve Account that will secure the Additional Bonds, and the balances in all subaccounts of the Reserve Account, including the subaccount that secures the Additional Bonds, are at least equal to the Reserve Requirements for those subaccounts, with the Additional Bonds treated as Outstanding;
- (4) the sum of the Unobligated Net Lottery Proceeds for any twelve consecutive month period selected by the Department from the eighteen complete months preceding the month of issuance of the Series of Additional Bonds, plus the amount of any Guaranteed Reserve Earnings (as defined in the Master Indenture) for that period, are at least 400 percent of the Maximum Annual Debt Service on all then-Outstanding Lottery Bonds (with the Additional Bonds treated as Outstanding);
- (5) the Director of the Department certifies that the State's most recent formal forecast of future Lottery revenues, which forecast must have been prepared within the six-month period preceding the date of issuance of the Additional Bonds, indicates that forecasted Unobligated Net Lottery Proceeds, plus the amount of any Guaranteed Reserve Fund Earnings for the twelve-month period described in (4), for each fiscal year in the forecast period will at least equal 400 percent of the Maximum Annual Debt Service on all then Outstanding Lottery Bonds (with the Additional Bonds treated as Outstanding); and
- (6) the Director of the Department certifies that there has been no change in the Constitution of the State of Oregon, Oregon statutes, or the practices of the Lottery since the date of the forecast described in (5) that would reasonably be expected to reduce Unobligated Net Lottery Proceeds below 400 percent of the Maximum Annual Debt Service on all then Outstanding Lottery Bonds in any fiscal year in which Outstanding Lottery Bonds (with the Additional Bonds treated as Outstanding) are scheduled to be paid.

Additional Bonds may also be issued to refund Outstanding Lottery Bonds without meeting the above requirements but only if the debt service on the refunding Additional Bonds does not exceed the debt service on the refunded Lottery Revenue Bonds by more than \$5,000 in any fiscal year. See "SUMMARY OF THE MASTER INDENTURE—Flow of Funds" and "—Additional Bonds" in Appendix C.

### **Parity Derivative Products**

The State may enter into Derivative Products. A Derivative Product may be a Parity Derivative Product that is secured on parity with Additional Bonds if the obligation to make State Payments under the



Derivative Product qualifies as an Additional Bond, after the Reciprocal Payments under the Derivative Product are applied to reduce Annual Debt Service. As defined in the Master Indenture, “Derivative Product” means a written contract between the State and a Reciprocal Payor under which the State is obligated to pay the State Payments in exchange for the Reciprocal Payor’s obligation to pay Reciprocal Payments, and which provides that the Reciprocal Payments are to be deposited directly into the Bond Fund and that the State is not required to fulfill its obligations under the contract if: (a) the Reciprocal Payor fails to make any Reciprocal Payment; or (b) the Reciprocal Payor fails to comply with its financial status covenants. See “SUMMARY OF THE MASTER INDENTURE—Definitions—Derivative Product” in Appendix C.

The State has not entered into any Parity Derivative Products or interest rate swaps in connection with the Lottery Revenue Bonds and currently has no plans to enter into Parity Derivative Products or interest rate swaps in connection with Lottery Revenue Bonds.

### **Subordinate Obligations**

The Master Indenture provides that the State may issue Subordinate Obligations only if (i) the Subordinate Obligations are payable solely from the Unobligated Net Lottery Proceeds that are available in any fiscal year after all required transfers and deposits required by the Master Indenture have been made to the Bond Fund and the Administrative Fund, (ii) the Subordinate Obligations are not subject to acceleration and (iii) the Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Pledged Revenues that is subordinate to the lien on, and pledge of, the Pledged Revenues for the Lottery Revenue Bonds. As of April 1, 2024, there are no Subordinate Obligations outstanding.

## **CERTAIN PROVISIONS OF THE MASTER INDENTURE**

### **General**

The Master Indenture consists of the Fifth Restated Master Indenture and any Supplemental Indentures, including the Thirty-Third Supplemental Indenture. A summary of the Fifth Restated Master Indenture and of the Thirty-Third Supplemental Indenture is set forth in Appendix C. Such summary, and the provisions of the Master Indenture described below, are qualified in their entirety by reference to the complete Fifth Restated Master Indenture and all Supplemental Indentures, including the Thirty-Third Supplemental Indenture, for full and complete statements of all provisions of the Master Indenture.

*Covenant to Budget and Appropriate.* In the Act, the Legislative Assembly has made continuing appropriations of Unobligated Net Lottery Proceeds to pay the Lottery Revenue Bonds. In the Master Indenture, the State has covenanted that if these continuing appropriations are ever altered, the State, subject only to the availability of Unobligated Net Lottery Proceeds, will budget and appropriate in each fiscal year an amount of Unobligated Net Lottery Proceeds that, when added to other funds lawfully budgeted and appropriated and available for such purpose, will be sufficient to pay amounts coming due on all outstanding Lottery Revenue Bonds in such fiscal year, maintain the balance in each subaccount of the Reserve Account at the Reserve Requirement for that subaccount and pay all amounts due to providers of Credit Facilities (as defined in the Master Indenture).

*Covenant to Operate the Lottery.* The State has covenanted that it shall continue to operate the Lottery until all Lottery Revenue Bonds, including the 2024 Bonds, are paid or defeased.

*Covenant Not to Grant or Create any Superior Liens.* The State has covenanted not to grant or create any lien on the Pledged Revenues or to issue any obligations that have a lien on the Pledged Revenues

that is superior to the lien on the Pledged Revenues of the Lottery Revenue Bonds, including the 2024 Bonds, and to issue subordinate obligations only in accordance with the provisions of the Master Indenture.

*Covenant to Issue Additional Bonds Only in Compliance with the Master Indenture.* The State has covenanted to issue Additional Bonds only in accordance with the requirements for the issuance of Additional Bonds set forth in the Master Indenture.

*Certain Events of Default Under the Master Indenture.* In addition to certain bankruptcy-related events, each of the following events constitutes an Event of Default for all then-Outstanding Lottery Bonds, including the 2024 Bonds:

- (i) Default in the due and punctual payment of principal of or interest or premium on any Bond; or
- (ii) Default in the performance or observance of any duties, covenants, obligations, agreements or conditions required on the part of the Treasurer or the Department to be performed or observed under any of the Act or the Master Indenture, but only if the default continues for 90 days after written notice specifying the default and requiring the same to be remedied is given by the Trustee or the Owners of not less than 50 percent in aggregate principal amount of all Lottery Revenue Bonds then Outstanding, and the State fails to take reasonable steps to remedy the default within that 90-day period.

*Remedies.* The Master Indenture provides that upon the occurrence of an Event of Default, the Trustee shall have the rights and remedies set forth in the Master Indenture with respect to each Series of Lottery Revenue Bonds, and if requested to do so by the Owners of a majority in principal amount of the Lottery Revenue Bonds then Outstanding, the Trustee shall be obligated to exercise such rights and remedies, but shall exercise one or more of such rights with respect to a Series of Lottery Revenue Bonds only with the consent of each Insurer, if any, of that Series of Lottery Revenue Bonds. Acceleration of the Lottery Revenue Bonds is not a remedy under the Master Indenture. In the event of multiple defaults in the payment of principal of or interest or premium on any Lottery Revenue Bond, the Owners of the Lottery Revenue Bonds would be required to make separate claims for each such default. See “SUMMARY OF THE MASTER INDENTURE—Defaults and Remedies” in Appendix C. The Master Indenture also provides that neither the State, the State Treasurer nor the Department will be liable for or required to advance any moneys derived from any source other than the Pledged Revenues, Lottery Revenue Bond proceeds and any Appropriated Funds for any of the purposes in the Master Indenture, whether for the payment of the principal or redemption price of or interest on the Lottery Revenue Bonds or for any other purpose of, or liability recognized under, the Master Indenture.

## **Proposed Amendments**

The Master Indenture includes requirements for amendments with and without written consents of the Owners.

In the Thirty-Third Supplemental Indenture, the State reserves the right to put into effect certain Proposed Indenture Amendments that would (a) permit replenishing deficiencies in Reserve Subaccounts resulting from the bankruptcy or insolvency of a Reserve Credit Facility Provider or GIC provider over a period of five years in substantially equal annual installments; and (b) permit the State to issue Additional Bonds when the balance of any Reserve Subaccount is below the applicable Reserve Requirement, for reasons other than a withdrawal, so long as such annual deposits described in (a) above are made. For additional information, see APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Proposed Amendments.”

At this time, the State cannot predict if all or any portion of the Proposed Indenture Amendments will take effect. The Proposed Indenture Amendments have previously received the consent of greater than 51% of Owners. **By purchase and acceptance of the 2024 Bonds, the Owners of the 2024 Bonds will be deemed to have irrevocably consented to the Proposed Indenture Amendments set forth in the Thirty-Third Supplemental Indenture and described herein and in Appendix C.**

## **THE DEPARTMENT OF ADMINISTRATIVE SERVICES**

### **Role in State Government**

DAS is the administrative arm of the Governor's Office. DAS prepares and coordinates State agency budget requests included in the budget submitted by the Governor to the Legislative Assembly. DAS also provides administrative and support services to State agencies. DAS works to ensure that State resources are used according to law, gubernatorial policy and legislative policy in the most effective and economical manner and performs several other statewide administrative functions. DAS has general authority to operate and manage programs relating to central purchasing, motor fleet, printing, facilities construction and leasing, building maintenance, central stores, mail, insurance, telephone services and telecommunications and information technology and security. By law, DAS is responsible for budgetary management, supervision and control over all State government programs for the executive branch of the State. DAS, with the approval of the Governor, has general authority to adopt rules and regulations it considers necessary and proper to carry out the laws it is charged with administering. In addition, DAS has the authority to request the State Treasurer to issue general obligation bonds, certificates of participation and other forms of indebtedness, as authorized by the Legislative Assembly, on behalf of State agencies. Centralizing these statewide functions in DAS provides coordination in obtaining proper budget and debt issuance authority, as well as proper accounting for financed projects. In addition, it provides State agencies the advantage of working with a single agency, DAS, as they plan for real property or personal property acquisitions needed to accomplish their agency missions.

### **Role with the Lottery and Administration of Lottery Bonds**

The Department has several responsibilities with respect to the Lottery and the administration of lottery bonds. As described in "UNOBLIGATED NET LOTTERY PROCEEDS AND DEBT SERVICE COVERAGE" below, the Department's Office of Economic Analysis (the "OEA") is responsible for the preparation of certain Lottery revenue forecasts. In addition, the Department is responsible for: (1) administering the distribution of funds from the Economic Development Fund, (2) monitoring debt service payments on Lottery Revenue Bonds, and (3) if the valuation of the respective reserve accounts falls below the applicable reserve requirements because of a draw to pay debt service on any Lottery Revenue Bonds, or if amounts in the applicable reserve accounts will be drawn upon to pay debt service on any Lottery Revenue Bonds, the Director of the Department is required to notify the Governor and, as the representative of the executive branch, to certify to the Legislative Assembly or the Emergency Board the amount necessary to restore or replenish the applicable reserve account to the applicable reserve requirement. See "SOURCES OF PAYMENT AND SECURITY—Reserve Account and State Moral Obligation" and "—Appropriation Procedures; The Emergency Board."

The Department is responsible for maintaining its own books and accounts and is subject to audit or review by the Secretary of State's Office, Audits Division. The Department submits unaudited annual financial statements to the Statewide Accounting and Reporting Services Section of the Department.

## THE OREGON STATE LOTTERY

### History of the Oregon State Lottery

The Lottery was created by voter approval of an amendment to the Oregon Constitution in 1984. That amendment was adopted by an approximately 2:1 margin and revised Article XV, Section 4 of the Oregon Constitution to require the establishment and operation of the Lottery.

The Lottery's first tickets went on sale April 25, 1985. Since that time, the Lottery has introduced additional games on an ongoing basis in response to market demand. New games have included Oregon's Game Megabucks<sup>SM</sup>, the Lottery's first on-line computer operated game, Keno, Powerball® and others. In 1992, the Lottery began operating a video game system, the first in the nation to be on-line to a central computer system operational 24 hours a day. Lottery began offering a digital sports-book in 2020, available via mobile app and website. In early 2022, Lottery transitioned the sports betting platform onto the DraftKings Sportsbook. See “—Mix of Games” below.

In addition to continued support from voters, the Lottery has sustained player loyalty. In 2023, the Lottery's annual Attitude Awareness and Usage study found that 71 percent of adult Oregonians 18 years of age and older, have played Lottery games, and that 54 percent have played at least one Lottery game in the past year. The Lottery's annual Brand Promise Study, also among Oregonians 18 years of age and older, found that 76 percent have a favorable opinion of the Oregon Lottery and 57 percent agree the Lottery is an appropriate way to raise revenue for Oregon.

### Constitutional Provisions

*General Constitutional Authorization.* Article XV, Section 4 of the Oregon Constitution sets forth the basic guidelines and requirements relating to the administration, management, purposes and authorized uses of Lottery funds.

Subsection (3) of Article XV, Section 4 requires that all proceeds from the Lottery, including interest earnings but excluding costs of administration and payment of prizes, be used for creating jobs, furthering economic development, financing public education in the State or restoring and protecting the State's parks, beaches, watersheds and critical fish and wildlife habitats. Subsection (4)(d) of Article XV, Section 4 requires, among other provisions, that at least 84 percent of the total annual revenues from the sale of all lottery tickets or shares be returned to the public in the form of prizes and net revenues benefiting specified public purposes and that the Legislative Assembly appropriate amounts sufficient to pay lottery bonds before appropriating the net proceeds from the Lottery for any other purpose.

*Voter-Approved Constitutional Amendments and Statutory Changes Relating to the Lottery.* Oregon voters have in the past, and may in the future, approve Constitutional and statutory changes to the use of net proceeds of the Lottery. Statutory changes approved by the voters are subject to future action by the Legislative Assembly. As described in the following table, since 1984, voters have approved six amendments to the Oregon Constitution and two statutory changes affecting the Lottery. See “SOURCES OF PAYMENT AND SECURITY—Allocations and Uses of Lottery Proceeds.”

Year	Type of Change	Summary of Changes Related to Use of Net Lottery Proceeds
1995	Voter Approved <sup>(1)</sup>	Requires the Legislative Assembly to appropriate amounts sufficient to pay lottery bonds before appropriating the net proceeds from the Lottery for any other purpose
1997	Legislative Referral; Voter Approved <sup>(1)</sup>	Authorizes the issuance of lottery bonds for educational funding
1998	Voter Approved <sup>(1)</sup>	Directs 15 percent of net proceeds from the Lottery be deposited in the Parks and Natural Resources Fund through 2014
2002	Voter Approval <sup>(1)</sup>	Increased to 18 percent the amount of net proceeds from the Lottery required to be dedicated to public education
2010	Voter Approved <sup>(1)</sup>	Makes permanent the deposit of 15 percent of net proceeds from the Lottery to the Parks and Natural Resources Fund
2016	Voter Approved <sup>(1)</sup>	Dedicates 1.5 percent of net proceeds from the Lottery to support veterans
2016	Voter Approved <sup>(2)</sup>	Provides 4 percent of net proceeds from the Lottery to Outdoor School programs
2019	Legislative Action <sup>(3)</sup>	Directs the transfer of lottery revenue from Sports Betting games to the Economic Development Fund making them subject to the constitutional distribution, after which an equal amount is transferred to the PERS Employer Incentive Fund

<sup>(1)</sup> Amendment to Oregon Constitution provisions related to the application and use of net lottery proceeds.

<sup>(2)</sup> Statutory dedication in addition to net lottery proceeds dedicated under provisions of Article XV, Section 4 of the Oregon Constitution.

<sup>(3)</sup> See Oregon Laws 2019, chapter 355. See “—Mix of Games – *Sports Betting*” below for further discussion.

*Constitutional Prohibition on Casinos and More Than One Lottery.* Pursuant to an express prohibition contained in subsection (10) of Article XV, Section 4 of the Oregon Constitution, the Legislative Assembly is obligated to prohibit any casino operations in the State. This constitutional prohibition on casinos does not apply to casinos operated by federally recognized Indian tribes on reservation lands, however current constitutional provisions could be amended in the future. Subsection (9) of Article XV, Section 4 provides that only one lottery operation is permitted in the State. The Lottery is the sole permitted lottery. See “—The Oregon Gaming Market.”

*Dominant Use/Dominant Purpose.* The Oregon Constitution prohibits the establishment of casinos in the State. In *Ecumenical Ministries of Oregon v. Oregon State Lottery Commission*, the Oregon Supreme Court was asked to determine whether allowing video Lottery terminals (video poker machines) to be placed in taverns and certain other types of licensed and State regulated establishments where liquor is served would have the effect of creating casinos in the State. The Court interpreted the word “casino” as used in the Oregon Constitution to mean any establishment existing for the dominant use or dominant purpose, or both, of gambling. In the context of that case, the Court further determined that legislation allowing the placement of up to five video Lottery terminals in a single establishment did not per se constitute the creation of a constitutionally prohibited casino. The Court found, however, that the specific number of video Lottery terminals placed in a location does not, in and of itself, mean that the establishment could never constitute a casino under the dominant use/dominant purpose test. In practice, the application of the dominant use/dominant purpose test may require consideration of a number of factors such as revenues from all sources and floor space ratios. These factors may vary from location to location.

The Lottery Commission adopted Oregon Administrative Rule 177-040-0061 to provide a framework and a process for determining when an establishment is or may be operating as a casino. The Lottery routinely conducts compliance reviews in this area to confirm compliance with the Lottery’s administrative rule and has terminated contracts with establishments that do not comply with the rule. Other methods employed by the Lottery to prevent Video Lottery<sup>SM</sup> retailers from operating as casinos include limiting the number of Video Lottery<sup>SM</sup> terminals in an establishment, limiting public view of Video Lottery<sup>SM</sup> terminals, limiting certain advertising and promotional activities by Video Lottery<sup>SM</sup> retailers and considering the sale of Lottery tickets and shares by Video Lottery<sup>SM</sup> retailers as an adjunct to their businesses.

## **Management and Organization**

The Lottery Commission consists of five commissioners appointed by the Governor, confirmed by the Senate and serving at the pleasure of the Governor. At least one of the commissioners must have a minimum of five years’ experience in law enforcement and at least one of the commissioners must be a certified public accountant. The Lottery Commission directs the activities of the Lottery, including the adoption of rules to provide for the security, integrity, honesty and fairness of Lottery operations and approves the Lottery’s annual budget and business plan. Current commissioners and their respective dates of expiration of the Lottery Commission are as follows: MardiLyn Saathoff, Chair (Term Expires: November 21, 2024); Maulin Patel (Term Expires: September 25, 2024); Marty Ramirez (Term Expires: November 18, 2025); Jeffrey Weller (Term Expires: Oct. 4, 2027); Julie Wilcox (Term Expires: November 30, 2027).

The Director of the Lottery is also appointed by and serves at the pleasure of the Governor, subject to confirmation by the Senate. The Director is responsible for operating the Lottery in accordance with state law and administrative rules and under the guidance of the Lottery Commission.

## **Officers of the Oregon State Lottery**

*Director of the Lottery.* Michael Wells was appointed director in September 2023 and previously served as Interim Director starting in December 2022. Mr. Wells started with the Lottery in April 2019 as a Cyber Crime Manager, then served as Assistant Director for Security beginning in July 2019. Mr. Wells has over 25 years of continuous law enforcement and security experience. During his law enforcement career, he served in a variety of roles with state and federal agencies including the Oregon Department of Justice and the Federal Bureau of Investigation. His roles included complex criminal investigations, official misconduct, organized crime, and cybercrime.

The Lottery is also guided by an Executive Team:

Tai Calandriello	Deputy Director and Chief Operations Officer
Syed Hussain	Chief Information Officer
Kristy Komes	Interim Chief Human Resources Officer and Chief Financial Officer
Matthew Shelby	Manager of Corporate and Community Engagement
Kathy Stromberg	Chief Marketing Officer
Geoff Hunsaker	Principal Engineer
Justin Hedland	Assistant Director for Security <sup>†</sup>

---

<sup>†</sup> The Oregon Constitution requires the Assistant Director for Security be qualified by training and experience, including at least five years of law enforcement experience, and knowledge and experience in computer security.

As discussed below, the Lottery is currently in discussion with the Governor's office regarding agency strategy. The periodic realignment of Lottery organizational structure has not recently occurred due in part to the election of the new Governor and appointment of the new Lottery Director. Agency organizational structure will likely need to be modified once the Governor's direction is solidified.

## **Integrity of Lottery Operations**

**Security.** Pursuant to the Oregon Constitution and Oregon law, the Lottery is required to appoint an Assistant Director for Security responsible for overseeing a security division to assure integrity, security, honesty and fairness in the operation and administration of the Lottery. The Assistant Director for Security shall be qualified by training and experience, including at least five years of law enforcement experience, and knowledge and experience in computer security, to fulfill these responsibilities. At the direction of the Assistant Director for Security, the Lottery Security division tracks, oversees, or directly provides all aspects of security in lottery operations including, but not limited to, the background of all prospective employees, Lottery game retailers, Lottery vendors and Lottery contractors; computer operations; Lottery drawings; retailer operations; prize payments; and physical security of all Lottery sites.

Lottery is required by law to contract with the Oregon State Police for security services. These services include, but are not limited to, vendor, retailer and employee background investigations, retailer integrity checks, the investigation of any crimes against the Lottery, full access to law enforcement information-sharing networks, up-to-date information on potential threats to the security and integrity of Lottery operations, and where required, reviewing the backgrounds of winning ticket holders who claim Lottery prizes.

In addition to personnel and site security, the Lottery also utilizes third party quality control services to test all video game software for random operation, assuring the fairness of each play. Lottery monitors the Video Lottery terminals 24 hours a day through a central system. Lottery security conducts in-house testing of Scratch-its<sup>SM</sup> tickets in accordance with industry best practices for ticket testing. The Lottery ensures contracted vendors use random number generators ("RNGs"), the industry standard for drawing-type games, Oregon's Game Megabucks<sup>SM</sup>, Keno, Pick 4<sup>SM</sup>, Lucky Lines<sup>SM</sup>, and Win for Life<sup>SM</sup>. The Lottery also uses RNGs, for our Raffle<sup>SM</sup> game and Second Chance<sup>SM</sup> drawings. The Lottery uses and ensures that its contracted vendors are evaluated by an independent third-party lab using industry standard tests to ensure the randomness of its RNG results and extensive steps are taken to ensure the security of the RNGs. In addition to testing and certification, these safeguards include extensive separation of duties, securing the RNG through both physical and logical means, 24-hour security camera surveillance and regular, comprehensive, independent reviews of the entire Lottery security system. The Lottery maintains cybersecurity and business interruption insurance in coverage amounts sufficient to meet the risks faced by the Lottery and continues to invest in cybersecurity and broader risk management. Further, the Lottery has engaged a business continuity program manager to assist in disaster preparedness.

Oregon law requires the Lottery to biennially engage an independent firm to conduct a comprehensive security risk assessment of all Lottery operations. In 2022, Lottery sought an independent firm with a strong reputation in enhancing an organization's cyber security posture. Lottery selected and engaged Sygnia to perform this review; Sygnia conducted the review during 2022 and delivered a report to Lottery in 2023.

Sygnia's review of Lottery's operations and systems included evaluation of three categories:

(1) **Cyber Posture Enhancement:** Sygnia reviewed Lottery's cyber security posture, based on the current threat landscape, to assist the Lottery in improving its security challenges based on its priorities and needs.

(2) **Advanced Red Teaming:** Sygnia attempted a variety of cyber-attack methods, to enhance Lottery's prevention, detection, and response capabilities.

(3) **Physical Security Assessment:** Sygnia tested Lottery's physical security controls, to further improve and enhance Lottery's security and defenses against intrusion into restricted areas.

As a result of this engagement, Sygnia provided Lottery with findings to further enhance its current security, response, and resilience and detailed recommendations focused on fine tuning those existing tools, systems, and processes to optimize Lottery's security posture. The Sygnia report did not include any major technology upgrade recommendations.

**Security of Annuity Prizes.** Certain jackpot prizes from games conducted by or participated in by the Lottery involve the payment of significant prize amounts over a period of up to 30 years or, for the Win for Life<sup>SM</sup> game, the winner's life span. The Lottery may be obligated to continue making such prize payments to the winners, even if the primary payor on any investments the Lottery has obtained to fund such annuity payments defaults on its primary payor obligation. The Lottery purchases its annuity payment instruments through the State Treasurer's office. These security instruments are U.S. Treasury Federal Agency STRIPS payable by the federal government. The Lottery's annuity payment obligations provided for by such STRIPS will be \$135,190,667 as of January 31, 2024.

## **Mix of Games**

The Oregon Lottery offers a broad mix of lottery games including Video Lottery<sup>SM</sup> games, traditional instant win and draw games and Sports Betting games that are designed to appeal to a diverse group of players. The Oregon Lottery continuously evaluates the variety of games it offers, monitors the evolving gaming market, and considers changes in player demographics. The Lottery has adopted a strategic plan and annual operating budget that is approved by the Lottery Commission each year. The seven-year plan will be reviewed annually. The operating budget, once adopted annually, is reviewed quarterly during the course of a fiscal year for any directional changes. Lottery is currently in the process of analyzing its operations, products, and services to update its strategic plan and develop budget proposals in preparation for fiscal year 2025.

**Video Lottery<sup>SM</sup>.** Video Lottery<sup>SM</sup> historically accounts for the majority of the Oregon Lottery's net gaming revenues. Video Lottery<sup>SM</sup> is a product sold on stand-alone Video Lottery<sup>SM</sup> terminals located at retailers that sell alcohol that can be consumed on-premises. Lottery revenues stabilized after the 2008 Great Recession and the smoking ban in 2010 and have been steadily increasing in recent years. In fiscal year 2011, the Lottery began to offer games that feature prizes over \$600 for the first time since Video Lottery<sup>SM</sup> was introduced. These Platinum Spin Series<sup>TM</sup> games, which are available on select Video Lottery<sup>SM</sup> terminals, offer jackpot prizes of up to \$10,000.

The Lottery is engaged in ongoing monitoring of its video lottery terminals for upgrades and has targeted replacement plans of up to 2,000 machines per year, although that process has experienced some delays over the last three years because of certain pandemic-related safety and supply chain issues. The Lottery continues to engage in analysis of lifecycle models and financing mechanisms for video lottery terminal replacements and related strategic planning updates.

**Traditional Games.** The Lottery offers a variety of traditional games including instant ticket and draw games. The traditional games include Scratch-its<sup>SM</sup>, Oregon's Game Megabucks<sup>SM</sup>, Powerball®, Mega Millions®, Keno, Pick 4<sup>SM</sup>, Win for Life<sup>SM</sup>, Lucky Lines<sup>SM</sup>, and Raffle<sup>SM</sup>. Each game is uniquely designed to have certain price points and odds of winning a prize.



**Sports Betting.** In early fiscal year 2020, Lottery began offering a digital sports-book, which was available via mobile app and website. Initially, the digital betting platform was managed under contract by a third-party vendor, SBTech, which was later acquired by DraftKings. In early 2022, Lottery transitioned the sports betting platform away from the SBTech platform and onto the DraftKings Sportsbook. Player responses to the DraftKings Sportsbook have been positive and indicate that the new platform provides an improved customer experience. Data has shown positive product growth since this transition with future forecast expectations projecting a continued positive trajectory. The sportsbook maintains a wide variety of world-wide sporting events which are governed by sanctioned, professional leagues, to keep a robust offering for Oregon sports bettors. Player data indicates that the offering is consistent with Lottery’s goal of diversifying its player base. Although early sports betting revenues declined in March 2020 when sporting activities in many jurisdictions were cancelled due to the COVID-19 pandemic, as more sporting activities resumed in late-2020 sports betting revenues rebounded and profitability has been strong ever since. See “ – The Oregon Gaming Market” below for further discussion about mobile gaming offerings by the Lottery.

## **Lottery Expenses**

State law limits the Lottery’s expenses to no more than 16 percent of its total annual revenues. ORS 461.510 provides that expenses of the Lottery include costs incurred in the “operation and administration of the state lottery and all costs resulting from any contracts entered into for the purchase or lease of goods or services required by the commission including, but not limited to, the costs of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, incentives, public relations, communications, compensation paid to lottery game retailers, bonding for lottery game retailers, printing, distribution of tickets and shares, reimbursing other governmental entities for services provided to the state lottery, transfers to a contingency reserve and for any other goods and services necessary for effectuating the purposes of this chapter.” (ORS Chapter 461). For fiscal year 2023, the Lottery’s operating expenses increased 9.9 percent, due to various factors including an increase in the annual share of state employee pension-related expenses passed through to the Lottery. See “BASIC FINANCIAL STATEMENTS OF THE OREGON STATE LOTTERY FOR THE FISCAL YEAR ENDED JUNE 30, 2023,” including the “Analysis of Financial position and Operations” and the notes thereto, in Appendix B.

*Statutory Contingency Reserve.* State statute allows for the creation of a contingency reserve, and the current contingency reserve amount is \$135,000,000 (the “Statutory Contingency Reserve”). The Statutory Contingency Reserve provides working capital for current operations and future investments and is intended, in part, to offset a decline in sales without reducing the amount of net Lottery revenues budgeted to be transferred to the State. The Lottery’s total unrestricted net position as of June 30, 2023 was \$228,878,779 comprised of \$135,000,000 for the Statutory Contingency Reserve, \$88,063,028 for commitments to asset purchases/licensing and capital assets/projects, and \$5,815,751 of net assets invested in ticket inventory and prepaid expenses. See “BASIC FINANCIAL STATEMENTS OF THE OREGON STATE LOTTERY FOR THE FISCAL YEAR ENDED JUNE 30, 2023,” including Note 2.E. thereto, in Appendix B.

*Traditional Retailer Contracts.* Retailers that contract with the Lottery to sell traditional games are paid a flat commission of 8% of weekly sales. The current retailer contract is effective for a term of five years that began on June 28, 2020.

*Video Lottery<sup>SM</sup> Retailer Contracts.* Retailers that contract with the Lottery to sell Video Lottery<sup>SM</sup> games are paid a commission based upon a percentage of gross dollars wagered. The commission percentage paid varies by volume of gross dollars wagered from 1.3 percent to 2.2 percent. As the retailers’

gross dollars wagered increases during the year, the commission percentage decreases. The current retailer contract is effective for a term of five years that began on June 28, 2020.

The statutes and administrative rules under which the Lottery contracts with its retailers are subject to change by the Legislative Assembly and the Lottery Commission. In addition, Lottery may negotiate other changes in its retailer contracts. Therefore, as current contracts expire and new contracts are entered into, the retailer rate of compensation and other matters in retailer contracts may change due to the evolving regulatory and market environment in which the Lottery and its retailers operate.

### **The Oregon Gaming Market**

Competition for gaming dollars in Oregon exists, as it does in any state that operates a lottery. Players have many options besides the Oregon Lottery that enjoy a competitive advantage as it relates to the tax and public benefit withholdings required of the Lottery. They can gamble at casinos operated by Oregon's federally recognized Tribes or at Tribal and other casinos in the neighboring states of Washington, Idaho, Nevada and California. There are commercial "mini-casinos" in Washington that attract Oregon residents. Illegal offshore internet gambling, including online casinos and sports books, also provide competition to the Oregon Lottery. These alternative gaming venues, together with other entertainment venues such as recreation centers, theaters, music venues and sporting events, create other avenues for Oregonians to spend discretionary entertainment income besides Lottery.

### **Governor's Office**

In August 2021, then Oregon Governor Kate Brown issued a letter to the Lottery providing direction regarding the potential expansion of mobile gaming offerings by the Lottery. The Governor's letter stated that based on conversations with the members of the Oregon Legislative Assembly, leaders from the State's nine federally recognized Tribes, and key stakeholder groups, the Governor did not see a path forward for expanding mobile gaming options offered by the Lottery.

Governor Tina Kotek, who took office in January 2023, has maintained the previous governor's opposition to expansion of gaming in Oregon, particularly with respect to expanding mobile gaming options. The Lottery is currently in discussion with the Governor's office to better understand this direction, align on a business strategy and take necessary steps to deliver on expectations.

### **Gambling Treatment**

Oregon law authorizes the Lottery to pay as part of its administrative costs expenses of the Lottery incurred to: (i) adopt and implement rules intended to minimize problem gambling risks and mitigate problem gambling harms, (ii) advertise the availability of problem gambling treatment programs in the State, (iii) collect and report data, and establish metrics, regarding problem gambling and (iv) cooperate with or assist the Oregon Health Authority and providers of problem gambling treatment programs. The Oregon Lottery Commission has adopted a Responsible Gambling Code of Conduct that provides a structure for Lottery employees and those who distribute and sell Lottery products to promote responsible gaming practices. Oregon is also unique among other lotteries in the United States in that lottery proceeds are used to pay for problem gambling treatment for any Oregonian.

## **UNOBLIGATED NET LOTTERY PROCEEDS AND DEBT SERVICE COVERAGE**

### **Historical Unobligated Net Lottery Proceeds and Debt Service Coverage**

The historical Unobligated Net Lottery Proceeds in the following table are derived from Lottery's annual audited financial statements and note disclosures in its Annual Comprehensive Financial Report ("ACFR") for the respective fiscal year. As described above, Unobligated Net Lottery Proceeds together with other moneys as set forth in the Master Indenture constitute Pledged Revenues. See "SOURCES OF PAYMENT AND SECURITY" above.

**TABLE 5**  
**STATE OF OREGON LOTTERY REVENUE BONDS**  
**HISTORICAL UNOBLIGATED NET LOTTERY PROCEEDS AND**  
**DEBT SERVICE COVERAGE**  
**(\$ IN MILLIONS)**  
**(FISCAL YEARS ENDED JUNE 30)**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Video Lottery Sales Revenues	\$12,615.2	\$10,451.4	\$11,463.2	\$16,619.1 <sup>(1)</sup>	\$16,099.5
Less Prizes	(11,648.7)	(9,653.9)	(10,602.8)	(15,373.0)	(14,917.7)
<b>Net Revenues – Video Lottery</b>	<b>966.5</b>	<b>797.5</b>	<b>860.3</b>	<b>1,246.1</b>	<b>1,181.8</b>
Traditional Lottery Sales Revenues	380.0	336.9	408.9	397.1	440.6
Less Prizes	(239.0)	(223.5)	(266.1)	(257.2)	(274.2)
<b>Net Revenues – Traditional Lottery</b>	<b>141.0</b>	<b>113.4</b>	<b>142.9</b>	<b>139.9</b>	<b>166.4</b>
Sports Betting Sales Revenues	0.0	115.6	313.0	399.7	565.5
Less Prizes	0.0	(107.0)	(284.0)	(367.7)	(510.2)
<b>Net Revenues – Sports Betting</b>	<b>0.0</b>	<b>8.6</b>	<b>29.1</b>	<b>32.0</b>	<b>55.3</b>
Total Net Gaming Revenues	1,107.5	919.5	1,032.2	1,418.1	1,403.5
Other Operating Revenues	1.3	2.3	0.4	3.4	0.6
Other Operating Expenses <sup>(2)</sup>	(406.8)	(372.8)	(397.6)	(444.6)	(497.5)
Nonoperating Revenues (Expenses)	19.7	23.0	(2.9)	(9.5)	15.7
Unclaimed Prizes <sup>(3)</sup>	7.4	6.3	5.8	6.8	9.5
Contingency Reserve <sup>(4)</sup>	(7.2)	11.5	20.3	(59.2)	(22.9)
<b>Unobligated Net Lottery Proceeds<sup>(5)</sup></b>	<b>721.9</b>	<b>589.8</b>	<b>658.3</b>	<b>915.1</b>	<b>908.8</b>
Lottery Revenue Bond Debt Service	124.7	133.1	133.3	131.7	145.6
<b>Debt Service Coverage<sup>(6)</sup></b>	<b>5.8x</b>	<b>4.4x</b>	<b>4.9x</b>	<b>6.9x</b>	<b>6.2x</b>

<sup>(1)</sup> Increase in video lottery sales revenues from fiscal year 2021 to fiscal year 2022 represents the pandemic reopening high. The March 2024 Forecast (as defined herein) predicts future sales slightly slower than overall personal income growth.

<sup>(2)</sup> Includes expenses related to assessments for debt service on Pension Obligation Bonds, reported as Transfers to General Obligation Bond Fund in Oregon State Lottery's financial statements.

<sup>(3)</sup> Unclaimed prizes transferred to the Economic Development Fund are disclosed in the notes to Oregon State Lottery's financial statements, but are not reported as Transfers to Economic Development Fund in the Lottery's statement of changes in net position; unclaimed prizes transferred to the Economic Development Fund are reported as Transfers to Other Funds in the State's ACFR.

<sup>(4)</sup> Amounts retained by the Oregon State Lottery after payment of expenses from net revenues to maintain a reasonable contingency reserve, as established by the Lottery Commission pursuant to ORS 461.510. Amounts not retained for the contingency reserve (e.g., fiscal years 2020 and 2021) increase transfers to the Economic Development Fund. See "THE OREGON STATE LOTTERY—Lottery Expenses—Statutory Contingency Reserve."

<sup>(5)</sup> Once credited to the Bond Fund under the Master Indenture, Unobligated Net Lottery Proceeds constitute Pledged Revenues under the Indenture. See "SOURCES OF PAYMENT AND SECURITY." Unobligated Net Lottery Proceeds, as a component of Pledged Revenues, are presented in the table above on an accrual basis of accounting. These amounts differ from those set forth in the table "Projected Debt Service Coverage Through 2029-31 Biennium" below because those amounts are estimated, not actual, and are determined on a cash basis of accounting.

<sup>(6)</sup> Amounts are rounded to one decimal point. See "SOURCES OF PAYMENT AND SECURITY—Additional Bonds" and APPENDIX C—"SUMMARY OF THE MASTER INDENTURE—Definitions—Maximum Annual Debt Service" and "—Additional Bonds."

Source: Oregon State Lottery, Annual Financial Reports and Department of Administrative Services.

## Forecasting Lottery Revenues

Oregon law requires DAS, with the assistance of the Oregon Department of Revenue, to prepare an estimate for each calendar quarter of the revenue available for state purposes for the current fiscal year, as well as the amount of revenue received quarterly, through the biennium (the “State Economic and Revenue Forecast” or “Forecast”). The DAS Office of Economic Analysis (the “OEA”) produces the State Economic and Revenue Forecast based upon information available at the time of preparation and upon a wide variety of assumptions. The forecast is a current law projection, reflecting any current policies and laws, but not any proposed legislation, pending litigation, ballot measure initiatives or future product offerings.

The State Economic and Revenue Forecast includes a forecast of Lottery revenues. The Lottery Forecast Committee, comprised of individuals from the Department, Oregon State Lottery, Legislative Revenue Office and Legislative Fiscal Office, reviews each forecast of Lottery revenues. The forecasts are unbiased, meaning that the Lottery Revenue Forecast Committee believes that there is an equal probability that the forecast will be over or under projected revenues.

According to the March 2024 Oregon Economic and Revenue Forecast, released on February 7, 2024 (the “March 2024 Forecast”) by the OEA, Unobligated Net Lottery Proceeds for the 2023-25 Biennium are projected to be approximately \$1.8 billion, a \$7.1 million decrease from the December 2023 forecast. Longer-term forecasts have been adjusted slightly higher in the OEA’s March 2024 Forecast due to the current economic outlook and recent sales patterns.

The Lottery’s actual results will be affected in the near-term and over an extended timeframe by numerous factors, including the level of consumer spending and consumer preferences generally, demographics and population growth, the rate of job growth in the State and other events, including events that are not within the State’s control. If any of OEA’s assumptions are not realized or if other events occur or fail to occur, the State’s financial projections may not be achieved, and it is possible that the Lottery’s actual revenues for the 2023-25 Biennium and later projected biennia will be lower than OEA forecasts.

The OEA generally releases the Forecast each March, June, September and December. The next State Economic and Revenue Forecast is expected to be released on or about May 29, 2024. These Forecasts are available on OEA’s website ([oregon.gov/das/oea](http://oregon.gov/das/oea)), together with an annual calendar of expected release dates for future reports. Investors are cautioned that information presented in the Forecast is not indicative of future results. **The information on OEA’s website is not part of or incorporated into the Official Statement.**

## Projected Debt Service Coverage

The information in the table below is presented on a cash basis of accounting and for categories that differ from the categories in the Historical Unobligated Net Lottery Proceeds and Debt Service Coverage table above.

As described above, Lottery earnings are projected by OEA and represent an estimate of the net Lottery revenues expected to be transferred to the Economic Development Fund after payment of prizes and other expenses of the Oregon State Lottery, including any amount expected to be retained in the contingency reserve. Funds within the Statutory Contingency Reserve are part of the Lottery’s administrative expenses and therefore are not Unobligated Net Lottery Proceeds that would be available to pay Lottery Revenue Bonds. Lottery expenses, including amounts required to fund the Statutory Contingency Reserve, were deducted from the projected amounts of Lottery revenues to calculate the

projected Unobligated Net Lottery Proceeds as shown in the table below entitled “State of Oregon Lottery Revenue Bonds Projected Debt Service Coverage Through 2029-31 Biennium.”

The Projected Debt Service Coverage table below sets forth a summary of estimated Unobligated Net Lottery Proceeds based upon the March 2024 Forecast of Lottery earnings and unclaimed prizes expected to be transferred to the Economic Development Fund and projected coverage based upon expected annual debt service upon the issuance of the 2024 Bonds. In the March 2024 Forecast, Lottery earnings available to transfer for the 2023-25 Biennium are projected to be \$1.8 billion. The State expects to issue additional Lottery Revenue Bonds in the future and projected aggregate debt service coverage could change.

**TABLE 6\***  
**STATE OF OREGON LOTTERY REVENUE BONDS**  
**PROJECTED DEBT SERVICE COVERAGE THROUGH 2029-31 BIENNIUM (\$ IN MILLIONS)<sup>(1)</sup>**

	<b>2023-25 Biennium</b>		<b>2025-27 Biennium</b>		<b>2027-29 Biennium</b>		<b>2029-31 Biennium</b>	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Video Lottery Earnings <sup>(2)(4)</sup>	\$783.5	\$814.4	\$854.6	\$885.5	\$939.2	\$970.6	\$1,004.9	\$1,040.1
Traditional Lottery Earnings <sup>(2)</sup>	99.1	78.4	78.5	77.8	79.2	78.3	78.2	78.1
Sports Betting Lottery Earnings <sup>(2)</sup>	26.8	25.9	29.2	30.9	31.7	32.4	33.1	33.8
Unclaimed Prizes <sup>(3)</sup>	7.5	8.0	6.7	6.8	6.8	7.0	7.0	7.1
<b>Unobligated Net Lottery Proceeds <sup>(5)</sup></b>	<b>\$916.9</b>	<b>\$926.7</b>	<b>\$969.0</b>	<b>\$1,000.9</b>	<b>\$1,057.0</b>	<b>\$1,088.3</b>	<b>\$1,123.3</b>	<b>\$1,159.0</b>
<b>Debt Service</b>								
Debt Service on Outstanding Bonds <sup>(6)</sup>	\$166.2	\$166.4	\$164.9	\$158.1	\$139.7	\$126.6	\$112.5	\$103.0
Estimated Debt Service on 2024 Bonds	-	13.1	13.0	13.0	13.0	13.0	13.0	13.0
<b>Total Debt Service</b>	<b>\$166.2</b>	<b>\$179.5</b>	<b>\$177.9</b>	<b>\$171.1</b>	<b>\$152.7</b>	<b>\$139.6</b>	<b>\$125.5</b>	<b>\$116.0</b>
<b>Projected Aggregate Debt Service Coverage <sup>(7)</sup></b>	<b>5.5x</b>	<b>5.2x</b>	<b>5.4x</b>	<b>5.9x</b>	<b>6.9x</b>	<b>7.8x</b>	<b>8.9x</b>	<b>10.0x</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Totals may not foot due to rounding. This table is presented on a cash basis method of accounting. Except for the 2024 Bonds, any future issuance of new money Lottery Bonds is not included in the projections above. See discussion under the heading “RECENT DEVELOPMENTS – 2023-25 Biennial Budget Process” for discussion of future issuance of Lottery Bonds in the 2023-25 Biennium.

<sup>(2)</sup> Earnings are projected by the Office of Economic Analysis and represent an estimate of the net lottery revenues expected to be transferred to the Economic Development Fund after payment of prizes and other expenses of the Oregon State Lottery, including any amount expected to be retained in the contingency reserve. See “THE OREGON STATE LOTTERY—Lottery Expenses—Statutory Contingency Reserve.”

<sup>(3)</sup> Unclaimed prizes are transferred to the Economic Development Fund and are included in Unobligated Net Lottery Proceeds.

<sup>(4)</sup> Video lottery earnings for FY24 include \$9.2 million of net revenues that were transferred to the Economic Development Fund, which were in addition to the earnings that were expected to be transferred to the Economic Development Fund in FY24.

<sup>(5)</sup> Once credited to the Bond Fund under the Master Indenture, Unobligated Net Lottery Proceeds constitute Pledged Revenues under the Indenture. See “SOURCES OF PAYMENT AND SECURITY.” Projections of Unobligated Net Lottery Proceeds, as the primary component of Pledged Revenues, are presented in the table above on a cash basis of accounting. These amounts differ from those set forth in the table “Historical Unobligated Net Lottery Proceeds Revenues and Debt Service Coverage” because those amounts are actual, not estimated, and are presented on an accrual basis of accounting.

<sup>(6)</sup> Debt service on Outstanding Lottery Bonds includes all debt service paid in fiscal year 2024.

<sup>(7)</sup> Amounts are rounded to one decimal point. See “SOURCES OF PAYMENT AND SECURITY—Additional Bonds” and APPENDIX C—“SUMMARY OF THE MASTER INDENTURE—Definitions—Maximum Annual Debt Service” and “—Additional Bonds.”

Source: Department of Administrative Services.

## Annual Debt Service on the Lottery Revenue Bonds

The following table sets forth the annual debt service requirements for the Outstanding Lottery Bonds and for the 2024 Bonds.

**TABLE 7\***  
**DEBT SERVICE REQUIREMENTS**  
**OUTSTANDING OREGON STATE LOTTERY REVENUE BONDS**  
**(as of April 1, 2024)**

Fiscal Year Ending June 30	Outstanding Lottery Bonds <sup>(1)</sup>			2024 Bonds			Total Lottery Bond Debt Service
	Principal	Interest	Bond Debt Service	Principal	Interest	Bond Debt Service	
2025	\$ 113,610,000	\$ 52,828,971	\$ 166,438,971				
2026	116,835,000	48,086,518	164,921,518				
2027	114,910,000	43,150,744	158,060,744				
2028	101,375,000	38,332,630	139,707,630				
2029	92,435,000	34,123,224	126,558,224				
2030	82,445,000	30,087,308	112,532,308				
2031	76,440,000	26,524,585	102,964,585				
2032	60,575,000	23,242,157	83,817,157				
2033	61,355,000	20,748,729	82,103,729				
2034	51,320,000	18,142,098	69,462,098				
2035	50,550,000	15,696,500	66,246,500				
2036	43,745,000	13,169,000	56,914,000				
2037	45,930,000	10,981,750	56,911,750				
2038	35,365,000	8,685,250	44,050,250				
2039	37,135,000	6,917,000	44,052,000				
2040	26,860,000	5,060,250	31,920,250				
2041	28,195,000	3,717,250	31,912,250				
2042	29,610,000	2,307,500	31,917,500				
2043	16,540,000	827,000	17,367,000				
Totals <sup>(2)</sup>	<b>\$1,185,230,000</b>	<b>\$402,628,462</b>	<b>\$1,587,858,462</b>				

\* Preliminary, subject to change.

<sup>(1)</sup> Outstanding Lottery Bonds includes debt service on all Lottery Revenue Bonds outstanding April 1, 2024 including the Refunded Bonds and Purchased Bonds.

<sup>(2)</sup> Totals may not foot due to rounding.

Source: Department of Administrative Services.



## RECENT DEVELOPMENTS

### 2023-25 Biennium Budgetary Actions

*2023 Legislative Session.* During the 2023 Legislative Session, the Legislative Assembly adopted a balanced budget for the 2023-25 Biennium (the “Legislatively Adopted Budget” or “LAB”) as required by the State Constitution. The LAB was based on the projected revenues from the State Economic and Revenue Forecast that was released on May 17, 2023 and revenue changes enacted during the 2023 Legislative Session. The Legislatively Adopted Budget, as adjusted by subsequent actions of the Legislative Assembly, is referred to as the “Legislatively Approved Budget.”

The LAB for the 2023-25 Biennium provides for budgeted expenditures of \$31.874 billion from the General Fund and \$1.617 billion in Lottery Funds. The combined General Fund and Lottery Funds adopted budget for the 2023-25 Biennium has increased 17.2% from the 2021-23 Legislatively Approved Budget.

Combined General Fund and Lottery Fund expenditures in the LAB are primarily divided among the major program areas described below.

**TABLE 8**  
**2023-25 LEGISLATIVELY APPROVED BUDGET<sup>(1)</sup>**

Amount	Program Area
\$13.776 billion	Education, including: \$9.457 billion for the K-12 State School Fund \$3.113 billion for Higher Education \$1.207 billion for other education programs
\$11.274 billion	Human Services
\$ 3.459 billion	Public Safety
\$ 1.283 billion	Judicial
\$ 0.926 billion	Natural Resources
\$ 0.492 billion	Administration
\$ 2.281 billion	All Other Program Areas
<u>\$33.491 billion</u>	Total

Note: Totals may not add due to rounding.

(1) Combined General Fund and Lottery Funds; excludes Other Funds and Federal Funds.

Source: State of Oregon, Chief Financial Office.

### Recent Actions of the Legislative Assembly: Economic Preparedness; Critical Investments

The State, acting through its Legislative Assembly, has taken actions over the last three years in connection with allocating funds to respond to challenges of the COVID-19 pandemic and to otherwise prepare for periods of economic uncertainty. This discussion below summarizes some of those actions. See also APPENDIX A—“GENERAL INFORMATION RELATING TO THE STATE OF OREGON—REVENUES” for additional discussion of the State’s management of its two budgetary reserve funds and its receipt and allocation of Federal Funds.

*Critical Funding Investments.* During the 2022 Regular Legislative Session, the Legislative Assembly was able to make funding investments in several critical areas of concern because of strong revenue trends. The Legislative Assembly authorized approximately \$700 million in General Fund moneys and approximately \$300 million in federal moneys through the American Rescue Plan Act (“ARPA”) to pay for homelessness services, building affordable housing, helping low-income Oregonians purchase

homes, job training and education, economic impact payments, summer learning programs, investments in rural communities and expansion of broadband internet availability across the State.

The ARPA funding provided to the State has been fully allocated to state agencies by the Legislative Assembly, and as of December 31, 2023, approximately 74% has been expended. Because the majority of ARPA funds were allocated to revenue replacement and one-time or short-term investments, the State does not expect to use State funding to backfill funding for new investments once the ARPA funding is spent.

*2023 Regular Legislative Session.* During the 2023 Regular Legislative Session, the Legislative Assembly made funding investments in housing, homelessness, behavioral health, economy and education, including:

- \$150 million in General Fund resources to provide resources for homelessness prevention services, addressing unsheltered homelessness in specified areas and for services and assistance to youth experiencing homelessness;
- \$316 million to continue funding to rehouse households, prevent homelessness, and provide ongoing support for newly added shelter beds;
- \$37 million in General Fund resources and \$4 million in other funds in efforts associated with increasing housing production in Oregon;
- Establishment of the 9-8-8 Suicide Prevention & Behavioral Health Crisis Line Trust Fund and implementation of a \$0.40 per month telecommunications tax to help pay for the services and expanded behavioral health care services related to substance abuse disorders;
- Increasing the State School Fund from \$9.3 billion to \$10.2 billion from the 2021-23 Biennium to 2023-25 Biennium;
- \$95 million in grant funding for early literacy programs;
- \$100 million increase in support for Oregon Opportunity Grants for financial aid for low-income college students;
- \$190 million to establish the Oregon CHIPS Fund for grants and loans to businesses applying for federal semiconductor manufacturing assistance funds through the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act and \$50 million set aside in a special purpose appropriation for CHIPS related investments in the 2023-25 Biennium.

*2024 Regular Legislative Session.* During the 2024 Regular Legislative Session, the Legislative Assembly made approximately \$1 billion in investments in housing stability and production, drug addiction services and behavioral health. Some of the investments include:

- \$376.3 million in General Fund resources to provide shelter services, homelessness prevention, development and production of new housing. This includes establishing a Housing Production and Accountability Office and providing grant funding to address barriers to housing production, providing \$89 million for shovel ready infrastructure projects to support capacity or development of housing, allocating \$75 million for new housing or commercial-to-residential conversions, and allocating \$117 million for shelter

operations, homelessness prevention, and providing housing for those recovering from substance use disorders;

- \$211.0 million in General Fund resources for the recriminalization of possession of a controlled substance, establishment of deflection programs to be operated by local governments, and enhancements for behavioral health programs. This includes \$85.4 million to increase Behavioral Health facility capacity, investments in the criminal justice system including specialty courts, community-based treatment access, creation of the Oregon Behavioral Health Deflection Program and Jail Re-entry Pilot Program, Public Defense system and community corrections. It also includes increased funding for Behavioral Health Workforce Training and the Community Mental Health Program for community restoration services and deflection programs; and
- \$50 million in General Fund resources were allocated from the special purpose appropriation to the Oregon CHIPS Fund, which was established in SB 4 during the 2023 Legislative Session.

### **Revenue and Economic Information as of March 2024 Forecast**

*Revenue Forecast.* In the March 2024 Forecast, the OEA projects General Fund revenues to be \$25.9 billion for the 2023-25 Biennium. This represents an increase of \$76 million from the State Economic and Revenue Forecast released on November 15, 2023, as corrected on November 20, 2023 (the “December 2023 Forecast”). The lottery revenues are estimated to be \$1.8 billion, \$7.1 million less than was projected in the December 2023 Forecast and a 0.57% increase above lottery revenues projected in the Forecast as of the close of the 2023 Regular Legislative Session. The combined General Fund and Lottery Fund revenues are projected to be \$27.7 billion in the 2023-25 Biennium.

According to the March 2024 Forecast, tax revenues are 0.5% higher than the revenue forecast as of the close of the 2023 Regular Legislative Session, which would not trigger a personal income tax kicker or a corporate income tax kicker for the 2025-27 Biennium. Under the Oregon Constitution, the corporate income tax kicker is allocated to K-12 public education spending. See APPENDIX A—“GENERAL INFORMATION RELATING TO THE STATE OF OREGON—REVENUES—General Fund Revenues—Return of General Fund Revenue to Personal Income Taxpayers (2% Surplus Kicker).”

*Corporate Activity Tax.* The State’s Corporate Activity Tax (“CAT”), (Oregon Laws 2019, Chapter 122), took effect in calendar year 2020. The CAT taxes certain commercial activity and designates the revenues to be used for funding prekindergarten through grade 12 education and early learning programs. Revenues from the CAT will flow to the Student Success Fund, which is not part of the State’s General Fund and as such is not subject to the kicker. The March 2024 Forecast estimates CAT revenues, net of administrative costs, to be \$2.8 billion for the 2023-25 Biennium and \$3.2 billion for the 2025-27 Biennium.

*Oregon Economic Projections.* According to the March 2024 Forecast released on February 7, 2024, inflation has begun to slow and is currently at or near the Federal Reserve’s target. The Federal Reserve is indicating that they are likely to cut interest rates sometime this year. Oregon’s productivity gains are currently outpacing the nation and is set to increase faster in the next decade due to the start-up boom, increased federal investment, and potential of generative AI. While Oregon’s overall economic outlook remains positive, there is still a risk of recession in the future, although OEA expects the most likely recession scenario is for a moderate sized downturn.

The labor market is expected to remain tight, given the strong demand for workers and continuing retirements. Employment levels have returned to pre-pandemic levels and remain stable. The OEA projects employment growth of 0.5 percent in calendar year 2024, followed by 0.7 percent growth in calendar year 2025. The ongoing strength and continued growth of the labor market also helps push the likelihood for a recession further into the future.

## LITIGATION

### **No Litigation Challenging the Bonds**

To the knowledge of the officers of the State charged with issuing the 2024 Bonds, no litigation is pending or threatened against the State in any court or other tribunal of competent jurisdiction, state or federal, that has a reasonable probability of success in any way (1) restraining or enjoining the issuance, sale or delivery of the 2024 Bonds, (2) questioning or affecting the validity of the 2024 Bonds or (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the 2024 Bonds.

### **Claims Against the Lottery Exceeding \$100 Million**

There is no pending or threatened litigation, claim or assessment against the Lottery where the effect to the financial status of the Lottery might exceed \$100 million individually or in the aggregate.

### **Pending or Threatened Litigation Against the State**

Members of the public and advocacy groups from time to time assert that they intend to file a legal action against the State challenging certain programs, laws or actions that the State or its officers or agencies have taken. Because the State cannot be certain as to whether such actions will actually be filed, the legal assertions that may be made in a potential action or the remedy sought in terms of the amount of damages or performance requested of the State, the State includes as threatened litigation only situations in which the State is engaged in active settlement negotiations with a person or advocacy group in order to pre-empt filing of a lawsuit.

The State discloses only pending or threatened litigation which the State has determined may have a materially adverse effect on the State's financial position in relation to the obligations offered for sale; for the Bonds, the current level of materiality involves litigation where the damages or performance sought has a reasonable probability of imposing liability of \$200 million or more against the State's General Fund.

### **Claims Against the State of Oregon Exceeding \$200 Million**

#### *Potential Superfund Site Liability*

In 2000, the U.S. Environmental Protection Agency ("EPA") listed an approximately 10-mile stretch of the lower Willamette River area ("Site") as a superfund site under the federal Superfund law ("CERCLA"). EPA has identified over 100 parties as potentially responsible under CERCLA for costs related to investigation and cleanup of hazardous substances at the Site, including the State of Oregon, acting by and through the Department of Transportation ("ODOT") and Department of State Lands ("DSL"). EPA alleges the release of hazardous substances in storm water draining into Portland Harbor from property owned, leased, or operated by ODOT and DSL and from third-party activities on submerged and submersible leased lands owned by the State in trust for the public and managed by DSL within the Site. Under CERCLA, responsible parties can be held jointly and severally liable for all costs, subject to certain defenses.

In 2017, EPA issued its final cleanup plan for the Site called the “Record of Decision” (“ROD”). The ROD requires active remediation (through dredging, capping, enhanced natural recovery, and monitored natural recovery) of nearly 400 acres of contaminated sediments and over 20,000 lineal feet of riverbank. EPA’s initial estimate for full performance of the remedy was \$1.05 billion and 13 years; other parties estimate that it is a \$3 billion remedy that will take 20 years to complete. Liable parties under CERCLA are responsible for funding this remedial action, as well as preliminary actions such as additional investigations, remedial design, and agency oversight. EPA has asked potentially responsible parties (“PRPs”) to step forward to perform components of the ROD or risk an enforcement action. Numerous parties, including DSL and ODOT, have entered into Administrative Settlements and Orders on Consent with EPA to perform pre-remedial design and related work.

A group of Portland Harbor PRPs are engaged in a confidential, non-binding private mediation process to achieve an allocation of responsibility for the costs of implementing the ROD within the Site among the responsible parties. If successful, the process will culminate in the parties developing a comprehensive settlement proposal to EPA based on the allocation. If accepted by EPA, the settlement will be memorialized in a judicial Consent Decree filed in the Oregon federal district court. The State is participating in this non-judicial allocation by and through DSL and ODOT. It is not possible to predict the relative share of cleanup costs that will be assigned to each agency through this confidential mediation or, should it fail, through litigation. It is also too early to predict when the mediation will conclude or whether it will result in a durable comprehensive settlement with EPA.

Separately, the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies and the State, acting through its trustee, the Oregon Department of Fish and Wildlife, are asserting a CERCLA claim for natural resource damages (“NRD”) against all Portland Harbor PRPs, including ODOT and DSL. The trustees have initiated a cooperative injury assessment process funded by thirty parties, the goal of which is to reach settlements of the NRD claim based on readily available information. The State is seeking a settlement of its NRD liabilities through this process.

The State has pursued claims for insurance coverage of its Portland Harbor defense costs and expects to make additional insurance claims in the future for its eventual liabilities for cleanup costs and NRD. These claims are based on commercial general liability insurance policies that the State held between 1968 and 1972 and on insurance policies that listed DSL and ODOT as additional insureds. The State has executed a settlement agreement with several of its insurers regarding their obligation to pay for most of the State’s defense costs through 2024, but the insurers have reserved their rights to deny indemnity coverage.

## **Pro Se Cases**

There are also several pro se cases pending against the State in which plaintiffs representing themselves are suing the State for many millions of dollars. The possibility of the State having to pay anything in any of these cases is negligible.

## **Initiatives, Referendum and Referrals**

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State (1) the initiative power to amend the Oregon Constitution or to enact state legislation by placing measures on the statewide general election ballot for consideration by the voters and (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session. The Legislative Assembly may also refer an act to the voters for approval or rejection. See APPENDIX A—“GENERAL INFORMATION RELATING TO THE STATE

OF OREGON—INITIATIVE PETITIONS, LEGISLATIVE REFERRALS AND REFERENDUM PETITIONS” for additional information on the election requirements for these actions.

## TAX MATTERS

### 2024 Tax-Exempt Bonds

#### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2024 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2024 Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2024 Tax-Exempt Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the State in connection with the 2024 Tax-Exempt Bonds, and Bond Counsel has assumed compliance by the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2024 Tax-Exempt Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the State, under existing statutes, interest on the 2024 Tax-Exempt Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the 2024 Tax-Exempt Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2024 Tax-Exempt Bonds.

#### Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2024 Tax-Exempt Bonds in order that interest on the 2024 Tax-Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2024 Tax-Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2024 Tax-Exempt Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The State has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2024 Tax-Exempt Bonds from gross income under Section 103 of the Code.

### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2024 Tax-Exempt Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2024 Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2024 Tax-Exempt Bonds.

Prospective owners of the 2024 Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2024 Tax-Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2024 Tax-Exempt Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2024 Tax-Exempt Bonds. In general, the issue price for each maturity of 2024 Tax-Exempt Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2024 Tax-Exempt Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2024 Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2024 Tax-Exempt Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### Bond Premium

In general, if an owner acquires a 2024 Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2024 Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is

unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2024 Tax-Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

#### Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2024 Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2024 Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2024 Tax-Exempt Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

#### Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2024 Tax-Exempt Bonds under federal or state law or otherwise prevent beneficial owners of the 2024 Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2024 Tax-Exempt Bonds.

Prospective purchasers of the 2024 Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.



## 2024 Series B Bonds

### Opinion of Bond Counsel

In the opinion of Bond Counsel to the State, interest on the 2024 Series B Bonds (i) is included in gross income for federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of Oregon.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of 2024 Series B Bonds by original purchasers of the 2024 Series B Bonds who are “U.S. Holders,” as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the 2024 Series B Bonds will be held as “capital assets;” and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2024 Series B Bonds as a position in a “hedge” or “straddle,” U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire 2024 Series B Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements and file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the 2024 Series B Bonds at the time that such income, gain or loss is set forth on such financial statements instead of under the rules described below. In addition, interest on the 2024 Series B Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

U.S. Holders of 2024 Series B Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2024 Series B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

### Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined de minimis amount, a U.S. Holder 2024 Series B Bond having a maturity of more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such U.S. Holder holds such 2024 Series B Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the U.S. Holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price.” For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the 2024 Series B Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest,” provided by such 2024 Series B Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “de minimis amount” is an amount equal to 0.25 percent of the 2024 Series B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a 2024 Series B Bond using the constant-yield method, subject to certain modifications.

### Acquisition Discount on Short-Term Taxable Bonds

Each U.S. Holder of a 2024 Series B Bond with a maturity not longer than one year (a “Short-Term Taxable Bond”) is subject to rules of Sections 1281 through 1283 of the Code, if such U.S. Holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Bond at maturity over the holder’s tax basis therefor.

A U.S. Holder of a Short-Term Taxable Bond not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the U.S. Holder’s regular method of tax accounting, unless such U.S. Holder irrevocably elects to accrue acquisition discount currently.

### Bond Premium

In general, if a 2024 Series B Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2024 Series B Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to the U.S. Holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

### Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2024 Series B Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the 2024 Series B Bond.

Pursuant to the Master Indenture, the State may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2024 Series B Bonds to be deemed to be no longer outstanding (a “defeasance”). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2024 Series B Bonds subsequent to any such defeasance could also be affected.

### Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate U.S. Holders of the 2024 Series B Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a 2024 Series B Bond and the proceeds of the sale of a 2024 Series B Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of 2024 Series B Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

### U.S. Holders

The term "U.S. Holder" means a beneficial owner of a 2024 Series B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

### Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2024 Series B Bonds and under Oregon state law and could affect the market price or marketability of the 2024 Series B Bonds.

Prospective purchasers of the 2024 Series B Bonds should consult their own tax advisors regarding the foregoing matters.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain restrictions on employee pension and welfare benefit plans subject to ERISA ("ERISA Plans") regarding prohibited transactions, and also imposes certain obligations on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 of the Code imposes similar prohibited transaction restrictions on certain plans, including (i) tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code and which are not governmental or church plans as defined herein ("Qualified Retirement Plans"), and (ii) individual retirement accounts ("IRAs") described in Section 408(b) of the Code (the foregoing in clauses (i) and (ii), "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements or Section 4975 of the Code, but may be subject to requirements or prohibitions under applicable federal, state, local, non-U.S. or other laws or regulations that are, to a material extent, similar to the requirements of ERISA and Section 4975 of the Code ("Similar Law").

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, ERISA Plans are subject to prohibited transaction restrictions imposed by Section 406 of ERISA. ERISA Plans and Tax-Favored Plans are also subject to prohibited transaction restrictions imposed by Section 4975 of the Code. These rules generally prohibit a broad range of

transactions between (i) ERISA Plans, Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and (ii) persons who have certain specified relationships to the Benefit Plans (such persons are referred to as “Parties in Interest” or “Disqualified Persons”), in each case unless a statutory, regulatory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by those definitions, they include most notably: (1) a fiduciary with respect to a Benefit Plan; (2) a person providing services to a Benefit Plan; (3) an employer or employee organization any of whose employees or members are covered by a Benefit Plan; and (4) an owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a non-exempt prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory, regulatory or administrative exemption is available. Without an exemption, an owner of an IRA may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the 2024 Series B Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the State were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor at 29 C.F.R. section 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Assets Regulation”), the assets of the State would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code if the Benefit Plan acquires an “equity interest” in the State and none of the exceptions contained in the Plan Assets Regulation are applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there can be no assurances in this regard, it appears that the 2024 Series B Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation and accordingly the assets of the State should not be treated as the assets of Benefit Plans investing in the 2024 Series B Bonds. The debt treatment of the 2024 Series B Bonds for ERISA purposes could change subsequent to issuance of the 2024 Series B Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the 2024 Series B Bonds or a characterization of the 2024 Series B Bonds as other than indebtedness under applicable local law, the subsequent purchase of the 2024 Series B Bonds or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the 2024 Series B Bonds are treated as an equity interest for such purposes, the acquisition or holding of 2024 Series B Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the State or the Fiscal Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. The fiduciary of a Benefit Plan that proposes to purchase and hold any 2024 Series B Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest or a Disqualified Person, (ii) the sale or exchange of any property between a Benefit Plan and a Party in Interest or a Disqualified Person, or (iii) the transfer to, or use by or for the benefit of, a Party in Interest or a Disqualified Person, of any Benefit Plan assets.

Certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. These are commonly referred to as prohibited transaction class exemptions or “PTCEs”. Included among these exemptions are:

PTCE 75-1, which exempts certain transactions between a Benefit Plan and certain brokers-dealers, reporting dealers and banks;

PTCE 96-23, which exempts transactions effected at the sole discretion of an “in-house asset manager”;

PTCE 90-1, which exempts certain investments by an insurance company pooled separate account;

PTCE 95-60, which exempts certain investments effected on behalf of an “insurance company general account”;

PTCE 91-38, which exempts certain investments by bank collective investment funds; and

PTCE 84-14, which exempts certain transactions effected at the sole discretion of a “qualified professional asset manager.”

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code, commonly referred to as the “Service Provider Exemption”. The Service Provider Exemption covers transactions involving “adequate consideration” between Benefit Plans and persons who are Parties in Interest or Disqualified Persons solely by reason of providing services to such Benefit Plans or who are persons affiliated with such service providers, provided generally that such persons are not fiduciaries with respect to “plan assets” of any Benefit Plan involved in the transaction and that certain other conditions are satisfied.

The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the Benefit Plan’s fiduciary must consider in determining whether such exemptions apply. There can be no assurance that all the conditions of any such exemptions will be satisfied at the time that the 2024 Series B Bonds are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change, or that the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions. Therefore, a Benefit Plan fiduciary considering an investment in the Bond should consult with its counsel prior to making such purchase.

By its acceptance of a Bond (or an interest therein), each purchaser and transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) will be deemed to have represented and warranted that either (i) no “plan assets” of any Benefit Plan or a plan subject to Similar Law have been used to purchase such Bond or (ii) the purchase and holding of such 2024 Series B Bonds are exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory, regulatory or administrative exemption and will not violate Similar Law. A purchaser or transferee who acquires 2024 Series B Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

None of the State, Fiscal Agent, or Underwriters is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the 2024 Series B Bonds by any Benefit Plan.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that any Benefit Plan fiduciary or other person considering whether to purchase 2024 Series B Bonds on behalf of a Benefit Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any exemption. In addition, persons responsible for considering the purchase of 2024 Series B Bonds by a governmental plan, non-electing church plan or non-U.S. plan should consult with their counsel regarding the applicability of any Similar Law to such an investment.

## CERTAIN LEGAL MATTERS

Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, will render its opinions with respect to the authorization, validity and enforceability of the 2024 Bonds in substantially the forms set forth in Appendix D. Hawkins Delafield & Wood LLP occasionally represents underwriters in connection with certain other State bond matters. In connection with the 2024 Bonds, certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Portland, Oregon, and for the State by the Oregon Department of Justice, Salem, Oregon. Orrick, Herrington & Sutcliffe LLP, who represents the Underwriters in connection with the 2024 Bonds, represents the State in certain bond, disclosure and other matters.

## UNDERWRITING

The 2024 Bonds are being purchased by Goldman, Jefferies, Loop Capital Markets LLC, American Veterans Group PBC, Mesirov Financial, Inc., Raymond James & Associates, Inc., UMB Bank, N.A. and U.S. Bancorp Investments, Inc. (collectively, the “Underwriters”).

The purchase agreement relating to the 2024 Bonds (the “2024 Purchase Agreement”) provides that the Underwriters will purchase all of the 2024 Bonds, if they are purchased. The purchase price of the 2024 Bonds is \$[\_\_\_\_], representing the aggregate principal amount of the 2024 Bonds (\$[\_\_\_\_]), plus original issue premium of \$[\_\_\_\_] and less Underwriters’ discount of \$[\_\_\_\_]. The obligation to make such purchase is subject to certain terms and conditions set forth in the 2024 Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2024 Bonds to the public. The Underwriters may offer and sell the 2024 Bonds to certain dealers (including dealers depositing the 2024 Bonds to investment trusts) and others at prices lower than the initial public offering prices indicated on the inside cover page hereof. The Underwriters may change the public offering prices from time to time without prior notice.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Underwriters/Related Parties**

Jefferies and Goldman are also acting as Dealer Managers in connection with the Tender Offer. The Purchased Bonds were tendered to the State under the terms of the Invitation with the assistance of the Dealer Managers, in their capacity as Dealer Managers for the Tender Offer, and not as Underwriters of the Bonds. The State has agreed to pay the Dealer Managers a customary fee for their services and to reimburse the Dealer Managers for their reasonable expenses relating to such tender offer from proceeds of the 2024 Bonds.

American Veterans Group, PBC (“AVG”), an Underwriter of the 2024 Bonds, has entered into a negotiated dealer agreement (“Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”), for the retail distribution of certain fixed income securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase the 2024 Bonds from AVG at the original issue price less a negotiated portion of selling concession applicable to any 2024 Bonds that such firm sells.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the 2024 Bonds and U.S. Bank Trust Company, National Association, which is serving as Trustee.

## **RATINGS**

Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P”) and Kroll Bond Rating Agency, LLC (“KBRA”) have assigned municipal bond ratings of “Aa2”, “AAA,” and “AAA,” respectively, to the 2024 Bonds.

Any explanation of the significance of ratings should be obtained directly from the agencies. There is no assurance that any rating will not be subsequently revised or withdrawn entirely if, in the judgment of the assigning agency, circumstances so warrant. The State has undertaken to provide timely notice of any change in such ratings. See “CONTINUING DISCLOSURE.”

## **MUNICIPAL ADVISOR**

The State has retained PFM Financial Advisors LLC (the “Municipal Advisor”) as the municipal advisor in connection with the preparation of this Official Statement and with respect to the issuance of the 2024 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## **CONTINUING DISCLOSURE**

The State, acting by and through the State Treasurer and the Department, will undertake in a Continuing Disclosure Certificate for the benefit of registered and beneficial Owners of the 2024 Bonds to provide to the Municipal Securities Rulemaking Board, on an annual basis on or before nine months after the end of each fiscal year, commencing with the fiscal year ending June 30, 2024, certain specified financial information and operating data. In addition, the State and the Department will undertake for the benefit of registered and beneficial Owners of the 2024 Bonds to provide to the Municipal Securities Rulemaking Board in a timely manner notices of certain material events. This undertaking is to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission. The proposed form of Continuing Disclosure Certificate is contained in Appendix E.

### **Prior Continuing Disclosure Compliance**

The State did not file certain of its annual reports, annual financial and operating information and material event notices by individual nine-digit CUSIP numbers with respect to certain bonds issued by the State. The State has subsequently taken action to correct such filings and on all future filings will file by six-digit CUSIP numbers to ensure that individual nine-digit CUSIP numbers of non-refunded bonds or other nine-digit CUSIP bonds are not inadvertently excluded in future filings.

The filing of required annual financial and operating information as part of the State's outstanding continuing disclosure obligations have been of the same type of information identified in the applicable continuing disclosure undertakings. Additionally, the information contained in the filings made by the State, has not always been presented in the same format referenced in the related undertakings, and the format of information of the type to be filed by the State may vary in the future.

### **MISCELLANEOUS**

References are made herein to certain documents and reports of which brief summaries are contained herein, which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2024 Bonds.



This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used in whole or in part, for any other purpose.

---

Kate Nass  
Chief Financial Officer  
Department of Administrative Services

By Order of  
Tobias Read  
Oregon State Treasurer

---

Jaime Alvarez  
Director, Debt Management Division

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX A**

**GENERAL INFORMATION RELATING TO  
THE STATE OF OREGON**

As of April 2, 2024

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTION .....	1
THE STATE OF OREGON GOVERNMENTAL ORGANIZATION .....	2
The Legislative Branch .....	2
The Executive Branch.....	3
The Judicial Branch .....	3
Services Provided by State Government.....	4
Employee Relations .....	4
ECONOMIC AND DEMOGRAPHIC INFORMATION .....	5
Historical Perspective .....	5
Employment.....	5
Oregon Gross Domestic Product .....	7
Income .....	8
Population .....	9
STATE FINANCIAL OPERATIONS.....	9
Budgetary Process.....	9
Component Units .....	10
Revenue Forecasting.....	10
Accounting Practices .....	11
Audits .....	11
Disbursements and Allotments .....	12
Fiscal Checks and Balances .....	12
Loss Management.....	13
Emergency Powers .....	13
REVENUES.....	13
General Fund Revenues .....	14
Lottery Funds .....	15
Reserve Funds.....	16
Other Funds Revenues .....	17
Federal Funds.....	19
OREGON FINANCIAL INFORMATION .....	19
STATE OF OREGON INVESTMENT POLICIES .....	26
INITIATIVE PETITIONS, LEGISLATIVE REFERRALS AND REFERENDUM PETITIONS .....	28
Initiative Petitions .....	28
Legislative Referrals and Referendum Petitions.....	29
PENSION AND POST EMPLOYMENT BENEFITS.....	30
System Pension Programs.....	30

State of Oregon Active PERS Members .....	34
Changes in Financial Reporting for Pension Plans .....	37
Total and Net Pension (Asset)/Liability.....	38
Other Post-Employment Benefits (“OPEB”).....	40
Net OPEB (Asset)/Liability .....	41
DEBT AUTHORITY AND BOND ISSUANCE .....	46
Administration .....	46
Capital Needs and Budget Process .....	46
Authorization .....	46
General Obligation Bonds.....	47
Tax Anticipation Notes .....	48
Appropriation Credits .....	48
Direct Revenue Bonds .....	48
Conduit Revenue Bonds .....	48
CERTAIN BOND HOLDER CONSIDERATIONS .....	54
Public Health Emergencies or Crises.....	54
Natural Disasters and Other Public Emergencies .....	54
Climate Change.....	55
Cyber and Data Security .....	55

## TABLES

	<u>Page</u>
TABLE 1 Annual Unemployment Rates Oregon And United States .....	5
TABLE 2 Composition of Annual Average Non-Farm Employment Oregon and the United States .....	6
TABLE 3 Oregon Gross Domestic Product.....	7
TABLE 4 Personal Income .....	8
TABLE 5 Per Capita Income .....	8
TABLE 6 Population Change Oregon and United States, 1990 – 2020 .....	9
TABLE 7 Education Stability and Rainy Day Funds .....	17
TABLE 8 State of Oregon General Fund Revenue Statement.....	20
TABLE 9 State of Oregon Actual General Fund Revenues Compared with Legislatively Adopted Budget Estimates .....	21
TABLE 10 Lottery Resources and Allocation of Resources .....	22
TABLE 11 State of Oregon Other Funds and Lottery Distributions by Revenue Source .....	23
TABLE 12 Summary of Expenditures by Program Area by Fund .....	25
TABLE 13 Public Employees’ Retirement System Actuarial Assumptions and Methods.....	31
TABLE 14 Public Employees’ Retirement System – Systemwide Pension Historical Actuarial Funded Ratios .....	32
TABLE 15 Oregon Public Employees Retirement Fund Investment Returns.....	33
TABLE 16 Active State PERS Members .....	34
TABLE 17 State of Oregon - Pension Historical Actuarial Funded Ratios .....	35
TABLE 18 State Contribution Rates .....	36
TABLE 19 State Contributions to PERS and PERS-Related Debt Service.....	37
TABLE 20 Public Employees’ Retirement System Historical Changes in Net Pension (Asset)/Liability .....	39
TABLE 21 Retirement Health Insurance Account (RHIA) Historical Actuarial Funded Ratios .....	40
TABLE 22A Retiree Health Insurance Premium Account (RHIPA) Historical Actuarial Funded Ratios .....	41
TABLE 22B Retirement Health Insurance Account (RHIA) Historical Changes In Net OPEB (Asset)/Liability .....	42
TABLE 22C Retiree Health Insurance Premium Account (RHIPA) Historical ChanGes In Net OPEB (Assets)/Liability .....	43
TABLE 22D Public Employees Benefit Board (PEBB) Historical Changes In Total OPEB Liability.....	45
TABLE 23 State of Oregon 2023-25 Biennium Obligation Issuance Limits .....	49
TABLE 24 State of Oregon Outstanding Long-Term Financial Obligations and Constitutional and Statutory Provisions .....	50
TABLE 25 State of Oregon General Obligation Debt Outstanding Summary .....	51
TABLE 26 State of Oregon Aggregate General Obligation Debt Service .....	52
TABLE 27 State of Oregon Aggregate Appropriation Credit Payment Schedule.....	53

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



## INTRODUCTION

Information presented in this “Appendix A – General Information Relating to the State of Oregon” contains information on the basic structure of the State’s governmental organization, economic and demographic information, finances, the budget process, revenues, expenditures and reserves, cash management, pension programs, outstanding indebtedness, and other information.

The State examines the economic, demographic and financial data (collectively, the “Economic Data”) presented in Appendix A and includes citations as to the source and “as of date” of the data presented. The State monitors the sources of the Economic Data presented and updates it in a timely manner when new data is available from the cited sources.

Certain information in Appendix A is derived from the quarterly economic and revenue forecast (the “Forecast”) that is prepared and provided by the Oregon Office of Economic Analysis pursuant to Oregon law (ORS 291.342). See “STATE FINANCIAL OPERATIONS—Revenue Forecasting” herein. Information derived from the Forecast and presented in Appendix A is updated by the State in a timely manner following the release of each Forecast.

As a result of ongoing updates to Appendix A described in the foregoing paragraphs, there may be variations in the information presented in this Appendix A as compared to prior Official Statements of the State.

The State issues bonds from time to time during the course of its fiscal year. Appendix A includes certain financial information related to outstanding indebtedness of the State, which is presented and updated annually as of the State’s fiscal year end (June 30). Material information related to the authority for, offering and sale of bonds is found in the forepart of each Official Statement. Material changes to information related to the State’s finances, including revenue and budgetary matters, not yet updated in Appendix A are provided in the forepart of each Official Statement.

The COVID-19 pandemic, declared a global pandemic in March 2020, is a significant event that had material impacts on the finances, operations and economy of the State. The introduction and mass distribution of vaccines reduced the immediate health threat of the virus in the State, but uncertainties remain. Significant fiscal support from the Federal government was provided to states and local governments to mitigate the financial, health delivery, education and government operation impact of COVID-19. Due to the dynamic nature of the virus and uncertainties relating to the potential emergence and severity of new variants, the State cannot predict what future actions may be taken by the State and federal governments in response to future outbreaks. Resurgence in the spread of COVID-19 and containment and mitigation efforts could have a material adverse effect on the revenues and operations of the State and on the national and global economies.

**Certain historic information about the State’s finances and operations, including information presented in this Appendix A, that reflects conditions prior to the declaration of the COVID-19 pandemic in March 2020 should be considered in light of the ongoing and unknown effects of the pandemic on the current and future finances, operations and economy of the State. See Tables 7 – 12 in this Appendix A for current and projected economic and financial information from the State Economic and Revenue Forecast (defined herein) released on February 7, 2024 (the “March 2024 Forecast”). Information from the March 2024 Forecast is based on current expectations and available information and is not intended as a representation of facts or guarantee of results.**

## **THE STATE OF OREGON GOVERNMENTAL ORGANIZATION**

The Oregon Constitution divides the powers of state government among the Legislative, Executive and Judicial branches.

### **The Legislative Branch**

Oregon has a bicameral Legislative Assembly consisting of the Senate with thirty members elected to serve four-year terms and the House of Representatives with sixty members elected to two-year terms.

The Legislative Assembly convenes its regular sessions in January of each odd-numbered year and abbreviated regular sessions in February of each even-numbered year. Regular sessions of the Legislative Assembly are limited to 160 days in odd-numbered years, and 35 days in even-numbered years. Sessions may be extended for five days at a time, by a two-thirds majority vote of both chambers of the Legislature. The Governor or a majority of each house may call special sessions of the Legislative Assembly to deal with emergencies.

Legislation that has been considered and passed out of both houses of the Legislative Assembly in identical form is sent to the Governor for action. The Governor has five weekdays to consider the enrolled bill if the Legislative Assembly is in session, and 30 weekdays to consider it if the Legislative Assembly has adjourned. If the Governor takes no action during those time periods, the bill becomes law automatically at the end of the period. If the Governor chooses to sign the bill or allows it to become law without signature, it will become effective on January 1 of the year after the passage of the bill or on the effective date specified in the bill. Bills, other than those regulating taxation or exemption, may contain a provision declaring an emergency and providing that the bill becomes effective upon passage or some other expedited date. The Governor may also decide to veto the entire bill, or the Governor may veto line items in appropriation bills and bills with emergency clauses. The Governor's veto may be overridden by a two-thirds vote of both legislative houses, in which case the bill or line item becomes effective as described.

The primary functions of the Legislative Assembly are to adopt a balanced budget for all State funds, as required by the Oregon Constitution and to enact general laws. Historically, the Legislative Assembly budgeted on a biennial basis because it convened biennially. However, the Oregon Constitution was amended in 2010 to provide for annual sessions. Therefore, the Legislative Assembly may adopt annual budgets for state agencies, rather than for the entire biennium, or may adopt biennial agency budgets that are adjusted in an interim legislative session. State law requires a financial report of state operations to be prepared at the end of each fiscal year. The State's fiscal year ends June 30.

The Oregon Constitution authorizes the Emergency Board ("E-Board"), a joint legislative committee, to meet between legislative sessions to address financial matters of the State arising in the interim period. The seventeen-member E-Board consists of the President of the Senate, Speaker of the House of Representatives, Co-Chairpersons of the Joint Ways and Means Committee, six other Senate members and seven other House members. The E-Board, which may schedule its own meetings, usually meets once every other month during the interim between regular sessions. If an emergency exists, the E-Board may allocate additional moneys to any state agency out of funds appropriated to the E-Board by the Legislative Assembly during its regular session. The E-Board may also provide moneys for an activity required by law for which the Legislative Assembly did not appropriate money, increase expenditure authority from dedicated or continuously appropriated funds, and approve funding for a new activity coming into existence at a time that would preclude submission of a budget to the Legislative Assembly.

## **The Executive Branch**

The chief executive power of the State is vested in the Governor. The Governor is elected to a four-year term and is limited to serving two terms in any twelve-year period. Tina Kotek was elected Governor at the November 2022 general election to serve a four-year term beginning at her inauguration on January 9, 2023, and ending December 31, 2026. The Governor proposes, plans, and recommends a budget for almost all of state government to the Legislative Assembly. The Governor also may call special sessions of the Legislative Assembly and appoint judges to vacant judicial positions. The Governor directly appoints the directors of most state agencies and many other state officials.

The Secretary of State is a statewide constitutionally elected officer designated as the auditor of public accounts in the State and as the State's chief elections officer. Shemia Fagan was elected Secretary of State at the November 2020 general election to serve a four-year term beginning on January 1, 2021, and ending December 31, 2024. On May 8, 2023, Shemia Fagan resigned, and on June 30, 2023, LaVonne Griffin-Valade was sworn in as the new Secretary of State. Griffin-Valade will serve the remaining term as Secretary of State through December 31, 2024. As auditor, the Secretary of State audits or reviews the accounts and financial affairs of state boards, commissions, departments and institutions. The Secretary of State also edits, codifies and publishes administrative rules, which supplement laws passed by the Legislative Assembly and prescribe the manner in which state agencies conduct business.

The Oregon State Treasurer (the "Treasurer") is also a statewide constitutionally elected officer. Tobias Read was re-elected Treasurer at the November 2020 general election to serve a four-year term beginning on January 1, 2021, and ending December 31, 2024. The Treasurer is responsible for all moneys paid into the State Treasury and administers the State's banking, cash flow, borrowing, investment operations and several savings programs for Oregonians. The Treasurer also chairs or serves on numerous state boards and commissions responsible for investing state funds and for setting borrowing policies for the State.

The Governor, the Secretary of State and the Treasurer comprise the State Land Board, established by the Oregon Constitution to manage the Common School Fund and certain lands dedicated at statehood for educational purposes. The valuation of the Common School Fund was approximately \$2.18 billion as of June 30, 2023. Its value fluctuates based on market conditions and the amount of withdrawals. The fund is managed as a perpetual trust fund with approximately two to five percent of its value distributed annually to the Oregon Department of Education for distribution to the State's K-12 public school districts.

In addition to the Offices of the Secretary of State and the Treasurer, the Executive Branch includes other offices administered by statewide elected officials. The State Attorney General manages the Department of Justice and the State's legal affairs. The Labor Commissioner manages the Bureau of Labor and Industries that oversees and enforces the State's labor and wage laws.

## **The Judicial Branch**

The Oregon Constitution establishes the Judicial Branch, which consists of the Supreme Court, Court of Appeals, Tax Court, and 36 Circuit Courts in 27 judicial districts. The Chief Justice of the Oregon Supreme Court administers the state court system and is the head of the Oregon Judicial Department. The Court of Appeals hears most of the civil and criminal appeals from the Circuit Courts and reviews most state administrative agency actions. The Circuit Courts are Oregon's trial courts of general jurisdiction. The Tax Court is a special one-judge court that has exclusive, statewide jurisdiction to hear only cases involving Oregon's tax laws. All Oregon judges are elected by popular vote. The Governor, however, may appoint judges to fill vacancies that occur.

## Services Provided by State Government

The Governor appoints the heads of and coordinates numerous state agencies that provide services through program areas that include: (1) Consumer and Business Services for protecting consumers and workers, promoting a positive business climate and regulation of various professions; (2) Economic and Community Development that aids businesses and people, including job creation, placement and retention services, business recruitment, community development and affordable housing; (3) Education from pre-kindergarten to post-secondary and life-long learning through community colleges and workforce development programs; (4) Human Services that relate to physical, mental and public health, self-sufficiency, child protective services and care for seniors and people with disabilities; (5) Natural Resources overseeing pollution control, land use, water quality and conservation, agriculture and food products, forests, watersheds and fisheries; (6) Public Safety that protects Oregon's people, property and natural resources through trained militia, law enforcement, prosecution and incarceration of juvenile and adult offenders; (7) Transportation; and (8) Administration that manages and provides policy direction and central services to other State agencies, such as data and networking infrastructure and procurement activities.

The State of Oregon maintains an open data website<sup>1</sup> for the purpose of promoting transparency in state government by providing open access to raw and finished data generated by the State. It includes budget and expenditure data, public meetings, performance measures, revenue data, and other categories of information. See Table 12 for a summary of expenditures by program area by fund.

## Employee Relations

As reported in the State's audited Annual Comprehensive Financial Report ("Annual Financial Report" or "ACFR") for FY 2023, there were 45,531 full-time equivalent employees providing services through state government. Certain employees of the State of Oregon and political subdivisions have the right to form, join, and participate in the activities of labor organizations for representation and collective bargaining on matters concerning employment relations. An officially recognized or certified labor organization is the exclusive representative of its covered employees for collective bargaining. The scope of representation may include, but is not limited to, matters concerning wages, hours, paid leave and grievance procedures. The public employer must bargain in good faith with respect to employment relations. If a contract remains unsettled after a 150-day period of good faith contract negotiations, either or both of the parties may notify the Employment Relations Board ("ERB") of the need for a mediator. The parties may mutually agree to request a mediator before the end of the 150-day period by notifying the Board. If the parties do not reach settlement through mediation, then either party may declare impasse. The parties then must each submit a final offer to the ERB. The parties have a 30-day cooling off period, which starts when the parties have submitted their Final Offers to the ERB and the ERB makes public the Final Offers. After the 30-day cooling off period, the employer may implement its final offer. With 10 days' notice, the union may legally strike. The 10-day strike notice may be provided to the public employer during the 30-day cooling off period or after the cooling off period. For strike-prohibited bargaining units, either the employer or the exclusive representative may initiate binding arbitration to establish a successor collective bargaining agreement if mediation fails to produce a settlement. Most state labor contracts in the executive branch of government expire at the end of each biennium (June 30, every two years) and are re-negotiated for the following biennium.

---

<sup>1</sup> No website mentioned in this Appendix A is part of this Appendix A, and readers should not rely upon any information presented on any such website in determining whether to purchase the State's bonds. Any references to any website mentioned in this Appendix A are not hyperlinks and do not incorporate such websites by reference.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Historical Perspective

The Oregon economy has undergone a significant transformation from its historical reliance on timber harvesting and wood products manufacturing. This shift has been fueled by the remarkable growth of the services and high-tech manufacturing sectors, which have become pivotal drivers of economic activity in the state. Notably, Oregon has further strengthened its connections with major export markets in the Pacific Rim, enhancing its global economic integration. China and Canada continue to stand out as primary destinations for Oregon's exports, underscoring the state's role in international trade.

The state's economy now boasts a diverse array of sectors, including professional and business services, construction, health services, and leisure and hospitality. These industries have become integral to Oregon's economic landscape, contributing significantly to job creation and GDP growth. Oregon benefits from no sales tax, strong income growth, and high export rates, contributing to its economic resilience.

### Employment

The following two tables compare Oregon and the United States with respect to unemployment rates and the composition of annual average employment.

**TABLE 1**  
**ANNUAL UNEMPLOYMENT RATES**  
**OREGON AND UNITED STATES**

<u>Year</u>	<u>Oregon (%)</u>	<u>U.S. (%)</u>
2014	6.7	6.2
2015	5.5	5.3
2016	4.7	4.9
2017	4.1	4.4
2018	4.0	3.9
2019	3.7	3.7
2020	7.6	8.1
2021	5.2	5.3
2022	4.2	3.6
2023	3.7	3.6

*Source: Oregon Data: Oregon Employment Department (Seasonally Adjusted); Federal Data: U.S. Bureau of Labor Statistics (Seasonally Adjusted)*

**TABLE 2**  
**COMPOSITION OF ANNUAL AVERAGE**  
**NON-FARM EMPLOYMENT**  
**OREGON AND THE UNITED STATES**

	2018				2023			
	Oregon		United States		Oregon		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Mining and logging	7,200	0.4	727,000	0.5	6,100	0.3	640,000	0.4
Construction	105,400	5.5	7,288,000	4.9	118,800	6.0	8,019,000	5.1
Durable goods manufacturing	135,500	7.0	7,946,000	5.3	134,200	6.7	8,101,000	5.2
Nondurable goods manufacturing	59,700	3.1	4,742,000	3.2	57,800	2.9	4,838,000	3.1
Wholesale Trade	75,600	3.9	5,840,800	3.9	79,000	4.0	6,116,200	3.9
Retail trade	211,400	11.0	15,727,700	10.6	209,300	10.5	15,590,500	10.0
Transportation, warehousing, and utilities	65,700	3.4	5,979,800	4.0	78,300	3.9	7,140,600	4.6
Information	34,300	1.8	2,839,000	1.9	36,300	1.8	3,027,000	1.9
Financial activities	102,200	5.3	8,590,000	5.8	105,100	5.3	9,197,000	5.9
Professional and business services	249,700	13.0	21,008,000	14.1	267,300	13.4	22,839,000	14.6
Private educational services	36,500	1.9	3,714,900	2.5	35,500	1.8	3,817,700	2.4
Health care and social assistance	268,900	14.0	19,922,600	13.4	285,400	14.3	21,524,400	13.8
Leisure and hospitality	211,400	11.0	16,295,000	10.9	207,900	10.4	16,593,000	10.6
Other services	64,400	3.3	5,831,000	3.9	65,100	3.3	5,826,000	3.7
Government	294,800	15.3	22,455,000	15.1	306,000	15.4	22,781,000	14.6
Total Nonfarm jobs <sup>(1)</sup>	1,922,700		148,906,800		1,992,100		156,050,400	

Sources: Oregon Data: Oregon Employment Department, Oregon Labor Market Information Services; Federal Data: U.S. Bureau of Labor Statistics Current Population Survey (Not Seasonally Adjusted).

<sup>(1)</sup> Totals may not agree with sum of components due to categorization and rounding.

## Oregon Gross Domestic Product

Oregon Gross Domestic Product (“GDP”) represents the value of goods and services produced by the State. The following table illustrates the components of the State’s GDP in 2017 and 2022.

**TABLE 3**  
**OREGON GROSS DOMESTIC PRODUCT**  
**(IN MILLIONS)**

<u>Industry</u>	<u>2017 (\$)</u>	<u>% of Total</u>	<u>2022 (\$)</u>	<u>% of Total</u>
Agriculture, forestry, fishing and hunting	3,885	1.8	5,529	1.9
Mining, quarrying, and oil and gas extraction	262	0.1	412	0.1
Utilities	2,972	1.2	4,125	1.4
Construction	10,077	4.7	14,796	5.0
Manufacturing	31,144	13.4	36,758	12.4
Wholesale trade	12,468	5.5	17,364	5.8
Retail trade	12,850	5.7	18,844	6.3
Transportation and warehousing	6,767	3.0	9,779	3.3
Information	8,229	3.6	12,527	4.2
Finance, insurance, real estate, rental, and leasing	43,733	19.6	54,695	18.4
Professional and business services	27,098	12.2	36,897	12.4
Educational services, healthcare, and social assistance	21,812	9.5	27,458	9.2
Arts, entertainment, recreation, accommodation, and food services	9,971	4.5	14,091	4.7
Other Services, except government	5,129	2.3	6,722	2.3
Government	29,137	12.9	37,314	12.6
<b>Total Oregon GDP<sup>(1)</sup></b>	<b>225,535</b>		<b>297,309</b>	

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Based on the 2012 North American Industry Classification System (NAICS) as of September 29, 2023.

<sup>(1)</sup> Totals may not agree with sum of components due to rounding.

## Income

The following two tables compare Oregon and the United States with respect to personal income and per capita income over the most recent ten-year period and includes year-over-year percent changes.

**TABLE 4**  
**PERSONAL INCOME**  
**(IN MILLIONS)**

<b>Calendar Year</b>	<b>Oregon (\$)</b>	<b>Percent Change (%)</b>	<b>U.S. (\$)</b>	<b>Percent Change (%)</b>	<b>Oregon as a % of U.S.</b>
2013	154,851	1.5	14,063,283	1.1	1.10
2014	165,172	6.7	14,778,160	5.1	1.12
2015	177,478	7.5	15,467,113	4.7	1.15
2016	186,105	4.9	15,884,741	2.7	1.17
2017	197,262	6.0	16,658,962	4.9	1.18
2018	210,045	6.5	17,514,402	5.1	1.20
2019	219,983	4.7	18,343,601	4.7	1.20
2020	239,863	9.0	19,609,985	6.9	1.22
2021	262,382	9.4	21,392,812	9.1	1.23
2022	264,174	0.7	21,820,248	2.0	1.21

Source: U.S. Bureau of Economic Analysis, September 29, 2023.

**TABLE 5**  
**PER CAPITA INCOME**

<b>Calendar Year</b>	<b>Oregon (\$)</b>	<b>Percent Change (%)</b>	<b>U.S. (\$)</b>	<b>Percent Change (%)</b>	<b>Oregon as a % of U.S.</b>
2013	39,462	0.9	44,401	0.4	88.9
2014	41,653	5.6	46,287	4.2	90.0
2015	44,166	6.0	48,060	3.8	91.9
2016	45,467	2.9	48,971	1.9	92.8
2017	47,565	4.6	51,004	4.2	93.3
2018	50,209	5.6	53,309	4.5	94.2
2019	52,178	3.9	55,547	4.2	93.9
2020	56,507	8.3	59,153	6.5	95.5
2021	61,646	9.1	64,430	8.9	95.7
2022	62,303	1.1	65,470	1.6	95.2

Source: U.S. Bureau of Economic Analysis, September 29, 2023.



## Population

The 2020 U.S. Census ranked Oregon as the 27<sup>th</sup> most populous state with a population of 4.24 million. Oregon’s population growth rate between the 2010 census and 2020 was the 11<sup>th</sup> fastest in the nation.

**TABLE 6  
POPULATION CHANGE  
OREGON AND UNITED STATES, 1990 – 2020**

<u>Year</u>	<u>Oregon</u>	<u>Percent Change (%)</u>	<u>United States</u>	<u>Percent Change (%)</u>
1990	2,842,321	--	248,709,873	--
2000	3,421,399	20.4	281,421,906	13.2
2010	3,831,074	12.0	308,745,538	9.7
2020	4,237,256	10.6	331,449,281	7.4

*Sources: Federal Data: U.S. Census Bureau.*

Migration patterns continue to play a significant role in Oregon's population dynamics. In 2022, over 128,000 people migrated to Oregon, with the majority coming from California, followed by Washington. These migration patterns underscore Oregon's attractiveness to individuals seeking to relocate, driven by factors such as job opportunities, quality of life, and comparatively lower living costs than neighboring states.

## STATE FINANCIAL OPERATIONS

### Budgetary Process

The Oregon Constitution requires the State’s budget to balance at the end of each biennium. Article IX, Section 2, of the Oregon Constitution states that the Legislative Assembly shall provide for raising revenue sufficient to defray the expenses of the State for each fiscal year. Article IX, Section 6, of the Oregon Constitution states that “[w]henver the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year.” Because of these two provisions, Oregon may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

Historically, during the regular legislative session at the end of every biennium, the Legislative Assembly adopts a budget covering most of the State’s operations for the next biennium. A biennium begins July 1 and ends June 30 of odd-numbered years. The budget is adopted through the enactment of separate budget bills for most state agencies and the Legislative and Judicial Branches (the “Budget Bills”). There are four different categories of funds included in the State’s budget: (i) General Fund, (ii) Lottery Funds, (iii) Other Funds (dedicated funds), and (iv) Federal Funds.

The budgeting process begins with the Governor’s submission of a recommended budget for state agencies in December of each even-numbered year preceding the start of a new regular legislative session. Concurrently, the Department of Administrative Services (“DAS” or the “Department”) prepares and files Budget Bills during December of each even-numbered year so that when the Legislative Assembly convenes in January of each odd-numbered year for its regular session, the Joint Ways and Means

Committee can begin consideration of each bill. By statute, the budget may not permit certain governmental purpose expenditures to exceed eight percent of the State's personal income. This limitation may be exceeded only if the Governor declares an emergency and if three-fifths of each house of the Legislative Assembly votes to exceed the limit.

The Legislative Assembly may provide spending authority to a state agency through a continuous appropriation of a fund dedicated for a certain purpose. In that case, spending is limited only by the amount of revenues received in or held by the fund. The Legislative Assembly may also limit the amount of money spent by placing an expenditure limitation on a continuously appropriated and dedicated fund. In addition, the Legislative Assembly enacts one-time appropriations of moneys to specific agencies or programs from moneys expected to be received or held by the State's General Fund, lottery and other revenues and federal funds. After the Budget Bills are passed, the Governor may veto an entire bill, single items in appropriation bills or the emergency clause in a bill. A two-thirds vote of the Legislative Assembly may override the Governor's veto.

If budget adjustments are required after a legislative session has ended, the Legislative Assembly may meet again in a specially called session, or the E-Board may adjust agency budgets.

### **Component Units**

The Legislative Assembly has authorized the creation of certain public or non-profit corporations that are closely tied to specific statewide functions or agencies (the "Component Units"). These Component Units generally perform statewide functions that are authorized by the Legislative Assembly but are not required to comply with many of the budgeting, purchasing and other requirements imposed on state agencies. See *State of Oregon audited Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023*, Note 1, captioned "Summary of Significant Accounting Policies." Included among these Component Units are the State Accident Insurance Fund ("SAIF") Corporation and the Oregon Health and Science University ("OHSU"). In 1995, the Legislative Assembly transferred the duties and powers of OHSU to an independent public corporation with statewide purposes and missions and without territorial boundaries. The State entered into a Debt Service Payment Agreement with OHSU pursuant to which OHSU assumed the repayment obligation for all bonds issued by the State for the original university. OHSU submits its funding request for each biennium to DAS, which includes such request as part of the Governor's biennial recommended budget.

In addition, as of July 1, 2015, the State's seven public universities became independent public bodies, each governed by an independent board comprised according to statute and considered a public body with statewide purposes and without territorial boundaries. Each public university may submit a funding request for each biennium that requests state aid and appropriations for state-funded debt service. This funding request is made through the Higher Education Coordinating Commission to the Governor and made a part of the Governor's biennial recommended budget. Any moneys appropriated to pay debt service for state bonds must be held by the Treasurer pursuant to an agreement entered into by the Treasurer and a public university.

### **Revenue Forecasting**

Oregon law requires DAS, with the assistance of the Oregon Department of Revenue, to prepare an estimate for each calendar quarter of the total amount of revenue, including General Fund and lottery revenues, available for state purposes for the current fiscal year, as well as the amount of revenue received quarterly, through the biennium the ("Oregon Economic and Revenue Forecast" or "Forecast"). The DAS Office of Economic Analysis (the "OEA") produces the Oregon Economic and Revenue Forecast based upon information available at the time of preparation and upon a wide variety of assumptions. DAS must

report its estimates to the Legislative Assembly, when it is in session, and to certain interim committees of the Legislative Assembly, when it is not in session. The reports are dated March, June, September and December and are generally released the month prior to the report date. These reports are commonly known as the quarterly “revenue forecast,” and focus on the amount of expected General Fund and lottery revenues. In odd-numbered years, when the Legislative Assembly is in session, the June forecast is released approximately May 15 and is commonly referred to as the “Close of Session” or “COS” forecast. In September of odd-numbered years, the revenue forecast closes out the biennium that ended on June 30th. At this time, the Close of Session forecast is calculated by folding any tax law changes made during the legislative session into the May outlook. This sets the bar for Oregon’s balanced budget requirement and its unique kicker law. See “REVENUES—General Fund Revenues--Return of General Fund Revenue to Personal Income Taxpayers (2% Surplus Kicker).

Oregon law also requires DAS to set forth the methodology and assumptions used to develop each quarterly revenue forecast. The State uses an econometric model to forecast the Oregon economy and personal and corporate income taxes. The econometric model has two major parts: (1) a state economic model that estimates employment, wages and personal income; and (2) a revenue forecasting system based on the economic model, for use in estimating personal and corporate income taxes. The system receives new data each quarter, with revisions to the model as necessary. The model does not include the fees and other miscellaneous revenues that comprise the balance of General Fund revenues.

The development of a revenue forecast involves three steps. First, a forecast of economic conditions in Oregon is made, then projected income and population is translated into projected tax receipts other than from corporate income and excise taxes, and finally corporate income and excise tax collections are projected. In developing its projections, the State uses the national baseline forecasts of IHS Economics.

### **Accounting Practices**

Oregon law designates DAS as the agency responsible for the overall administration and coordination of the State’s internal accounting and other fiscal controls and procedures. DAS has developed the Oregon Accounting Manual that sets forth internal policies and uniform procedures for agencies to follow in their fiscal management, accounting and reporting.

DAS must prepare a financial report for the State of Oregon within 180 days after the close of each fiscal year. The reporting entity of the State of Oregon includes all agencies, boards, and commissions that are legally part of the State (primary government), and the State’s Component Units. Component Units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government. Oregon’s financial statements are prepared in conformity with generally accepted accounting principles applicable to state governments.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Under the modified accrual basis of accounting, taxpayer assessed taxes are recognized when the underlying exchange has occurred and the resources are available. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is that principal and interest on general long-term debt is recognized when due.

### **Audits**

The Oregon Secretary of State, as State Auditor, may audit or review the accounts and financial affairs of each state agency as deemed appropriate under ORS 297.210. The Governor, Legislative Fiscal

Officer and DAS receive a report on each audit. The Secretary of State's Audits Division reviews the selected financial accounts of the State's larger agencies in connection with the audit of the State's annual comprehensive financial report. The Audits Division also provides annual financial audits in accordance with ORS 286A.195 for the State's bond funded programs.

The Audits Division conducts financial audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Joint Legislative Committee on Audits is staffed by the Legislative Fiscal Office and operates continually during the session and interim to review audit plans and completed audits conducted by the Secretary of State. The Committee also: reviews legislation and legislative requests for audits or reviews to be conducted; provides direction on audits/reviews that should be conducted by the Secretary of State or legislative staff; reviews agency actions to comply with audit recommendations; suggests changes or remediation; and fulfills other requirements of Oregon laws relating to audits.

DAS is responsible for adopting rules setting standards and policies for internal audit functions within State government under authority provided in ORS 184.

### **Disbursements and Allotments**

Oregon law requires that state agency spending be monitored and that moneys be disbursed throughout the biennium through an allotment process that is administered by DAS. Under this process, DAS allots to each agency the amount of appropriated moneys that may be spent during each of the eight quarters in a biennium. The amount of an allotment is based on estimates submitted by agencies of their statutory duties and projected expenditures to fulfill the purposes for which moneys were appropriated to them. DAS may amend allotments previously made by it at the request of an agency or after notice by DAS to an agency. In addition, if DAS declares at any time during the biennium that there is a projected budget deficit due to insufficient revenues, then DAS, with the Governor's approval, may reduce previously made allotments to a level necessary to prevent the deficit. Allotments made for the purpose of debt service payments, however, may not be reduced.

### **Fiscal Checks and Balances**

Oregon law provides for a system of checks and balances with respect to the deposit, accounting and expenditure of state moneys. DAS supervises state agency accounting and prescribes rules and regulations for preparation of agency budgets. The Secretary of State, the constitutionally designated auditor of public accounts, may disapprove claims for payment from any moneys in the State Treasury. State agencies are required to turn the moneys collected by them over to the Treasurer for deposit into various funds that comprise the State Treasury. The Treasurer is responsible for control of state banking relationships, cash management and the investment of state funds. Some state moneys are deposited with outside trustees who administer the cash and investments.

On a day-to-day basis, DAS, along with the Treasurer and the Secretary of State, maintains the system of checks and balances. For example, DAS reconciles its accounts monthly with the related account balances maintained by the Treasurer, which facilitates the adjustment of any imbalances or other errors. DAS also follows up on major deficiencies listed in the audit reports prepared by the Audits Division of the Secretary of State. Agencies must respond to DAS stating in detail how they will correct the deficiencies.

The Secretary of State Audits Division maintains a hotline where allegations of local and state government fraud, waste, and abuse are received and evaluated. Most state and local government

procurements must follow the Public Contracting Code as outlined in statute. This structure is in place to ensure industry standards are followed, instill public confidence, promote efficient use of resources, clearly identify rules, and allow impartial and open competition. The State Attorney General maintains the model rules that, along with rules adopted by certain state agencies, specify procedures for public contracting under the code.

## **Loss Management**

DAS Enterprise Goods and Services, Risk Management section is responsible for managing the State's risk of loss due to various types of loss or liability. The primary kinds of loss that the section works to prevent or pay include physical loss or damage to state property, tort liability claims brought against the State, its officers, employees, or agents, inmate injury, workers' compensation, employee dishonesty, and faithful performance bonds for key positions as required by law and additional positions as determined by agency policy. The State Insurance Fund (the "Fund"), established by ORS 278.425, is used to provide both self-insurance and commercial insurance for State of Oregon agencies. The Fund generally pays up to a set amount for various types of losses through its self-insurance program, with excess amounts covered by purchased commercial insurance policies. Both self-insurance losses and commercial insurance premiums are paid from the Fund. For each separate category of potential loss, DAS determines the appropriate level of the Fund or commercial insurance. Agencies pay assessments to the Fund for each category of loss. For additional information, see Note 17. "Risk Financing" of the audited Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

DAS has a dedicated Risk Management unit that insures and protects the people, property, and activities of state government. The Risk Management program provides comprehensive insurance coverage for the State of Oregon and provides tools and information around risk and insurance to State agencies.

## **Emergency Powers**

In response to the Governor's declaration of a catastrophic disaster, such as an earthquake or other natural disaster or public health crisis that results in extraordinary levels of death or injury, property damage or disruption of daily life, the Governor may exercise the powers conferred by Article X-A of the Oregon Constitution. Those powers include the ability to use General Fund and lottery revenues appropriated for other purposes. In addition, the Legislative Assembly may convene using reduced quorum and procedural requirements, to enact legislation in response to the disaster, including legislation related to taxation, the use of Highway Fund revenues for non-highway purposes, keeping "kicker" money and borrowing. These powers are operative for only 30 days unless extended by the Legislative Assembly.

In addition, under ORS 401.165, the Governor may declare a state of emergency upon the occurrence of an event or circumstance that causes or threatens widespread injury to person or property or loss of life or financial loss. Upon such a declaration the Governor has broad powers over the Executive Branch of state government. The Governor may suspend statutes or rules if strict compliance would hinder a response to the emergency and may deploy state personnel and resources to prevent or alleviate damage due to the emergency. The Governor may also declare a state of public health emergency under ORS 433.441. Upon such a declaration, the Governor may regulate the use, sale and distribution of food, fuel, medical supplies and medicine.

## **REVENUES**

Revenues available to the State are discussed below based on the following categories: General Fund, Lottery Funds, Reserve Funds, Other Funds and Federal Funds. Certain of these revenues are available only to finance permitted purposes as authorized by state or federal law. Article IV, Section 25,

of the Oregon Constitution requires a three-fifths majority of all members elected to each house to pass bills for raising revenue and that the Governor and presiding officer of each respective house sign the bill or resolution.

## **General Fund Revenues**

The following describes the largest sources of the State's General Fund revenues. For additional information on the General Fund revenue amounts collected each biennium see Table 8 under "Oregon Financial Information."

### ***Taxes***

Personal Income Taxes. Oregon taxes the personal income of individuals, estates, and trusts. Taxable income is calculated using the version of the Internal Revenue Code of 1986, as amended, that is applicable to the tax year of the taxpayer. Oregon uses the federal definition of taxable income currently in effect for a tax year with some specific modifications for Oregon. Oregon employers withhold income tax from their employees' wages. Self-employed persons and others not subject to withholding must pay quarterly estimated tax payments. Generally, taxpayers file Oregon tax returns for refunds or pay tax due by April 15 of each year (a taxpayer can file for a 6-month extension to file the return, however, tax must be paid by April 15).

Corporate Excise and Income Taxes. Corporations are subject to either a corporate excise tax or the corporate income tax under Oregon law. The corporate excise tax is imposed for the privilege of doing business in Oregon. A corporation is doing business in Oregon when it engages in any profit-seeking activity in Oregon.

The corporate income tax is imposed on any corporation that has income from an Oregon source. Corporations that operate in more than one state must determine the share of their income attributable to Oregon activities using Oregon sales relative to sales in all states for both income taxes and excise taxes. The corporate income tax rate mirrors that of the excise tax rate on taxable income derived from sources within Oregon.

Insurance Taxes. Insurers operating in Oregon are subject to the corporate excise tax. Some insurers that are domiciled in other states or countries are also subject to a retaliatory tax. The Oregon Department of Revenue collects the excise tax. The Insurance Division of the Department of Consumer and Business Services collects the retaliatory tax.

Estate Taxes. Oregon's estate tax is imposed as a percentage of the Oregon taxable estate. Because Oregon calculates its tax differently than the federal estate tax, the Oregon estate tax amount may be different from the federal tax amount. The Oregon estate tax is tied to the definition of a "taxable estate" in the Internal Revenue Code, but that definition is modified by Oregon law.

Cigarette and Other Tobacco Taxes. The State imposes an excise tax on the distribution of all tobacco products in Oregon, including nicotine delivery systems, such as e-cigarettes and other nicotine inhalants. The cigarette and other tobacco products taxes are distributed among various state funded health-related programs, including to the Oregon Health Plan, to the Oregon Health Authority for medical and healthcare assistance programs, including mental health services, tribal health providers, including the Urban Indian Health program, and other programs related to tobacco use reduction and nicotine-related health issues; another portion goes to the State General Fund, along with distributions to cities, counties and the Department of Transportation.

Other Taxes. A portion of the moneys collected from several forest harvest taxes and the Amusement Device Tax are allocated to the General Fund.

### ***Fines and Fees***

The fines and fees section of General Fund revenues includes State Court Fees, Secretary of State Corporation Fees, Criminal Fines and Assessments, and Securities Fees. These are fees imposed by agencies or the state courts for the filing of certain court-related or corporate documents and certain fines for violations of the law.

### ***Liquor Sales Apportionment***

The State imposes taxes on beer, wine and distilled liquor manufactured or distributed in Oregon. The Oregon Liquor Control Commission (“OLCC”) exclusively imports and distributes beverages with 21% or more alcohol. The OLCC sets the retail prices for the alcohol it distributes. The net revenue from these operations goes into an OLCC account, which distributes approximately 56% of the revenues to the General Fund.

### ***Other Sources***

Other major sources of General Fund revenue include charges for central services performed by DAS, interest earnings, and miscellaneous revenues.

### ***Return of General Fund Revenue to Personal Income Taxpayers (2% Surplus Kicker)***

Under the Oregon Constitution, if biennium revenues received from General Fund sources, other than corporate income and excise taxes, exceed estimated amounts to be received from those sources by more than two percent, the amount received above the estimate is credited to individual taxpayers. This amount of excess revenue is popularly known as the “kicker.” For individuals, this refundable credit is based on the previous calendar year’s tax liability (for example, 2022 liability for the 2021-2023 kicker). Kicker amounts attributable to corporate income and excise taxes (actual biennium revenue from corporations that exceeds the revenue forecast by more than two percent) are retained for use in K through 12 public education and are not refunded or credited. The State may retain the individual kicker moneys only if two-thirds of each house of the Legislative Assembly votes to keep the kicker. See “Reserve Funds – *Rainy Day Fund*” below.

### **Lottery Funds**

Revenues from the operation of the Oregon State Lottery comprise a significant source of money in the State’s budget. After the payment of prizes and operation of the State Lottery, revenues are constitutionally dedicated to education, economic development, and natural resources program areas. According to the Oregon Constitution, approximately 84% of the total annual revenues from the sale of lottery tickets or shares must be returned to the public in the form of prizes and net revenues benefiting the public purpose. After paying player prizes and operating expenses, the Lottery transfers the remaining revenues to the Administrative Services Economic Development Fund. The Oregon Constitution and the Legislative Assembly direct how moneys from this fund are distributed. After debt service payments are prioritized, the Education Stability Fund and the Parks and Natural Resources Fund receive about 33% of total transfers, and 1.5% of net lottery proceed transfers are constitutionally dedicated to veterans’ services. Net proceeds from Lottery’s on-line sports book are transferred to the Administrative Services Economic Development Fund, making them subject to the constitutional distributions. State school funding and

economic development efforts are the primary uses for the remainder, after which the remainder is transferred to the PERS Employer Incentive Fund.

## **Reserve Funds**

The State has two budgetary reserve funds, the Education Stability Fund and the Oregon Rainy Day Fund that may be drawn on in the event of General Fund revenue shortfalls or economic downturns within a biennium subject to certain restrictions described below.

Education Stability Fund (“ESF”). Under the Oregon Constitution, Article XV, Section 4, 18% of the net proceeds from the State Lottery must be deposited in the ESF. The ESF retains earnings or spends them on public education. The Legislative Assembly also may appropriate other moneys or revenues to the ESF. The amount in the ESF may not exceed five percent of the amount that was accrued as revenues in the State’s General Fund during the prior biennium. If three-fifths of the Legislative Assembly approves, the Legislative Assembly can appropriate all or a portion of the money in the ESF for public education expenditures subject to the Governor declaring an emergency or the Legislative Assembly finding that at least one of the following conditions exists: (i) General Fund moneys in the next biennium will be at least three percent below current biennium appropriations; (ii) nonfarm employment has declined for two consecutive quarters in the last twelve months or (iii) General Fund revenues have dropped at least two percent below the current Close of Session forecast. The balance in the ESF (unaudited and estimated) at the end of the 2021-23 biennium is projected to be \$710.8 million or approximately 2.3% of 2021-23 biennium net General Fund revenues.

Rainy Day Fund (“RDF”). The 2007 Legislative Assembly authorized the establishment of the Oregon Rainy Day Fund, codified in ORS 293.144 to 293.148. ORS 293.146 provides for deposits to the RDF in an amount equal to a maximum of one percent of the State’s General Fund appropriations for a biennium. The deposit is payable from the State’s General Fund ending balance at the end of a particular biennium. The actual amount of the deposit up to the one percent requirement will depend on the size of the State’s General Fund ending balance. Additional transfers to the RDF cannot be made if the balance in the RDF exceeds 7.5% of the amount of General Fund revenues collected in the prior biennium. The balance in the RDF (unaudited and estimated) at the end of the 2021-23 biennium is projected to be \$1.353 billion or approximately 4.44% of 2021-23 biennium net General Fund revenues.

If three-fifths of the Legislative Assembly approves, the Legislative Assembly may appropriate two-thirds of the beginning balance of the biennium in the RDF if it finds that at least one of the following conditions exists: (i) General Fund moneys in the next biennium will be at least three percent below current biennium appropriations; (ii) nonfarm employment has declined for two consecutive quarters in the last twelve months; or (iii) General Fund revenues have dropped at least two percent below the current Close of Session forecast.

The following table presents historical amounts in the State’s reserve funds and projected 2021-23 and 2023-25 biennium balances updated as of the March 2024 Forecast. Information from the March 2024 Forecast is based on current expectations and available information and is not intended as a representation of facts or guarantee of results.



**TABLE 7  
EDUCATION STABILITY  
AND RAINY DAY FUNDS  
(IN MILLIONS)**

<u>Biennium</u>	<u>Education Stability Fund (\$)<sup>(1), (2)</sup></u>	<u>Rainy Day Fund (\$)</u>	<u>Total (\$)</u>
2007-09	0.0	112.5	112.5
2009-11	5.1	10.4	15.5
2011-13	7.6	61.9	69.4
2013-15	179.4	211.8	391.2
2015-17	384.2	376.4	760.6
2017-19	621.1	666.6	1,287.7
2019-21	414.6 <sup>(3)</sup>	962.2	1,376.8
2021-23 <sup>(4)</sup>	710.8	1,353.4 <sup>(5)</sup>	2,064.2
2023-25 <sup>(4)</sup>	1,007.0	1,859.5 <sup>(5)</sup>	2,866.5

Source: Oregon Department of Administrative Services, Office of Economic Analysis.

- <sup>(1)</sup> Reflects net available amount in the Education Stability Fund, exclusive of funds held in the Oregon Growth Account that may be illiquid, the Oregon Resource & Technology Development subaccount and any subsequent transfers by the Legislative Assembly.
- <sup>(2)</sup> Under state law, as of July 2013, the Oregon Growth Account generally receives a small percentage of the amount deposited to the Education Stability Fund.
- <sup>(3)</sup> ESF 2019-21 biennium ending balance includes a \$400 million transfer from the ESF to the State School Fund as part of the Legislative Assembly's budget rebalancing actions (HB 4303, 2020 2<sup>nd</sup> Special Session).
- <sup>(4)</sup> Projected biennium ending balance from the March 2024 Economic and Revenue Forecast.
- <sup>(5)</sup> Assumes future appropriations equal to 98.75% of available resources. Includes forecast for corporate income taxes above 6.6% for the biennium are deposited on or before June 30 of each odd-numbered year.

## Other Funds Revenues

A description of the largest sources of the State's Other Funds revenue follows below. For additional information on the Other Funds revenue amounts collected each biennium see Table 11 under "Oregon Financial Information."

### Gross Receipts Business Taxes

*Corporate Activity Tax.* In 2019, the Legislative Assembly enacted a new business privilege tax on commercial activity beginning in calendar year 2020 (the "Corporate Activity Tax"). The tax applies to commercial activity in Oregon exceeding \$1 million by businesses, including corporations and other entities as well as sole proprietors, during the calendar year. Commercial activity is generally defined as the total amount realized by the business from transactions and activity in the regular course of the business, subject to certain enumerated exclusions and subtractions, with certain specified income streams made subject to the tax for financial institutions and insurers. Estimated tax payments for the Corporate Activity Tax are due quarterly. The rate of the tax is \$250 plus the product of the business's taxable commercial activity in excess of \$1 million for the calendar year multiplied by 0.57%. All net revenue from the Corporate Activity Tax is transferred to the Fund for Student Success, separate from the General Fund, and must be used for education and school purposes. It is expected over time that the Corporate Activity Tax will be a significant source of State revenue and the largest source of the State's Other Funds.

*Public Utilities.* Regulated utilities operating within the State must pay taxes based on their gross operating revenues. These taxes are collected to cover the cost of utility regulation performed by the Oregon Public Utility Commission.

Cigarette and Other Tobacco Taxes. As described above, a portion of the cigarette tax goes to the General Fund and a portion goes towards the Oregon Health Plan. The Oregon Health Plan is the primary recipient of the cigarette tax distributed as Other Funds, with small amounts distributed to tobacco cessation programs and among cities, counties, and elderly and disabled transportation programs.

Recreational Marijuana Taxes. Oregon voters legalized recreational use of marijuana and designated the OLCC as the state agency to regulate the commercial growing, processing, and selling of recreational marijuana. The marijuana tax is imposed at the retail level and collected by the Department of Revenue. The Legislative Assembly set the state tax rate at 17% of the retail price. Separately, a tax of up to three percent of the retail price may be imposed by counties or cities. The state tax began to be imposed on sales on or after January 4, 2016. All marijuana tax revenues in excess of \$11,250,000 (indexed) are distributed to the Drug Treatment and Recovery Fund, the \$11.25 million is subsequently distributed 10% to cities that allow marijuana businesses, 10% to counties that allow marijuana businesses, 40% to the State School Fund; 20% to the State Mental Health Alcoholism and Drug Services account; 15% to the State Police; and 5% to the Oregon Health Authority for alcohol and drug abuse prevention.

Motor Fuels Tax and Weight-Mile Tax. Oregon imposes a tax per gallon on the sale of gasoline and other fuels used to propel motor vehicles on the State's highways. The Oregon Department of Transportation ("ODOT") also assesses a weight-mile tax and road use fees on commercial vehicles that operate on public roads within Oregon. The weight-mile tax is based on the declared combination of vehicle weight and vehicle classification group. Revenues derived from the fuels tax, weight-mile tax and road use assessment fees are paid into the State Highway Fund.

#### Employer-Employee Taxes

*Employment Taxes.* Employers and employees in Oregon must pay unemployment taxes. The rate of unemployment tax depends upon the balance in the Unemployment Compensation Trust Fund as of August 31 of each year, the taxable payroll, and the amount of unemployment benefits paid.

*Workers' Compensation Insurance.* Oregon employers and employees also pay a workers' compensation assessment. The Director of the Department of Consumer and Business Services determines the amount of workers' compensation assessments.

*Paid Leave Oregon.* All eligible employers and employees in Oregon are required to contribute to the Paid Leave Oregon Fund or offer an equivalent plan with benefits that are equal to or greater than the benefits Paid Leave Oregon provides. The tax rate is determined annually by the Director of the Employment Department and cannot exceed one percent of employee wages.

#### Severance Taxes

The Small Tract Forestland Severance taxes are paid to funds outside of the General Fund for various education and county programs, either in Eastern or Western Oregon.

#### Licenses and Fees

Owners and operators of motor vehicles pay fees to ODOT for the licensing, registration, and titling of their vehicles. These moneys are dedicated to the State Highway Fund and other funds or accounts

dedicated for transportation purposes. Other revenues are generated from the sale of hunting and fishing licenses and tags, occupational license fees, and other licensing fees.

#### New Vehicle Taxes

Oregon imposes a vehicle dealer privilege tax (the “Privilege Tax”) for the privilege of selling new vehicles in Oregon. The State also applies a vehicle use tax (the “Use Tax” and together with the Privilege Tax, the “Vehicle Taxes”) to new vehicles purchased from dealers outside the State by Oregon residents or businesses that will use or store the vehicle in Oregon. The Use Tax moneys are deposited into the State Highway Fund and dedicated for transportation purposes, while the Privilege Tax moneys are deposited in the Zero-Emission Incentive Fund and the Connect Oregon Fund.

#### Transient Lodging Taxes

Oregon imposes a tax on transient lodging that funds Travel Oregon, the statewide tourism promotion agency.

#### Other Revenues

*Charges for Services.* Major portions of these Other Funds revenues are premium payments collected by the Public Employees Benefit Board and the Oregon Educators Benefit Board; fees charged to state agencies for centralized services provided by the Department of Administrative Services; and administrative charges to various tax, fee, assessment, collections and other programs.

*Fines, Rents and Royalties, Bond Sales.* The State collects income from state-owned properties that are leased or rented. It also collects fines and royalties. Proceeds from the sale of bonds issued by the State are deposited into various program funds and accounts for disbursement to construction or other capital projects, or loan and grant programs operated by various state agencies.

*Sales, Donations and Loan Repayments.* The State from time to time sells state-owned properties, receives donations from various parties and receives repayments on loans made to governmental and private entities under various programs.

#### **Federal Funds**

Federal Funds are moneys received from the federal government. The Legislative Assembly may authorize receipt of Federal Funds for specific purposes. These funds must be appropriated by the Legislative Assembly and used in accordance with any restrictions placed on the funds by the federal government.

### **OREGON FINANCIAL INFORMATION**

Tables 8 through 12 in this section includes information from the March 2024 Forecast. Information from the March 2024 Forecast is based on current expectations and information and is not intended as a representation of facts or guarantee of results.

The following table presents historical State General Fund Revenues for four biennia as well as a forecast for the 2023-25 biennia.

**TABLE 8**  
**STATE OF OREGON**  
**GENERAL FUND REVENUE STATEMENT**  
**(IN THOUSANDS)<sup>(1)</sup>**

	<u>2015-17</u> <u>Actuals (\$)<sup>(2)</sup></u>	<u>2017-19</u> <u>Actuals (\$)<sup>(3)</sup></u>	<u>2019-21</u> <u>Actuals (\$)<sup>(4)</sup></u>	<u>2021-23</u> <u>Actuals (\$)<sup>(5)</sup></u>	<u>2023-25</u> <u>Forecasted (\$)<sup>(6)</sup></u>
<b>Taxes</b>					
Personal Income	16,088,682	18,821,756	20,004,976	25,737,140	21,180,091
Shared Service Fund (Gainshare)	(32,851)	(40,688)	(40,331)	(53,635)	(104,034)
Corporate Income	1,210,736	1,681,649	2,041,412	3,157,015	2,762,076
Rainy Day Fund Transfer (Minimum Tax)	0	(87,283)	(74,500)	(128,600)	(98,901)
Insurance	139,215	160,264	159,164	182,262	116,699
Estate	322,826	381,187	524,066	623,040	582,930
Transfer to PERS UAL	0	0	0	0	(0)
Cigarette	70,480	65,598	55,120	45,757	39,943
Other Tobacco Products	62,362	65,597	61,294	59,760	56,623
Other	1,802	1,975	998	1,852	1,796
<b>Fines and Fees</b>					
State Court Fees	114,542	124,518	118,345	105,014	112,608
Secretary of State Fees	66,448	73,482	81,870	89,633	100,504
Criminal Fines and Assessments	41,158	37,760	23,340	858	4,190
Securities Fees	24,021	23,251	25,815	29,572	29,337
<b>Central Service Charges</b>					
	10,277	10,876	11,478	12,746	16,100
<b>Liquor Apportionment</b>					
	261,947	294,379	340,926	332,355	326,653
<b>Interest Earnings</b>					
	24,873	87,182	92,920	302,468	506,967
<b>Miscellaneous Revenues</b>					
	8,482	10,188	11,498	17,730	16,000
<b>One-time Transfers</b>					
	<u>140,883</u>	<u>5,020</u>	<u>174,205</u>	<u>135,533</u>	<u>42,700</u>
<b>Gross General Fund Revenues</b>					
	18,588,734	21,842,682	23,727,427	30,832,735	25,895,217
<i>Total Kicker Refunds/Offsets and Transfers</i>					
	(32,851)	(127,971)	(114,831)	(182,235)	(202,935)
<b>Net General Fund Revenues</b>					
	<u>18,555,883</u>	<u>21,714,711</u>	<u>23,612,596</u>	<u>30,650,500</u>	<u>25,692,282</u>
Beginning Balance					
	528,793	1,000,385	2,709,365	4,082,489	8,082,488
Anticipated Administrative Actions <sup>(7)</sup>					
	(6,318)	(10,370)	0	0	0
Legislatively Adopted Actions <sup>(8)</sup>					
	(158,328)	(179,424)	(198,338)	(220,723)	(244,888)
<b>Available Resources</b>					
	<u>18,920,030</u>	<u>22,525,302</u>	<u>26,123,622</u>	<u>34,512,266</u>	<u>33,529,881</u>
Appropriations (Legislatively Approved Budget)					
	18,012,040	19,945,904	22,461,279	27,130,628	31,873,576
Reversions					
	(92,395)	(129,966)	(420,146)	(700,849)	0
Administrative Actions					
	0	0	0	0	0
<b>Projected Expenditures</b>					
	<u>17,919,645</u>	<u>19,815,937</u>	<u>22,041,133</u>	<u>26,429,779</u>	<u>31,873,576</u>
<b>Ending Balance</b>					
	<u>1,000,385</u>	<u>2,709,365</u>	<u>4,082,489</u>	<u>8,082,488</u>	<u>1,656,306</u>

Sources: Oregon Department of Administrative Services, Chief Financial Office.

- (1) Totals may not agree with sum of components due to rounding.
- (2) September 2017 Oregon Economic and Revenue Forecast, as adjusted by OEA.
- (3) September 2019 Oregon Economic and Revenue Forecast, as adjusted by OEA.
- (4) September 2021 Oregon Economic and Revenue Forecast, as adjusted by OEA.
- (5) September 2023 Oregon Economic and Revenue Forecast, as adjusted by OEA.
- (6) March 2024 Oregon Economic and Revenue Forecast.
- (7) Interest expense associated with the Tax Anticipation Notes program and is exclusive of any internal borrowing.
- (8) Transfer of ending General Fund balances up to 1% of budgeted appropriations into the Rainy Day Fund.

The following table compares budgeted and actual General Fund Revenues for the 2015-17 through the 2021-23 biennia and budgeted and forecasted General Fund Revenues for the 2023-25 biennia.

**TABLE 9**  
**STATE OF OREGON**  
**ACTUAL GENERAL FUND REVENUES COMPARED WITH**  
**LEGISLATIVELY ADOPTED BUDGET ESTIMATES**  
**(IN BILLIONS)**

<u>Biennium</u>		<u>Budget at Close of Session (\$)<sup>(1)</sup></u>	<u>Actual (\$)<sup>(2)</sup></u>	<u>Difference (\$)</u>	<u>Percent Difference (%)</u>
2015-17	Personal Income Tax	15.681	16.039	0.358	2.3
	Corporate Income Tax	1.090	1.195	0.105	9.6
	Other Revenues	1.184	1.289	0.105	8.9
	Total	17.955	18.523	0.568	3.2
2017-19	Personal Income Tax	17.114	18.663	1.548	9.0
	Corporate Income Tax	1.034	1.665	0.631	61.0
	Other Revenues	1.328	1.339	0.012	0.9
	Total	19.476	21.668	2.191	11.3
2019-21	Personal Income Tax	18.238	20.007	1.768	9.7
	Corporate Income Tax	1.033	1.967	0.934	90.5
	Other Revenues	1.546	1.682	0.135	8.8
	Total	20.817	23.655	2.838	13.6
2021-23	Personal Income Tax	20.587	25.684	5.096	24.8
	Corporate Income Tax	1.288	3.028	1.740	135.1
	Other Revenues	1.353	1.939	0.585	43.2
	Total	23.229	30.650	7.422	31.9
2023-25 <sup>(3)</sup>	Personal Income Tax	20.983	21.076	0.093	0.4
	Corporate Income Tax	2.137	2.663	0.526	24.6
	Other Revenues	2.011	1.953	(0.058)	(2.9)
	Total	25.131	25.692	0.561	2.2

Source: *Oregon Economic and Revenue Forecasts.*

<sup>(1)</sup> "Budget at Close of Session" reported in the September Oregon Economic and Revenue Forecasts.

<sup>(2)</sup> "Actuals" are reported the following biennium in the September Oregon Economic and Revenue Forecasts.

<sup>(3)</sup> 2021-23 and 2023-25 information is estimated as of the March 2024 Oregon Economic and Revenue Forecast.

The following table presents historical Lottery resources and distributions for the 2015-17 through the 2023-25 biennia.

**TABLE 10**  
**LOTTERY RESOURCES AND ALLOCATION OF RESOURCES**  
**(IN MILLIONS)**

	<u>2015-17</u> <u>Actual (\$)<sup>(2)</sup></u>	<u>2017-19</u> <u>Actual (\$)<sup>(3)</sup></u>	<u>2019-21</u> <u>Actual (\$)<sup>(4)</sup></u>	<u>2021-23</u> <u>Actual (\$)<sup>(5)</sup></u>	<u>2023-25</u> <u>Legislatively</u> <u>Adopted (\$)<sup>(6)</sup></u>
<b>LOTTERY EARNINGS <sup>(1)</sup></b>					
Traditional Lottery	140.4	177.1	152.3	190.2	189.7
Video Lottery	1,153.3	1,231.4	1,043.1	1,595.1	1,592.0
Video Lottery Terminal Replacement	(59.2)	-	-	-	-
Sports Betting <sup>(15)</sup>	-	-	6.3	29.8	52.6
Other Earnings / Administrative Actions	0.9	47.8	-	-	9.2
Total Available to Transfer	<u>1,235.4</u>	<u>1,456.2</u>	<u>1,201.7</u>	<u>1,815.1</u>	<u>1,843.5</u>
<b>ECONOMIC DEVELOPMENT FUND</b>					
Beginning Balance	20.5	49.0	70.9	72.4	84.4
Transfers from Lottery	1,235.4	1,456.2	1,201.7	1,815.1	1,843.5
Other Resources <sup>(7)</sup>	9.4	6.2	7.5	7.3	7.7
Total Available Resources	<u>1,265.3</u>	<u>1,511.4</u>	<u>1,280.1</u>	<u>1,894.7</u>	<u>1,935.6</u>
Allocation of Resources					
Education Stability Fund <sup>(8)</sup>	222.4	262.1	216.3	326.7	331.8
Parks and Natural Resources Fund <sup>(9)</sup>	185.3	218.4	180.3	272.3	276.5
Veterans' Services Fund <sup>(10)</sup>	0.0	21.8	18.0	27.2	27.7
Outdoor School Education Fund <sup>(11)</sup>	0.0	24.0	43.0	49.4	56.4
County Economic Development	39.1	41.3	50.2	54.2	60.0
HECC Collegiate Athletic & Scholarships <sup>(12)</sup>	8.2	8.2	14.1	16.5	18.3
Gambling Addiction <sup>(12)</sup>	11.3	12.5	14.7	16.5	18.3
County Fairs	3.9	3.8	3.8	3.8	3.8
Debt Service on Lottery Bonds <sup>(13)</sup>	230.9	252.6	266.3	277.3	332.7
Other Legislatively Adopted Allocations <sup>(14)</sup>	515.2	601.2	396.8	751.0	729.3
Employer Incentive Funds (PERS) <sup>(15)</sup>	<u>0.0</u>	<u>0.0</u>	<u>4.1</u>	<u>15.3</u>	<u>28.2</u>
Total Distributions	<u>1,216.3</u>	<u>1,446.1</u>	<u>1,207.7</u>	<u>1,810.3</u>	<u>1,883.0</u>
Ending Balance/Discretionary Resources	<u>49.0</u>	<u>65.3</u>	<u>72.4</u>	<u>84.4</u>	<u>52.6</u>

Source: Oregon Department of Administrative Services, Office of Economic Analysis

Note: Some totals may not sum due to rounding.

(1) Lottery Earnings are net lottery revenues transferred or expected to be transferred to the Economic Development Fund after payment of prizes and other expenses of the Oregon State Lottery, including any amount retained or expected to be retained in the contingency reserve. Actuals are reported in the odd year May Oregon Economic and Revenue Forecast unless otherwise noted.

(2) Reported in the May 2017 Oregon Economic and Revenue Forecast.

(3) Reported in the May 2019 Oregon Economic and Revenue Forecast.

(4) Reported in the May 2021 Oregon Economic and Revenue Forecast.

(5) Reported in the May 2023 Oregon Economic and Revenue Forecast.

(6) Reported in the March 2024 Oregon Economic and Revenue Forecast.

(7) Includes interest earnings of Economic Development Fund and reversions.

(8) Eighteen percent of proceeds accrue to the Education Stability Fund, until the balance equals 5% of general fund revenues. Thereafter, 15% of proceeds accrue to the School Capital Matching Fund.

(9) The Parks and Natural Resources Fund constitutional amendment requires the transfer of 15% of net proceeds to this fund.

(10) Per Ballot Measure 96 (2016), 1.5% of net lottery proceeds are dedicated to the Veterans' Services Fund.

(11) Per Ballot Measure 99 (2016), the lesser of 4% of Lottery transfers or \$22 million per year is transferred to the Outdoor Education account. Adjusted annually for inflation.

(12) Approximately 1% of net lottery proceeds are dedicated to Collegiate Athletics and Gambling Addiction programs, respectively.

(13) Figures reflect gross debt service of outstanding Lottery bonds paid from Lottery Resources for the respective end of the biennium and do not include future issuance.

(14) Includes allocations to State School Fund and Other Agency Allocations.

(15) Net proceeds from sports betting games shall be deposited into the Employer Incentive Fund, per Senate Bill 1049 (2019).

The following table summarizes Other Funds and Lottery Distributions by revenue source for the 2017-19 through the 2023-25 biennia.

**TABLE 11**  
**STATE OF OREGON**  
**OTHER FUNDS AND LOTTERY DISTRIBUTIONS BY REVENUE SOURCE**

<b>TAXES</b>	<b>2017-19 Actuals (\$)<sup>(1)</sup></b>	<b>2019-21 Actual (\$)<sup>(2)</sup></b>	<b>2021-23 Legislatively Approved Budget (\$)<sup>(2)</sup></b>	<b>2023-25 Legislatively Adopted Budget (\$)<sup>(2)</sup></b>
<b>SELECTIVE SALES AND USE TAXES</b>				
Tobacco Taxes	387,011,482	476,381,834	710,297,000	722,500,000
Marijuana Taxes	256,243,251	359,295,968	339,482,486	316,860,000
Motor Fuels Taxes	1,218,399,902	1,222,542,471	1,415,484,523	1,368,350,366
Weight-Mile Taxes	718,343,830	801,920,902	858,141,782	980,864,085
Privilege Taxes	49,678,994	26,073,514	84,172,692	139,955,206
Other Selective Sales and Use Taxes	1,630,773,082	1,943,819,573	1,459,795,921	1,681,024,042
<b>GROSS RECEIPTS BUSINESS TAXES</b>				
Corporate Activity Tax	0	1,372,630,989	2,332,431,360	2,779,098,000
Other Gross Receipts Business Taxes	5,645,624	6,055,704	5,800,000	6,190,686
Amusement Taxes	0	0	3,890,000	4,052,345
Insurance Taxes	(1)	0	639,302,438	746,561,307
<b>EMPLOYER-EMPLOYEE TAXES</b>				
Employment Taxes	140,377,754	98,395,687	2,501,718,079	4,856,869,190
Workers' Compensation Insurance Taxes	125,724,721	155,806,685	145,595,676	197,195,689
Other Employer-Employee Taxes	378,160,011	138,598,347	1,402,051,324	1,570,063,416
<b>SEVERANCE TAXES</b>				
Eastern Oregon Severance Taxes	0	0	20,260	31,914
Western Oregon Severance Taxes	0	0	970,000	1,135,910
Other Severance Taxes	0	0	100,000	33,478
<b>OTHER TAXES</b>				
Forest Protection Taxes	51,895,592	53,299,080	136,593,757	136,593,757
Other Taxes	609,139	466,502,987	440,381,367	393,198,970
<b><u>LICENSES AND FEES</u></b>				
<b>BUSINESS LICENSES AND FEES</b>				
	557,759,499	488,757,137	477,944,481	522,783,095
<b>NONBUSINESS LICENSES AND FEES</b>				
Park User Fees	59,679,967	55,213,508	61,432,776	66,403,628
Vehicle Licenses	766,564,048	785,693,736	919,982,540	953,530,830
Drivers Licenses	73,152,869	81,312,194	99,865,085	127,400,421
Transportation Licenses and Fees	99,728,931	106,536,254	107,526,881	110,039,724
Hunter and Angler Licenses	107,596,500	120,620,994	126,580,794	127,095,663
Commercial Fish Licenses and Fees	11,170,783	10,537,363	10,804,906	10,917,583
Public Utilities Fees	151,750,757	166,463,064	177,302,618	190,187,975
Power and Water Fees	9,554,847	9,648,233	11,077,688	12,328,364
Fire Marshal Fees	28,323,650	32,144,084	35,253,489	42,489,152
Other Non-business Licenses and Fees	90,546,297	91,511,458	91,991,977	98,042,639
State Court Fees	27,564,001	12,304,768	16,141,663	11,881,668
Municipal Court Fines	0	0	1,000,000	0
<b><u>FEDERAL FUNDS AS OTHER FUNDS</u></b>				
	1,135,205,017	967,337,892	1,855,379,862	2,598,136,980
<b><u>OTHER REVENUES</u></b>				
<b>CHARGES FOR SERVICES</b>				
Other Charges for Services	3,734,491,139	4,195,594,120	5,958,612,743	6,497,484,388
<b>FINES, RENTS, AND ROYALTIES</b>				
Fines and Forfeitures	221,767,815	209,284,119	219,702,273	202,573,902
Rents and Royalties	121,497,760	132,833,832	158,621,492	169,864,120

**TABLE 11** (Continued)

<b><u>OTHER REVENUES (continued)</u></b>	<b><u>2017-19 Actual (\$)<sup>(1)</sup></u></b>	<b><u>2019-21 Actual (\$)<sup>(2)</sup></u></b>	<b><u>2021-23 Legislatively Approved Budget (\$)<sup>(2)</sup></u></b>	<b><u>2023-25 Legislatively Adopted Budget (\$)<sup>(2)</sup></u></b>
<b>BOND SALES</b>				
General Fund Obligation Bonds	1,121,660,688	1,071,504,206	2,274,275,745	2,467,094,060
Dedicated Fund Obligation Bonds	224,801,476	98,215,000	485,652,783	242,000,000
Lottery Bonds	133,177,134	11,465,210	375,276,150	427,129,186
Certificates of Participation	100,000,000	0	0	0
Revenue Bonds	526,950,000	500,306,350	600,076,908	560,000,000
Refunding Bonds	173,574,004	2,690,844,451	413,155	0
<b>INTEREST EARNINGS</b>				
Interest Income	11,276,134,145	22,406,146,304	10,139,589,125	15,623,188,798
<b>SALES INCOME</b>				
Liquor Sales	389,815,068	455,288,679	505,092,849	611,838,175
Pari-mutuel Receipts	4,485,965	4,586,193	4,972,212	4,712,778
State Forest Lands	289,210,148	246,604,630	262,589,125	259,237,647
Common School Land	4,246,380	5,483,144	9,276,508	11,276,508
Other Sales Income	56,735,825	72,500,129	26,881,598	26,324,572
<b>DONATIONS AND CONTRIBUTIONS</b>				
Donations and Grants (Non-Fed)	68,331,819	53,546,549	69,302,404	68,233,513
Retirement System Contribution	4,663,216,438	6,133,707,724	6,136,283,319	9,244,070,430
<b>LOAN REPAYMENTS</b>				
Housing Division Loan Repayment	248,035,287	372,692,281	315,637,341	321,650,417
Senior Citizen Property Tax Repayments	0	63,744,923	42,638,383	36,989,678
Veterans' Loan Repayments	84,020,878	187,211,163	80,000,000	80,000,000
Other Loan Repayments	263,485,005	305,629,323	201,515,785	197,412,789
Loan Proceeds	24,999,500	0	0	0
<b>INSURANCE PREMIUMS</b>				
	222,251,236	63,250,940	83,002,020	65,147,533
<b>LOTTERY DISTRIBUTIONS <sup>(3)</sup></b>				
	1,456,230,580	1,201,751,414	1,735,906,280	1,832,994,344
<b>OTHER REVENUES</b>				
	3,756,588,576	4,251,986,368	4,682,734,448	4,622,008,437
<b>TRANSFERS IN/OUT</b>				
	523,485,355	2,028,300,274	3,128,827,339	593,279,454
<b>TOTAL OTHER FUNDS &amp; LOTTERY DISTRIBUTIONS</b>				
	<u>37,770,652,768</u>	<u>56,811,881,752</u>	<u>53,965,393,410</u>	<u>64,936,326,812</u>

Source: Oregon Department of Administrative Services, Chief Financial Officer.

<sup>(1)</sup> Reported in 2021-23 Governor's Budget, Schedule II.

<sup>(2)</sup> Reported in 2023-25 Legislatively Adopted Budget, Department of Administrative Services, Chief Financial Office

<sup>(3)</sup> Lottery distributions represent net lottery revenues transferred to the Economic Development Fund available for distribution, not the actual amounts distributed or expected to be distributed.



The following table summarizes expenditures by statewide program area for all fund types for the 2017-19 through the 2023-25 biennia.

**TABLE 12**  
**SUMMARY OF EXPENDITURES BY PROGRAM AREA BY FUND**  
**(IN MILLIONS)**

Program Area	2017-19 Actual Expenditures <sup>(1)</sup>					2019-21 Actual Expenditures <sup>(2)</sup>					2021-23 Actual Expenditures <sup>(3)</sup>					2023-25 Legislatively Approved Budget <sup>(4)</sup>				
	General	Lottery	Other	Federal	Total	General	Lottery	Other	Federal	Total	General	Lottery	Other	Federal	Total	General	Lottery	Other	Federal	Total
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Education	\$10,317	\$629	\$1,388	\$1,408	\$13,743	\$10,693	\$873	\$3,098	\$1,666	\$16,331	\$11,835	\$790	\$4,454	\$3,764	\$20,844	\$12,966	\$811	\$5,156	\$2,622	\$21,554
Human Services	5,305	12	7,528	18,776	31,621	6,067	17	8,945	22,567	37,596	7,967	20	12,181	32,059	52,226	11,245	29	11,237	31,853	54,365
Public Safety	2,574	8	756	415	3,754	2,787	8	1,136	950	4,881	2,307	12	2,335	1,502	6,156	3,449	10	1,219	1,500	6,178
Judicial Branch	761	---	247	1	1,009	869	---	125	1	995	1,072	---	300	3	1,375	1,283	---	205	2	1,489
Economic & Community Develop.	121	144	2,945	492	3,702	506	144	5,090	8,102	13,842	1,451	195	9,682	2,750	14,078	795	224	7,183	935	9,137
Natural Resources	299	214	1,117	222	1,852	341	214	1,277	235	2,068	957	254	1,910	374	3,495	606	320	1,963	436	3,325
Transportation	23	114	3,349	104	3,590	64	115	5,085	129	5,392	80	122	5,619	252	6,073	34	137	5,768	231	6,169
Consumer and Business Services	13	---	581	16	611	15	---	714	115	844	56	---	802	130	988	45	---	859	139	1,043
Administration	256	23	12,577	12	12,869	524	26	13,826	1,272	15,647	988	51	15,816	3,250	20,104	406	86	16,044	185	16,720
Legislative Branch	113	---	32	---	145	139	---	93	---	232	417	---	40	---	457	216	---	235	---	451
Miscellaneous (Incl. E-Board)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	830	---	---	---	830
<b>Statewide Total Expenditures<sup>(5)</sup></b>	<b>\$19,784</b>	<b>\$1,145</b>	<b>\$30,521</b>	<b>\$21,446</b>	<b>\$72,895</b>	<b>\$22,005</b>	<b>\$1,397</b>	<b>\$39,388</b>	<b>\$35,037</b>	<b>\$97,827</b>	<b>\$27,131</b>	<b>\$1,444</b>	<b>\$53,138</b>	<b>\$44,083</b>	<b>\$125,795</b>	<b>\$31,874</b>	<b>\$1,617</b>	<b>\$49,870</b>	<b>\$37,901</b>	<b>\$121,261</b>

Source: Oregon Department of Administrative Services, Chief Financial Office.

<sup>(1)</sup> Reported in 2021-23 Governor's Budget, Schedule V.

<sup>(2)</sup> Reported in 2023-25 Governor's Budget, Schedule V.

<sup>(3)</sup> Reported in 2021-23 Legislatively Approved Budget, Department of Administrative Services, Chief Financial Office.

<sup>(4)</sup> Reported in 2023-25 Legislatively Approved Budget, Department of Administrative Services, Chief Financial Office.

<sup>(5)</sup> Totals may not agree with sum of components due to rounding.

## STATE OF OREGON INVESTMENT POLICIES

The Office of the State Treasurer (the “OST”) invests moneys held on behalf of state agencies and participating public bodies and local governments through two pooled investment vehicles or through separate accounts with guidelines specific to the participant’s investment needs. Some of the participant moneys invested by the OST are bond proceeds or moneys used to pay bond debt service. The State’s investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (the “OIC”). The OIC, created by a 1965 legislative act, establishes investment policies for all state funds. The OST is responsible for implementing those policies. The Governor appoints four of the OIC’s five voting members, who are subject to confirmation by the Oregon Senate. The Treasurer serves by statute. OST pooled investment vehicles for state moneys are the statutory Oregon Short-Term Fund (the “OSTF”) and the internally established Oregon Intermediate-Term Pool (the “OITP”).

Oregon Short-Term Fund. The OSTF is a short-term cash investment vehicle created by statute to invest state agency and Oregon local government moneys. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. The OST manages the OSTF within policies and guidelines approved by the OIC, with advice from and in consultation with, the OSTF Board and OST staff. Primary investment objectives established for the fund are, in order of priority: preservation of principal, liquidity and yield. As of June 30, 2023, the OSTF, reported net assets of approximately \$33.6 billion.

The current OSTF guidelines require at least 50% of the portfolio to mature or re-price within 93 days; no more than 25% of the portfolio may have a maturity longer than one year; and no investments may have a maturity longer than three years as measured from the settlement date of the initial transaction. Maturity dates are calculated using proxies permitted by OIC-approved policy for securities that have been called, securities with a put option, variable-rate securities and Asset-Backed securities. The target weighted average credit quality of the portfolio must be a minimum of AA by national statistical rating organizations or greater than 26.50 as computed using the ratings as determined by OSTF policies for each class of security and the applicable NSRO rating. The current OSTF guidelines allow the following (subject to change at any time):

Issue Type	Maximum Holdings % or \$	Minimum Ratings S&P/Moody's/Fitch
U.S. Treasury Obligations (1)	100%	None
U.S. Agency Securities (1) Per Issuer	100% 33%	None None
Foreign Government & Instrumentalities (1) Per Issuer	25% 10%	AA-/Aa3/AA-
Corporate Securities (Total) Corporate Bonds Commercial Paper (2) Per Issuer	50% 50% 50% 5%	A-/A3/A- A-1/P-1/F-1
Asset-Backed Securities Per Issuing Trust	25% 5%	AAA/Aaa/AAA A-1+/P-1/F-1+
Negotiable Certificates of Deposit Per Issuer	20% 5%	A-1/P-1/F-1
Bankers' Acceptances Per Issuer	20% 5%	A-1/P-1/F-1

Issue Type	Maximum Holdings % or \$	Minimum Ratings S&P/Moody's/Fitch
Time Certificates of Deposit (3) Per Issuer	20% 5%	None
Municipal Debt (Total)	25%	AA-/Aa3/AA-
Municipal Commercial Paper	25%	A-1/P-1/F-1
Short Term Municipal Obligations	25%	SP-1/(V)MIG1/F-1
Per Issuer	10%	
Repurchase Agreements (4) Per Counterparty	100% 5%	None
Reverse Repurchase Agreements (5) Per Counterparty	100% 5%	None
Oregon Local Government Intermediate Fund	\$250 Million	A-/A3/A-

- (1) Securities guaranteed by the U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality will be considered a U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality for the purposes of this policy.
- (2) Commercial Paper must have top-tier short-term ratings by at least two of the nationally recognized statistical rating organizations at the time of purchase.
- (3) Permitted Time Certificates of Deposit (TCDs) will be limited to qualified depositories as defined in ORS Chapter 295.005. Maximum TCD exposure per depository must be no more than 5% of the issuing bank's total deposits, or \$250,000, whichever is greater. Maximum credit union exposure per depository shall be \$250,000.
- (4) Repurchase agreements must have a maximum maturity of 90 days, be with counterparties with net capital greater than \$100 million, repos must equal no more than 2% of a counterparty's liabilities, counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank or OST's custodial agent and have a signed agreement, collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities with a final maturity of three years or less and the market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (5) Reverse Repurchase Agreements must have a maximum maturity of 93 days, counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank and have a signed repurchase agreement. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright. Securities will be reversed on a fully collateralized basis; and reverse repurchase investments for interest rate arbitrage can only be done on a matched book basis.

The State's custodian, State Street Bank and Trust Company, periodically lends securities in the Oregon Short Term Fund to primary dealers, as recognized by the Federal Reserve Bank, on a fully collateralized basis.

Oregon Intermediate-Term Pool. The OITP is an alternative investment vehicle to the OSTF. The OITP is a voluntary investment vehicle for state agencies, public universities and other eligible entities. The moneys in the OITP are pooled and managed by OST to invest dollars not needed to cover investors' short-term needs and for those investors who are able to withstand price volatility with the objective of achieving returns often associated with longer-term investments. The OITP Financial Statements for the year ended June 30, 2023, reported net assets of approximately \$310.7 million, of which \$135 thousand is classified as Cash and Cash Equivalents.

The OITP's management objective is to maximize total return, which includes investment value and coupon income within the desired risk parameters and fixed income investments prescribed in the portfolio guidelines. The OITP's benchmark index is the Bloomberg Barclay's Intermediate U.S. Government / Credit Bond Index. The OITP is not structured to provide 100% net asset value on each participant's initial investment at all times. For consistency with the portfolio's total return objective, the value of each participant's investment is determined on a proportional basis to the net market value of the entire portfolio. The OITP is not registered with the U.S. Securities and Exchange Commission as an investment company.

Eligible investments are detailed in the OITP guidelines, but in general, the OITP may invest, subject to diversification requirements, in several types of investment grade rated debt market instruments denominated in U.S. dollars. These may include:

- Obligations of U.S. and non-U.S. corporate issuers;
- Obligations of the U.S. government and its agencies and instrumentalities;
- Obligations issued or guaranteed by non-U.S. governments and instrumentalities;
- Taxable debt securities issued by U.S. states or local governments and their agencies, authorities and other U.S. state government-sponsored enterprises;
- Repurchase agreements and reverse repurchase agreements.

The OITP invests in securities that, at the time of purchase, are investment grade rated by nationally recognized rating agencies, such as Moody's, Standard & Poor's or Fitch. The overall portfolio must maintain an average modified duration of +/- 20% of its benchmark index. Limitations on individual investment terms to maturity vary by security type, but in general, securities have a maximum term of or weighted average life of 10.25 years and may not have a modified duration, a measure of interest rate risk, greater than three years. As of June 30, 2023, the weighted average duration of the OITP pool was 4.1 years.

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. The OITP guidelines provide that the maximum that may be invested in any one issuer, as a percentage of the OITP's total investments is five percent, excluding the OSTF, U.S. Treasuries or U.S. Federal Agencies or instrumentalities. The OITP may invest up to 100% in those securities. On June 30, 2023, the Pool did not hold investments with any one issuer that exceeded these limits.

## **INITIATIVE PETITIONS, LEGISLATIVE REFERRALS AND REFERENDUM PETITIONS**

### **Initiative Petitions**

*General.* The Oregon Constitution, Article IV, Section 1, reserves to the people of the state (1) the initiative power to amend the State Constitution or to enact state legislation by placing measures on the statewide general election ballot for consideration by the voters and (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session. The Legislative Assembly may also refer an act to the voters for approval or rejection.

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. Because many proposed initiative measures are submitted that do not qualify for the ballot, the State does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the State does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

*Requirements for Proposed Initiative Measures to Be Placed on the Ballot.* To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents

of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

Although a large number of initiative measures are submitted to the Secretary of State’s office, a much smaller number of petitions contain sufficient signatures to be placed on the ballot. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure’s financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors.

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified <sup>(1)</sup></u>	<u>Number of Initiatives that Passed</u>
2012	7	2
2014	4	2
2016	4	3
2018	4	1
2020	2	2
2022	2	2

*Source: Oregon Secretary of State, Elections Division.*

<sup>(1)</sup> The number of initiatives shown identify only the citizen-initiated petitions that are on the ballot and do not include legislative referrals.

### **Legislative Referrals and Referendum Petitions**

The Legislative Assembly may refer constitutional amendments or statutory changes to the Oregon voters for their approval. In addition, within 90 days after the end of a legislative session, any person may file a petition seeking to have any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session referred to the voters for their approval or rejection at the next general election, or at a special election provided for by the Legislative Assembly. To place a proposed referendum on the ballot, the proponents must submit to the Secretary of State within 90 days after the end of the legislative session referendum petitions signed by the number of qualified voters equal to four percent of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign a referendum petition for any measure on which the elector is entitled to vote. An act approved by the voters through the referendum process becomes effective 30 days after the date of the election at which it was approved. A referendum on part of an act does not prevent the remainder of the act from becoming effective as provided in the act.

## PENSION AND POST EMPLOYMENT BENEFITS

The State is one of many participants in the statewide Oregon Public Employees' Retirement System ("PERS" or "System"). The State participates in three retirement pension benefit programs provided through PERS and three retirement healthcare benefit programs (two provided through PERS and one provided by the State's Public Employees' Benefit Board ("PEBB")).<sup>1</sup> Most public employers in Oregon, including state government employers, participate in PERS. Benefits provided through PERS are paid from the Oregon Public Employees' Retirement Fund ("OPERF"). The Public Employees' Retirement Board (the "PERS Board") administers PERS and is responsible for setting policies and for providing administrative direction to PERS.

### System Pension Programs

The three PERS pension programs are composed of two defined benefit programs and one program that has features similar to a defined contribution plan. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of participating employer contributions (determined by the PERS Board based upon the results of actuarial valuations), investment earnings and employee contributions (determined by statute, currently 6 percent of salaries and 7 percent for judges) fund these pension programs.

Employees hired before January 1, 1996, are known as "Tier 1" participants. The retirement benefits applicable to Tier 1 participants are based primarily on a defined benefit model. Employees hired on or after January 1, 1996, and before August 29, 2003, are known as "Tier 2" participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. Employees hired on or after August 29, 2003, are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as the Oregon Public Service Retirement Plan ("OPSRP").

PERS also offers a program that has features similar to a defined contribution benefit known as the Individual Account Program ("IAP"). Effective January 1, 2004, active Tier 1, Tier 2 ("T1/T2") and OPSRP employees became members of the IAP. Tier 1 and Tier 2 employees retain their existing T1/T2 Pension Program account, but the IAP account receives any future member contributions. In 2019 the Legislative Assembly passed SB 1049, which made several changes to PERS benefits going forward. Effective July 1, 2020, a portion of most members' 6%-of-salary contribution to their IAP is being redirected to an Employee Pension Stability Account ("EPSA"). Each member's EPSA will help fund their defined benefits provided under T1/T2 and OPSRP. For T1/T2 members, the redirected amount is 2.5 percent of salary; for OPSRP members, the amount is 0.75 percent of salary.

### *System Pension Plan Asset and Liabilities Valuations*

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. The current PERS actuary is Milliman, Inc. ("Milliman"). Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine annual required employer contribution rates. Valuations are released approximately one year after the valuation date. The most recent valuation report for the System is as of December 31, 2022 (the "2022 System Valuation").

---

<sup>1</sup> Members of the Oregon State judiciary participate in the Judge Retirement Program, a separate pension benefit program under PERS. Employer contributions for the Judge Retirement Program are paid from the State General Fund. Information relating to the Judge Retirement Program will be footnoted herein.

The System Valuations include actuarial valuations for the T1/T2 Pension Programs and OPSRP. In connection with the T1/T2 Pension Programs, the State is pooled with certain local governments and community college districts (the “State and Local Government Rate Pool” or “SLGRP”). Because OPSRP’s assets and liabilities are pooled on a program-wide basis, the State is pooled with all Oregon local governments in connection with OPSRP.

The PERS actuary releases the State’s individual valuation reports near the end of each calendar year. These annual valuation reports provide the State’s portion of the unfunded actuarial liabilities of the SLGRP and OPSRP based on the State’s proportionate share of SLGRP and System covered payroll, respectively, as of the valuation date. An employer’s unfunded actuarial liability (“UAL”) is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

The following table shows the significant actuarial assumptions and methods adopted by the PERS Board and used by Milliman in performing its actuarial valuations for the System and employers as of December 31, 2020, 2021, 2022 and 2023.

**TABLE 13  
PUBLIC EMPLOYEES’ RETIREMENT SYSTEM ACTUARIAL ASSUMPTIONS AND  
METHODS**

Assumption/Method	2020 & 2021 Valuation	2022 & 2023 Valuation
Actuarial Cost Method	Entry-Age Normal	
T1/T2 Programs UAL Amortization Method	Level Percentage of Payroll over 20 years (Closed)	
OPSRP UAL Amortization Method	Level Percentage of Payroll over 16 years (Closed)	
Asset Valuation Method	Market Value <sup>(1)</sup>	
Investment Rate of Return	6.90%	
Payroll Growth Rate	3.40%	
Inflation Level	2.40%	
Contribution Rate Stabilization Method (Rate Collar)	<p>The UAL rate for a rate pool or employer is confined to a collar range based on the prior biennium’s collared UAL rate component. For the SLGRP and School District Pool, the UAL rate will not change by more than 3% of payroll. For an independent employer, the collar width for the Tier1/Tier 2 UAL Rate is the greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation.</p> <p>The UAL Rate for any rate pool will not be allowed to decrease if the pool’s funded status (excluding side accounts) is 87% or lower. The rate may decrease by the collar width if funded status is 90% or greater, and the allowable decrease amount is phased in from 87% to 90% funded.</p>	

(1) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

In addition to the actuarial methods and assumptions listed above, the actuary uses other methods, procedures and economic and demographic assumptions when performing its actuarial valuations.

The following table shows the systemwide market value of assets, actuarial value of liabilities, net pension liability and funded ratios for PERS pension plans for the past ten years for which actuarial valuations were performed. The actuarial valuation report for the System as of December 31, 2022 (the “2022 System Valuation”) was released on December 7, 2023. For similar information regarding the PERS-sponsored retirement healthcare benefit programs see Tables 21 and 22A-C.

**TABLE 14**  
**PUBLIC EMPLOYEES’ RETIREMENT SYSTEM – SYSTEMWIDE PENSION**  
**HISTORICAL ACTUARIAL FUNDED RATIOS**  
**(IN MILLIONS)<sup>(1)</sup>**

<b>Calendar Year Ending</b>	<b>Market Value of Assets (\$)<sup>(2)</sup></b>	<b>Actuarial Value of Liability (\$)</b>	<b>Unfunded Actuarial Liability (\$)</b>	<b>Funded Ratio (%)</b>
2013 <sup>(3)</sup>	60,014.1	62,593.6	2,579.5	95.9
2014 <sup>(4)</sup>	61,395.1	73,458.9	12,063.8	83.6
2015	60,000.1	76,196.6	16,196.5	78.7
2016	61,059.0	80,970.3	19,911.3	75.4
2017	67,326.2	84,056.0	16,729.8	80.1
2018	64,802.3	86,574.7	21,772.4	74.9
2019	70,312.2	89,445.7	19,133.5	78.6
2020 <sup>(5)</sup>	72,378.3	95,300.4	22,922.1	75.9
2021 <sup>(5)</sup>	85,001.3	98,401.4	13,400.1	86.4
2022	81,074.0	102,908.8	21,834.8	78.8

Sources: *Actuarial valuations of the System.*

<sup>(1)</sup> System funding levels composed of Tier 1/Tier 2 and OPSRP pensions but excludes retiree healthcare subsidies of RHIA and RHIPA.

<sup>(2)</sup> Includes proceeds of pension bonds issued by Oregon local governments and the State and other side accounts established by employers.

<sup>(3)</sup> Reflects the legislative changes enacted by the Legislative Assembly in 2013 (the “2013 PERS Bills”) to reduce future benefit payments, resulting in a reduction of the System’s unfunded actuarial liability by approximately \$5 billion.

<sup>(4)</sup> In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013, effective date of the 2013 PERS Bills.

<sup>(5)</sup> The actuarial value of liabilities reported for 2020 and 2021 includes the effect of the reduction of the assumed rate of return from 7.20% to 6.90% on actuarial liabilities.

The Oregon State Treasurer is the investment officer for the State of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Oregon Short-Term Fund (for cash balance), Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The target investment portfolio mix at market value was revised at the OIC meeting of December 7, 2022 (going into effect April 1, 2023), to 27.5 percent public equity, 20 percent private equity, 25 percent fixed income, 12.5 percent real estate, 7.5 percent real assets and 7.5 percent diversifying strategies. These percentages provide guidance on asset allocation and may vary with changes in valuation or at the discretion of the OIC in consideration of the OPERF investment policy.



The following table shows the prior ten years of investment returns for the OPERF.

**TABLE 15**  
**OREGON PUBLIC EMPLOYEES**  
**RETIREMENT FUND INVESTMENT RETURNS**

---

<b>Calendar Year</b>	<b>Net</b>
<b><u>Ending</u></b>	<b><u>Returns (%)</u><sup>(1)</sup></b>
2014	7.3
2015	2.1
2016	6.9
2017	15.4
2018	0.5
2019	13.6
2020	7.7
2021	20.0
2022	(1.6)
2023	6.0

---

Source: *Office of the State Treasurer.*

<sup>(1)</sup> Regular account, after investment management fees, but not consulting fees.

The funded status of the pension programs will change depending on the market performance of the securities that OPERF is invested in, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. Additionally, the market value of the investments held in OPERF is determined using various sources. For descriptions of the methodologies applied by the Oregon State Treasurer to determine the market value of OPERF investments see the *State of Oregon audited Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023* Note 1.D., captioned “Summary of Significant Accounting Policies - Deposits and Investments” and the *Oregon Public Employees’ Retirement System Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, Note 1.D. Investments.*

## State of Oregon Active PERS Members

The following table shows the number of active state members in the T1/T2 Pension Programs and OPSRP over the past ten years.

**TABLE 16**  
**ACTIVE STATE PERS MEMBERS**

<b>Calendar Year</b>	<b>Active T1/T2</b>	<b>Active OPSRP</b>		<b>Percent</b>
<b><u>Ending</u></b>	<b><u>Members</u></b>	<b><u>Members</u></b>	<b><u>Total</u></b>	<b><u>Change (%)</u></b>
2013	22,034	22,437	44,471	-1.0
2014	20,626	25,776	46,402	4.3
2015	19,010	28,321	47,331	2.0
2016	17,524	29,815	47,339	0.0
2017	15,601	30,970	46,571	-1.6
2018	14,505	33,467	47,972	3.0
2019	13,264	36,005	49,269	2.7
2020	12,159	37,935	50,094	1.7
2021	10,949	39,048	49,997	-0.2
2022 <sup>(1)</sup>	9,882	41,244	51,126	2.3

Source: Oregon PERS.

<sup>(1)</sup> As of December 31, 2022, there were 192 active members of the Judge Retirement Program.

## State Pension Plan Asset and Liabilities

The following table shows the State's portion of the market value of assets and the actuarial value of liabilities, unfunded actuarial liability, surplus and funded ratios for PERS pension programs for which actuarial valuations were performed for the past ten years. For the T1/T2 Pension Programs, the State's portion of PERS' assets and liabilities are based upon the State's proportionate share of the SLGRP's covered payroll (as of December 31, 2022, approximately 52.78 percent) and reflects proceeds from the State pension bonds issued in October 2003 in the aggregate principal amount of \$2.1 billion (the "State Pension Bonds"). For OPSRP, the State's proportionate share is based upon the State's share of total OPSRP covered payroll (as of December 31, 2022, approximately 30.65 percent). The State's proportionate liability may increase if other participants fail to pay their full employer contributions.

**TABLE 17**  
**STATE OF OREGON - PENSION**  
**HISTORICAL ACTUARIAL FUNDED RATIOS**  
**(IN MILLIONS)<sup>(1)</sup>**

<b>Calendar Year Ending</b>	<b>Market Value of Assets (\$)<sup>(2)</sup></b>	<b>Actuarial Accrued Liability (\$)</b>	<b>Unfunded Actuarial Liability (\$)</b>	<b>Funded Ratio (%)</b>
2013 <sup>(3)</sup>	16,212.3	16,699.9	487.6	97.1
2014 <sup>(4)</sup>	16,889.9	19,978.2	3,088.2	84.5
2015	16,497.3	20,845.5	4,348.2	79.0
2016	16,696.4	21,995.0	5,298.6	75.9
2017	18,550.1	23,232.6	4,682.4	79.8
2018	17,580.9	23,850.8	6,270.0	73.7
2019	19,441.5	25,295.4	5,853.9	76.9
2020	20,170.5	27,335.4	7,164.9	73.8
2021	22,787.1	28,411.7	5,624.5	80.2
2022	22,413.3	29,855.8	7,442.5	75.1

Sources: State Actuarial Valuation Reports; Oregon PERS.

- <sup>(1)</sup> The State’s UAL (the “State UAL”) presented in this table may differ from the presentation of the State UAL in the State Actuarial Valuation Reports released by the PERS actuary. The Judge Retirement Program and the RHIA and RHIPA Programs are not included in these numbers. The PERS actuary reported that as of December 31, 2022, the Judge Retirement Program has an unfunded actuarial liability of \$101.6 million and a funded ratio of 73%. See Tables 21 through 22C for RHIA and RHIPA information.
- <sup>(2)</sup> Includes lump sum payments to PERS from proceeds of pension bonds issued by Oregon local governments and the State and other cash resources.
- <sup>(3)</sup> Reflects the legislative changes enacted by the Legislative Assembly in 2013 (the “2013 PERS Bills”) to reduce future benefit payments, resulting in a reduction of the System’s unfunded actuarial liability by approximately \$5 billion.
- <sup>(4)</sup> In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills.

### ***State Employer Contribution Rates***

At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. Pursuant to ORS 238.225, all employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board. The contribution rate stabilization method (“Rate Collar”) described under “PUBLIC EMPLOYEES’ RETIREMENT SYSTEM ACTUARIAL ASSUMPTIONS AND METHODS” above, was revised by PERS in July 2021 to apply to the UAL component of the PERS Board-approved employer contribution rates. The actuarially determined contribution (“ADC”) for a PERS employer is the rate adopted for that employer by the PERS Board. This rate is calculated in accordance with the adopted actuarial-based funding policy. In years where the rate collar (which is part of the funding policy) is affecting the final rate adopted for some rate pools or employers, the collared rate is the ADC. Employers who pay the collared rate are paying 100% of the ADC.

The following table shows the State’s employer contribution rates expressed as percentages of the actuarially determined covered payroll for PERS pension and PERS-sponsored healthcare costs for the 2021-23 Biennium based on the valuation report for the State as of December 31, 2019 (the “2019 State Valuation”) and for the 2023-25 Biennium based on the valuation report for the State as of December 31, 2021 (the “2021 State Valuation”). The State’s advisory only employer contribution rates are included in the valuation report for the State as of December 31, 2022 (the “2022 System Valuation”) and was released in December 2023.

**TABLE 18**  
**STATE CONTRIBUTION RATES**

<u>Payrolls Paid</u> <sup>(1)</sup>	<u>2023-25</u> <u>Biennium (%)</u> <sup>(3)(4)</sup>	<u>(ADVISORY</u> <u>ONLY) 2025-27</u> <u>Biennium (%)</u> <sup>(5)</sup>
T1/T2	22.91	25.22
OPSRP General Service	18.28	20.81
OPSRP Police and Fire	23.07	25.40
Blended Rate <sup>(2)</sup>	19.12	n/a

Sources: Oregon PERS; 2021 State Valuation and 2022 State Valuation.

- <sup>(1)</sup> The employer contribution rate for the Judge Retirement Program is calculated separately and the advisory contribution rate for the 2025-27 biennium is 40.31%. According to the 2022 System Valuation and the State Judiciary Valuation as of December 31, 2022, the value of the covered payroll of the judiciary as of December 31, 2022, is approximately \$31.27 million.
- <sup>(2)</sup> The Blended Rate is calculated by the PERS actuary. It is a weighted average of the three separate payroll rates based on the proportion of estimated State payroll in each rate category. The Blended Rate is an estimate provided for budgeting purposes only and is not adopted by the PERS Board. The Blended Rate estimate is sensitive to the proportional weightings of each category in the payroll estimate, especially the proportions of payroll that are Tier 1/Tier 2 police and fire and OPSRP waiting period.
- <sup>(3)</sup> SB 1049, enacted in June 2019, re-amortized the UAL over a period of 22 years (closed). The 2023-25 rates are determined using the amortization schedule under SB 1049.
- <sup>(4)</sup> Based on 2021 State Valuation
- <sup>(5)</sup> Advisory Rates Only for 2025-2027 biennium based on 2022 State Valuation

## State Contributions

The following table shows the historical amount of State contributions paid to PERS for the three pension programs and the two PERS-sponsored health care programs and the amount paid for the debt service on the State Pension Bonds.

**TABLE 19**  
**STATE CONTRIBUTIONS TO PERS AND PERS-RELATED DEBT SERVICE**  
**(IN MILLIONS)**

Fiscal Year Ended 6/30	State Employer Contribution to PERS <sup>(1)</sup> (\$)	Percent Change (%)	Employee Contribution Paid by State <sup>(2)</sup> (\$)	POB Debt Service <sup>(3)</sup> (\$)	Total (\$)	Percent Change (%)
2013	232.7	0.9	141.4	155.1	529.2	2.0
2014	249.4	7.2	150.5	161.7	561.6	6.1
2015 <sup>(4)</sup>	169.6	-32.0	129.4	168.6	467.6	-16.7
2016	224.5	32.4	129.6	175.7	529.8	13.3
2017	207.7	-7.5	95.2	183.2	486.1	-8.2
2018	314.3	51.3	76.8	191.0	582.1	19.7
2019	333.1	6.0	49.5	199.1	581.7	-0.1
2020	455.2	36.7	2.1	207.5	664.8	14.3
2021	491.9	8.1	2.2	216.4	710.4	6.9
2022	583.8	18.7	2.3	225.6	811.7	14.2
2023	616.7	5.6	2.6	235.2	854.5	5.3

Sources: State of Oregon Annual Comprehensive Financial Report (ACFR), Note Disclosure 14 & 15 for FY 2016 through FY 2023; Note Disclosure 15 and 16 for FY 2013 through 2015; and Oregon State Treasurer.

<sup>(1)</sup> Amount includes employer contributions for the primary government and excludes component units. Amount includes employer contributions for RHIA and RHIPA, but excludes all other retirement plans other than PERS and does not include employer paid employee contributions.

<sup>(2)</sup> The State pays employee contributions into the Individual Account Program (IAP). Amount for FY 2011 is an estimate derived from PERS covered payroll for the calendar year ended within the fiscal year, based on six percent employee contribution rate. Amounts for FY 2012 through FY 2023 are sourced from Employee Retirement Plans note disclosures in the State's ACFR for FY 2016 through 2021 and the audited State's ACFR for FY 2023.

<sup>(3)</sup> Fiscal Year State Pension Bonds debt service. The State issued Pension Bonds October 31, 2003. As of June 30, 2023, \$904.7 million principal amount of State Pension Bonds remain outstanding.

<sup>(4)</sup> Beginning with FY 2015, three public universities (OSU, UO & PSU) were reported as component units, which contributed to a significant decrease in the State's employer contributions. In addition, employer rates declined from the 2013-15 to 2015-17 biennium, which also contributed to the reduction.

## Changes in Financial Reporting for Pension Plans

The Governmental Accounting Standards Board ("GASB") adopted new pension accounting standards effective for the June 30, 2014, fiscal year, which differed from historical methodologies used by the State for funding purposes and those used to represent funded status. Among the changes to the GASB standards are the inclusion of pension liabilities on a government's balance sheet; mark to market valuation of assets; lower actuarial discount rates; and the recognition of differences between expected and actual demographic and investment experience incrementally over a closed period when reporting annual employer pension expense. The new accounting standards affect financial reporting but do not require changes to funding policies. GASB required disclosures appear annually in the Annual Comprehensive Financial Report.

## **Total and Net Pension (Asset)/Liability**

Beginning with the fiscal year ended June 30, 2014, the PERS began reporting financial information in conformity with new accounting and financial reporting requirements applicable to pension plans. Beginning with the fiscal year ended June 30, 2015, the State began reporting financial information in conformity with the new accounting and financial reporting requirements applicable to employers who participate in pension plans, which significantly changed the way pension liabilities are reported in their Annual Comprehensive Financial Reports by states and local governments. As a result of these changes, the State reports its Net Pension (Asset)/Liability based upon the State's proportionate share of the PERS system-wide Net Pension (Asset)/Liability. The following table shows the historical changes in Net Pension (Asset)/Liability of the PERS defined benefit pension plan for fiscal year 2019 through fiscal year 2023. In addition, the table shows the State's proportionate share of the Net Pension (Asset)/Liability as reported in the Statement of Net Position in the Annual Comprehensive Financial Reports for fiscal year 2019 through fiscal year 2022. Due to the timing of when information is available to participating employers, there is a one-year lag in the measurement date and the valuation date for the State's share.

**TABLE 20**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**HISTORICAL CHANGES IN NET PENSION (ASSET)/LIABILITY**  
**(IN MILLIONS)**

<b><u>Defined Benefit Pension Plan (PERS)</u></b>					
	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>	<b><u>FY 2023</u></b>
<b><u>Total Pension Liability<sup>(1)</sup></u></b>					
Service Cost <sup>(2)</sup>	\$ 1,146.4	\$ 1,187.2	\$ 1,263.5	\$ 1,387.7	\$ 1,485.2
Interest on Total Pension Liability	5,952.1	6,162.9	6,349.3	6,505.6	6,694.3
Effect of Plan Changes <sup>(3)</sup>	(50.6)		148.5	-	-
Changes in Benefit Terms	-		-	-	-
Changes in Assumptions	-	(50.5)	3,041.9	490.3	-
Differences Between Expected and Actual Experience	804.2	406.7	600.9	(116.7)	636.0
Benefit Payments	<u>(4,827.0)</u>	<u>(5,064.8)</u>	<u>(5,249.0)</u>	<u>(5,483.1)</u>	<u>(5,678.8)</u>
Net Change in Total Pension Liability	3,025.1	2,641.5	6,155.1	2,783.8	3,136.7
Total Pension Liability – Beginning	<u>84,476.1</u>	<u>87,501.2</u>	<u>90,142.7</u>	<u>96,297.8</u>	<u>99,081.6</u>
Total Pension Liability – Ending	<u>87,501.2</u>	<u>90,142.7</u>	<u>96,297.8</u>	<u>99,081.6</u>	<u>102,218.3</u>
Plan Fiduciary Net Position – Ending	<u>70,203.7</u>	<u>68,319.3</u>	<u>84,331.3</u>	<u>83,769.6</u>	<u>83,487.6</u>
<b><u>Net Pension Liability/(Asset)<sup>(4)</sup></u></b>	<b><u>\$17,297.5</u></b>	<b><u>\$21,823.4</u></b>	<b><u>\$11,966.5</u></b>	<b><u>\$15,312.0</u></b>	<b><u>18,730.7</u></b>
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Discount Rate <sup>(5)</sup>	7.20%	7.20%	7.20%	6.90%	6.90%
<b><u>State of Oregon Employer<sup>(6)</sup></u></b>					
	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>	
Proportionate Share of Net Pension Liability/(Asset) <sup>(7)</sup>	22.3%	23.0%	24.2%	26.2%	
State's Net Pension Liability/(Asset) <sup>(4)</sup>	\$3,852.0	\$5,019.2	\$2,894.7	\$4,011.3	
Covered Payroll	\$2,302.7	\$2,743.3	\$2,963.7	\$3,197.2	
States' Net Pension Liability/(Asset) as a Percentage of Covered Payroll	167.3%	183.0%	97.7%	125.5%	
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	

Sources: Annual Comprehensive Financial Reports (ACFRs) of the Oregon Public Employees Retirement System for PERS Plan for fiscal years 2019-2023 and of the State of Oregon for State employer reporting for each fiscal year from 2019-2023.

<sup>(1)</sup> Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with requirements of GASB Statement No. 67. The actuarial present value of projected benefit payments are projected benefit payments discounted to reflect the expected effects of the time value (present value) of money.

<sup>(2)</sup> Service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

<sup>(3)</sup> Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

<sup>(4)</sup> Includes side accounts.

<sup>(5)</sup> The Discount Rate is as of the Valuation Date.

<sup>(6)</sup> Employer reporting in ACFR is based upon a measurement date one year prior to the fiscal year end reporting date and a valuation date that lags by one year the valuation date used for pension plan reporting. In addition, the implementation of Governmental Accounting Standards Board statements on pension accounting and financial reporting for employers was one year later than standards applicable to pension plans; therefore, fiscal year 2015 is the first year applicable to employer reporting.

<sup>(7)</sup> Excludes entities reported as component units in the State's Annual Comprehensive Financial Report.

## Other Post-Employment Benefits (“OPEB”)

In addition to pension benefits provided through PERS, the State provides healthcare benefits (medical, vision and dental) through two PERS health insurance programs and through PEBB. At the time of retirement, state employees can choose whether to obtain post-employment benefits through PERS or through PEBB. Approximately 41,232 retirees receive healthcare benefits through PERS health insurance programs and approximately 970 retirees receive healthcare benefits through PEBB as reflected in the State’s audited Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

### *PERS-Sponsored Retirement Health Insurance Account Plan (“RHIA”)*

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may receive a subsidy towards the payment of health insurance premiums. ORS 238.420 established the Retirement Health Insurance Account program under which qualified retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums. The State’s employer contribution rate for the RHIA program for the 2019-21 biennium was 0.06 percent of payroll. As of December 31, 2022, the RHIA program actuarial assets exceeded actuarial liabilities, resulting in a surplus of \$374.9 million or an unfunded actuarial liability of approximately \$(374.9) million representing a funded ratio of approximately 208.7 percent, of which \$(115.8) million is allocable to the State.

**TABLE 21**  
**RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)**  
**HISTORICAL ACTUARIAL FUNDED RATIOS**  
**(IN MILLIONS)**

<b>Calendar Year Ending</b>	<b>Program UAL (\$)</b>	<b>Program Funded Ratio (%)</b>	<b>State Share of UAL (\$)</b>
2013	120.1	74.7	34.7
2014	72.5	84.5	21.4
2015	46.3	90.0	13.6
2016	(1.3)	100.3	(0.4)
2017	(115.7)	126.4	(33.6)
2018	(159.1)	138.6	(47.1)
2019	(240.3)	159.5	(71.9)
2020	(276.6)	172.1	(85.3)
2021	(394.0)	206.7	(122.3)
2022	(374.9)	208.7	(115.8)

*Source: Actuarial valuations of System and State actuarial valuation reports; Oregon PERS.*

### *PERS-Sponsored Retiree Health Insurance Premium Account Plan (“RHIPA”)*

Another subsidy is available to pre-Medicare-age state retirees through the Retiree Health Insurance Premium Account plan. On or before January 1 of each year, the PERS Board calculates the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. RHIPA authorizes payment of this average difference to qualified retired state employees. The State’s employer contribution rate for the RHIPA program for the 2023-25 biennium was 0.00 percent of payroll. As of December 31, 2022, the RHIPA program actuarial assets exceeded actuarial liabilities, resulting in a



surplus of \$44.6 million or an unfunded actuarial liability of approximately (\$44.6) million, representing a funded ratio of approximately 208.0 percent, all of which is allocable to the State.

**TABLE 22A**  
**RETIREE HEALTH INSURANCE PREMIUM ACCOUNT (RHIPA)**  
**HISTORICAL ACTUARIAL FUNDED RATIOS**  
**(IN MILLIONS)**

<u>Calendar Year Ending</u>	<u>Program UAL (\$)</u>	<u>Program Funded Ratio (%)</u>
2013	55.9	8.6
2014	63.3	10.2
2015	56.6	16.5
2016	48.8	28.1
2017	39.6	43.0
2018	24.3	61.3
2019	7.4	87.5
2020	(15.6)	132.6
2021	(37.0)	180.4
2022	(44.6)	208.0

*Source: Actuarial valuations of System.*

#### **Net OPEB (Asset)/Liability**

Beginning with the fiscal year ended June 30, 2017, PERS began reporting financial information in conformity with new accounting and financial reporting requirements applicable to OPEB plans. Beginning with the fiscal year ended June 30, 2018, the State began reporting financial information in conformity with new accounting and financial reporting requirements applicable to employers who participate in OPEB plans, which significantly changed the way OPEB liabilities are reported by states and local governments in their annual financial reports. The new accounting standards affect financial reporting, but do not require changes to funding policies.

The following table shows the historical changes in Net OPEB (Asset)/Liability of the PERS RHIA plan for fiscal years 2019 through 2023. In addition, the table shows the State's proportionate share of the Net OPEB (Asset)/Liability as reported in the Statement of Net Position in the Annual Comprehensive Financial Report for fiscal year 2023. Due to the timing of when information is available to participating employers, there is a one-year lag in the measurement date and the valuation date for the State's share.

**TABLE 22B**  
**RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)**  
**HISTORICAL CHANGES IN NET OPEB (ASSET)/LIABILITY**  
**(IN MILLIONS)**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY2022</u>	<u>FY2023</u>
<b><u>Total OPEB Liability</u><sup>(1)</sup></b>					
Service Cost <sup>(2)</sup>	\$ 2.5	\$ 2.3	\$ 2.0	\$ 1.9	\$ 1.5
Interest on Total OPEB Liability	32.4	30.3	28.3	27.3	24.9
Changes in Benefit Terms	-	-	-	-	-
Changes in Assumptions	-	(16.5)	10.7	(19.7)	-
Differences Between Expected and Actual Experience	(32.3)	(13.0)	(7.1)	(13.0)	(11.6)
Benefit Payments	<u>(32.2)</u>	<u>(31.8)</u>	<u>(31.3)</u>	<u>(30.6)</u>	<u>(29.8)</u>
Net Change in Total OPEB Liability	<u>(29.6)</u>	<u>(28.7)</u>	<u>2.6</u>	<u>(34.1)</u>	<u>(15.0)</u>
Total OPEB Liability – Beginning	<u>465.2</u>	<u>435.6</u>	<u>406.9</u>	<u>409.5</u>	<u>375.4</u>
Total OPEB Liability – Ending	<u>435.6</u>	<u>406.9</u>	<u>409.5</u>	<u>375.4</u>	<u>360.4</u>
Plan Fiduciary Net Position – Ending	<u>628.9</u>	<u>610.7</u>	<u>752.9</u>	<u>730.7</u>	<u>726.6</u>
<b>Net OPEB (Asset)/Liability</b>	<b><u>\$(193.3)</u></b>	<b><u>\$(203.8)</u></b>	<b><u>\$(343.4)</u></b>	<b><u>(355.3)</u></b>	<b><u>(366.2)</u></b>
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Discount Rate	7.2%	7.2%	7.2%	6.9%	6.9%
<b><u>State of Oregon Employer</u><sup>(3)</sup></b>					
Proportionate Share of Net OPEB (Asset)/Liability <sup>(4)</sup>	22.8%	8.7%	32.9%	28.5%	
State’s Net OPEB (Asset)/Liability	\$(44.1)	\$(17.7)	\$(112.8)	(101.4)	
Covered Payroll	\$2,302.7	\$2,743.3	\$2,963.7	3,197.2	
State’s Net OPEB as a Percentage of Covered Payroll	(1.9%)	(0.6%)	(3.8%)	(3.2%)	
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	

Sources: Annual Comprehensive Financial Reports of the Oregon Public Employees Retirement System for OPEB plan for fiscal years 2019-2023, and of the State of Oregon for State employer reporting for each fiscal year 2019-2023.

(1) Total OPEB liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with requirements of GASB Statement No. 74. The actuarial present value of projected benefit payments are discounted to reflect the expected effects of the time value of money.

(2) Service cost is the portion of the actuarial present value of projected benefit payments attributed to a valuation year.

(3) Employer reporting in ACFR is based upon a measurement date one year prior to the fiscal year end reporting date and a valuation date that lags by one year the valuation date used for OPEB plan reporting. In addition, the implementation of GASB statements on OPEB accounting and financial reporting for employers was one year later than standards applicable to OPEB plans; therefore, the fiscal year 2018 ACFR is the first year applicable to employer reporting. Fiscal year for employer reported amounts are as of the measurement date.

(4) Excludes entities reported as component units in the State’s ACFR.

The following table shows the historical changes in Net OPEB (Asset)/Liability of the PERS RHIPA plan for fiscal years 2019 through 2023. In addition, the table shows the State’s proportionate share of the Net OPEB (Asset)/Liability as reported in the Statement of Net Position in the Annual Comprehensive Financial Report for fiscal year 2023. Although the RHIPA plan is considered a single-

employer plan for financial reporting purposes, some of the State's Component Units participate in the plan. Therefore, the proportionate share reported by the State excludes amounts attributed to Component Units. Due to the timing of when information is available to participating employers, there is a one-year lag in the measurement date and the valuation date for the State's share.

**TABLE 22C**  
**RETIREE HEALTH INSURANCE PREMIUM ACCOUNT (RHIPA)**  
**HISTORICAL CHANGES IN NET OPEB (ASSETS)/LIABILITY**  
**(IN MILLIONS)**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<b><u>Total OPEB Liability</u></b> <sup>(1)</sup>					
Service Cost <sup>(2)</sup>	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.2	\$ 0.9
Interest on Total OPEB Liability	5.0	5.1	4.5	4.3	3.3
Changes in Benefit Terms	-	-	-	-	-
Changes in Assumptions Differences Between Expected and Actual Experience	-	(7.9)	1.1	(11.4)	-
Benefit Payments	(4.5)	(4.1)	(3.7)	(3.4)	(3.0)
Net Change in Total OPEB Liability	1.7	(7.7)	(1.4)	(13.8)	(1.8)
Total OPEB Liability – Beginning	<u>70.3</u>	<u>72.0</u>	<u>64.3</u>	<u>62.9</u>	<u>49.1</u>
Total OPEB Liability – Ending	<u>72.0</u>	<u>64.3</u>	<u>62.9</u>	<u>49.1</u>	<u>47.3</u>
Plan Fiduciary Net Position – Ending	<u>46.7</u>	<u>54.3</u>	<u>78.4</u>	<u>83.3</u>	<u>91.4</u>
<b>Net OPEB (Asset)/Liability</b>	<u>\$25.3</u>	<u>\$10.0</u>	<u>\$(15.5)</u>	<u>\$(34.2)</u>	<u>\$(44.1)</u>
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Discount Rate	7.2%	7.2%	7.2%	6.9%	6.9%
<b><u>State of Oregon Employer</u></b> <sup>(3)</sup>					
Proportionate Share of Net OPEB (Asset)/Liability <sup>(4)</sup>	77.1%	77.0%	78.7%	78.7%	
State's Net OPEB (Asset)/Liability	\$19.5	\$7.7	\$(12.2)	(26.9)	
Covered Payroll	\$1,120.5	\$1,166.4	\$1,159.0	\$1,125.8	
State's Net OPEB as a Percentage of Covered Payroll	1.7%	0.7%	(1.1%)	(2.4%)	
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	
Valuation Date	12/31/2017	12/31/2018	12/31/2019	12/31/2020	

Sources: *Annual Comprehensive Financial Report of the Oregon Public Employees Retirement System for OPEB plan for fiscal years 2019-2023, and of the State of Oregon for State employer reporting for each fiscal year 2019-2023.*

- (1) Total OPEB liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with requirements of GASB Statement No. 74. The actuarial present value of projected benefit payments are discounted to reflect the expected effects of the time value of money.
- (2) Service cost is the portion of the actuarial present value of projected benefit payments attributed to a valuation year.
- (3) Employer reporting in ACFR is based upon a measurement date one year prior to the fiscal year end reporting date and a valuation date that lags by one year the valuation date used for OPEB plan reporting. In addition, the implementation of GASB statements on OPEB accounting and financial reporting for employers was one year later than standards applicable to OPEB plans; therefore, the fiscal year 2018 ACFR is the first year applicable to employer reporting. Fiscal year for employer reported amounts are as of the measurement date.
- (4) Excludes entities reported as component units in the State's ACFR.

### ***PEBB Retiree Health Insurance Benefit Plan***

In addition to the explicit pension and healthcare benefits provided to retired state employees through PERS, the State provides an implicit rate subsidy for healthcare benefits (medical, vision and dental) through PEBB to approximately 970 (based on the State's ACFR for fiscal year 2023) who do not receive healthcare benefits through PERS and are not yet eligible for Medicare. This PEBB rate subsidy is considered a state obligation for accounting purposes to comply with OPEB standards ("GASB 75"). The PEBB OPEB obligation exists because the State is providing an implicit rate subsidy to retirees to purchase healthcare through the PEBB at the same premium amount as active employees.

The Oregon Health Authority prepared an actuarial valuation for PEBB as of July 1, 2019, for purposes of complying with the OPEB standards. The valuation was prepared using the Entry Age Normal actuarial cost method. Significant assumptions used in the actuarial valuation include projected payroll growth of 3.4 percent and inflation of 2.4 percent. Under GASB 75, pay-as-you-go plans must use a discount rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate assumed for the June 30, 2023, reporting date of 3.65 percent reflects the Bond Buyer 20-Year General Obligation Bond Index. The valuation uses a healthcare cost inflation adjustment of 3.4 percent, pursuant to ORS 243.135(8). There is no contractual obligation for this pooled healthcare program, but it is being calculated in the valuation and reported in the State's audited financial statements for FY 2023 to comply with GASB standards applicable to OPEB.

The following table shows historical changes in the Total OPEB Liability of the PEBB OPEB plan and the State's proportionate share of the Total OPEB Liability as reported in the Statement of Net Position in the Annual Comprehensive Financial Report for fiscal years 2019 through 2023. The proportionate share reported by the State excludes amounts attributed to component units that participate in the PEBB plan. Since the PEBB plan is on a pay-as-you-go-basis, there are no assets being accumulated to pay benefits and therefore the liability is reported as a total, rather than net, liability. The PEBB does not issue a separate, publicly available financial report. The Total OPEB Liability and the State's proportionate share in the table below are as of the same measurement date and valuation date.

**TABLE 22D**  
**PUBLIC EMPLOYEES BENEFIT BOARD (PEBB)**  
**HISTORICAL CHANGES IN TOTAL OPEB LIABILITY**  
**(IN MILLIONS)**

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<b><u>Total OPEB Liability</u></b> <sup>(1)</sup>					
Service Cost <sup>(2)</sup>	\$ 9.1	\$ 10.1	\$ 10.1	\$ 10.5	\$ 10.8
Interest on Total OPEB Liability	6.0	5.9	3.4	3.4	4.6
Effect of Changes in Benefit Terms	-	-	-	-	-
Effect of Differences between Expected and Actual Experience	-	-	-	(17.0)	(12.7)
Effect of Economic/Demographic Gains or Losses	-	(0.8)	-	-	-
-Effect of Assumptions Changes or Inputs	5.0	(21.7)	0.5	(15.4)	(12.7)
Benefit Payments	<u>(7.5)</u>	<u>(7.9)</u>	<u>(9.6)</u>	<u>(9.2)</u>	<u>(7.7)</u>
Net Change in Total OPEB Liability	<u>12.6</u>	<u>(14.5)</u>	<u>4.4</u>	<u>(27.8)</u>	<u>(17.7)</u>
Total OPEB Liability – Beginning	<u>148.6</u>	<u>161.2</u>	<u>146.7</u>	<u>151.1</u>	<u>123.3</u>
Total OPEB Liability – Ending <sup>(3)</sup>	<u>\$161.2</u>	<u>\$146.7</u>	<u>\$151.1</u>	<u>\$123.3</u>	<u>\$105.6</u>
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Valuation Date	7/1/2017	7/1/2019	7/1/2019	7/1/2021	7/1/2022
Discount Rate	3.50%	2.21%	2.16%	3.54%	3.65%
<b><u>State of Oregon Employer</u></b>					
Proportionate Share of Net OPEB (Asset)/Liability <sup>(4)</sup>	73.7%	73.8%	74.80%	75.2%	74.6%
State’s Total OPEB (Asset)/Liability	\$118.8	\$108.3	\$113.0	\$92.8	\$78.8
Covered Payroll	\$2,700.5	\$2,904.8	\$3,148.3	\$3,385.3	\$3,642.9
State’s Total OPEB as a Percentage of Covered Payroll	4.4%	3.7%	3.6%	2.7%	2.2%
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Valuation Date	7/1/2017	7/1/2019	7/1/2019	7/1/2021	7/1/2022

Sources: Annual Comprehensive Financial Report of the State of Oregon for fiscal years 2019-2023.

- (1) Total OPEB liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service. The actuarial present value of projected benefit payments are discounted to reflect the expected effects of the time value of money.
- (2) Service cost is the portion of the actuarial present value of projected benefit payments attributed to a valuation year.
- (3) The PEBB plan does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. Therefore, a total rather than net OPEB liability is reported.
- (4) Excludes entities reported as component units in the State’s ACFR

## **DEBT AUTHORITY AND BOND ISSUANCE**

### **Administration**

Oregon law authorizes the Treasurer to coordinate the issuance of all State of Oregon bonds. The Treasurer reviews and approves the terms and conditions of bond sales and issues all bonds for State agencies. By centralizing this authority, the agencies for which bonds are issued are encouraged to plan their borrowings well in advance and to work together to obtain the most favorable market reception. In addition, the uniform approach permits greater control of the State's overall debt position, allowing the Treasurer to address the interests and concerns of the financial community and rating agencies as well as those of the state agencies.

The Treasurer advises the Governor on the total biennial bonding level for state agency programs in the development of the Governor's recommended budget. The Legislative Assembly authorizes bonds to be issued for each agency's program in the "biennial bond bill." The Governor's recommended budget includes requests by agencies for bonds to fund their capital project needs, as well as agencies' grant and loan programs. The Legislative Assembly reviews each program request and approves what it determines to be an appropriate level of issuance in the biennial bond bill.

The State generally issues four types of "long-term" financing obligations: general obligation bonds, appropriation obligations, direct revenue bonds and conduit revenue bonds. The State also may issue full faith and credit short-term borrowings, known as "Tax Anticipation Notes." The Treasurer approves financing agreements, including lease purchase agreements, installment sales agreements and loan agreements to finance real or personal property and approves certificates of participation with respect to the financing agreements. The principal amount of such financing agreements is treated as bonds subject to the biennial bond bill.

Prior to the issuance of bonds, agencies typically submit reports to the Treasurer that project future cash flows, the agency's ability to meet future debt service, and the agency's historical performance on payments and delinquencies. Agencies must also provide cash flow projections and other requested information to the Treasurer on a periodic basis. Agency bond programs may be audited annually with the audit results published as soon after the audit as possible.

### **Capital Needs and Budget Process**

Oregon law requires the Governor's recommended budget to include capital construction needs for a minimum of six years. Prior to the biennial preparation of the Governor's recommended budget, agencies submit their projected capital needs for the upcoming biennium and for the two subsequent biennia. These requests are evaluated and placed in the Governor's recommended budget under one of two categories: capital improvements (less than \$1,000,000) or major construction and acquisition projects (\$1,000,000 or more). The capital improvement projects are included in agency operating budget appropriation bills. The major construction and acquisition projects are approved by the Legislative Assembly in the capital construction bill.

### **Authorization**

The Oregon Constitution generally prohibits the state government from incurring any indebtedness that exceeds \$50,000. Consequently, all general obligation bonds are authorized by an amendment to the Oregon Constitution that has been approved by Oregon voters and that permits bonds to be issued as an exception to the constitutional debt limit. The State's various bond programs are summarized in the text and tables that follow. Table 23 lists the amount of debt that the Legislative Assembly has authorized for

state agencies in the current biennium. Table 24 summarizes the various bond programs and provides information on constitutional and statutory debt limits and remaining authority for each active bond program.

As part of its mandate under ORS 286A.255 to inform state officials about the amount of debt the State can prudently incur, the State Debt Policy Advisory Commission (“SDPAC”) issues an annual report for consideration by the Legislative Assembly in connection with the development of the biennial “bond bill” required under ORS 286A.035. The report must include the total amount of outstanding bonds for the most recently concluded fiscal year, a forecast for at least the next six years of the State’s borrowing capacity targets by repayment source consistent with the most recently published Forecast and a calculation of the State’s net remaining borrowing capacity by repayment source.

## **General Obligation Bonds**

The amount of general obligation bonds that may be issued is usually expressed in the Constitution as a percentage of the statewide property value. The general obligation bond programs are also subject to legislative direction. The Legislative Assembly may place limits on general obligation bond programs that are more restrictive than those approved by the voters.

The State’s general obligation debt is secured by a pledge of the full faith and credit and statutory taxing power of the State of Oregon. In addition to any revenues from the program for which the bonds are issued, general obligation bonds may be paid from any undedicated and unrestricted moneys of the State. A property tax, where authorized by the Oregon Constitution, may also be levied to pay some general obligation bonds, although the State has not levied such a tax to pay any bonds in many years.

There are 17 constitutionally authorized general obligation bond programs. Although each of these programs may draw on the State’s General Fund or other taxing authority, many of the programs are fully self-supporting from program or other revenue streams. See Tables 23 and 24 for more information about applicable constitutional and statutory debt limits and remaining authority for each active general obligation bond program. See Tables 25 and 26 for a summary of general obligation debt outstanding and aggregate general obligation debt service for the State.

The following active general obligation bond programs, identified in Table 23, are primarily supported by the State’s General Fund: Higher Education Facilities and Community College Bonds, Oregon Opportunity Bonds, Seismic Rehabilitation Bonds for Public Education and Emergency Services Buildings, School District Capital Costs Bonds and a portion of the Pension Obligation Bonds, Pollution Control Bonds, and State Property Bonds. Additionally, the Oregon Constitution authorizes the State to incur indebtedness to provide grants to school districts through the Department of Education to assist in financing capital costs of school districts.

The following general obligation bond programs are either partially or fully self-supporting: Veterans’ Welfare Bonds, Higher Education Facilities Bonds, Water Resources Bonds, Elderly and Disabled Housing Bonds, Alternate Energy Bonds and a portion of the Pension Obligation Bonds, Pollution Control Bonds and State Property Bonds.

In addition to the general obligation bond programs described above, the Oregon Constitution authorizes the Treasurer to pledge the full faith and credit of the State to guarantee the general obligation bonds of Oregon’s common or union high school districts, education service districts or community college districts. As of June 30, 2023, the State guarantees outstanding school district bonds of approximately \$10.1 billion under this program and has not issued any bonds under this authorization.

## **Tax Anticipation Notes**

ORS 286A.045 authorizes a short-term, full faith and credit, borrowing program for the State through the issuance of Tax Anticipation Notes (“TANs”). The State may borrow and issue notes in anticipation of the collection of State taxes and revenues to be received during a biennium. The notes typically mature within 13 months. They are not considered debt within the meaning of any Constitutional prohibition because they mature and are repaid within a biennium. If the State General Fund or other available revenues are insufficient to pay the TANs, the Treasurer may use internal borrowing to make any required payment.

## **Appropriation Credits**

The State also issues appropriation credits that are special limited obligations of the State payable solely from funds appropriated or otherwise made available by the Legislative Assembly. The obligation of the State to provide appropriated moneys and to pay those borrowings is subject to future appropriation by the Legislative Assembly for the fiscal period in which payments are due. See Tables 23 and 24 for more information on the statutory debt limits and outstanding amount of special limited obligations of the State. The following appropriation credit is authorized under Oregon Law.

*Certificates of Participation.* Under Oregon law (ORS 283.085 to 283.092), the State is authorized to enter into financing agreements to finance real and personal property projects for state agencies using certificates of participation. Each certificate represents an interest in and right to receive a portion of loan payments made by the State to a trustee for the certificate holders. The State’s obligation to make the loan payments is subject to appropriation by the Legislative Assembly of the payment amounts each biennium. In some cases, the State’s repayment obligation is also secured by a pledge of certain projects financed by the certificates as collateral. Following voter approval of an amendment to the Oregon Constitution in 2010 that authorizes the State to issue general obligation bonds to finance real and personal property projects under Article XI-Q of the Oregon Constitution, the State has used Certificate of Participation authority on a more limited basis.

## **Direct Revenue Bonds**

State revenue bond programs operate under statutory authority from the Legislative Assembly. Each program is fully self-supporting and has no general obligation backing from the State. The Legislative Assembly, however, could provide a funding stream if program revenues were insufficient to support debt service payments. The Legislative Assembly normally limits revenue bonds to a specific dollar amount.

The following are active revenue bond programs authorized by the Legislative Assembly: State Highway User Tax Bonds, Lottery Revenue Bonds, Oregon Bond Bank Revenue Bonds, and Single-Family and Multifamily Housing Revenue Bonds. See Table 24 for more information about applicable constitutional and/or statutory debt limits for each active State revenue bond program.

## **Conduit Revenue Bonds**

The State has three authorized and active conduit or “pass-through” revenue bond programs consisting of the Oregon Facilities Authority program, Industrial and Economic Development Revenue Bonds, and Housing Development Revenue Bonds. The Legislative Assembly has authorized these conduit revenue bond programs, and pursuant to that authority the State is the issuer of the bonds. The bonds are repaid only from revenues generated by the projects financed or from other sources available to a borrower. The State has no financial obligation for these bonds and bondholders have no recourse against the properties, funds or assets of the State. See Table 24 for more information about applicable statutory debt limits for each active state conduit revenue bond program.



**TABLE 23**  
**STATE OF OREGON**  
**2023-25 BIENNIUM**  
**OBLIGATION ISSUANCE LIMITS**  
**(AS OF JULY 1, 2023)**

<u>State Agency or Authority</u>	<u>Constitutional Provision / Statutory Authorization</u>	<u>Bond Issuance Limit (\$)</u>
<b>General Obligation Bonds</b>		
<u>General Fund Obligations</u>		
Department of Transportation	Article XI(7)	251,825,000
Higher Education Coordinating Comm. (HECC) - Universities	Article XI-G	84,660,000
HECC - Community Colleges	Article XI-G	74,955,000
Department of Environment Quality	Article XI-H	10,333,333
Oregon Business Development Department	Article XI-M	100,885,000
Oregon Business Development Department	Article XI-N	50,570,000
Department of Education	Article XI-P	100,885,000
Department of Administrative Services	Article XI-Q	<u>1,351,324,192</u>
Total General Fund Obligations		<u>2,025,437,525</u>
<u>Dedicated Fund Obligations</u>		
Department of Veterans' Affairs	Article XI-A	109,023,670
HECC - Universities	Article XI-F(1)	24,505,000
Department of Environment Quality	Article XI-H	20,000,000
Housing and Community Services Department	Article XI-I(2)	50,000,000
Department of Administrative Services	Article XI-Q	<u>122,470,718</u>
Total Dedicated Fund General Obligation Bonds		<u>325,999,388</u>
Total General Obligation Bonds		<u>2,351,436,913</u>
<b>Direct Revenue Bonds</b>		
Housing & Community Services Department	ORS 456.661	500,000,000
Department of Transportation	ORS 367.620	360,000,000
Department of Transportation	ORS 367.163	300,000,000
Oregon Business Development Department	ORS 285B.473	30,000,000
Department of Administrative Services Lottery	Various	<u>501,100,000</u>
Total Direct Revenue Bonds		<u>1,691,100,000</u>
<b>Pass Through Revenue Bonds</b>		
Oregon Business Development Department		
Industrial Development Revenue Bonds	ORS 285B.344	600,000,000
Beginning & Expanding Farmer Loan Program		2,000,000
Oregon Facilities Authority	ORS 289.200	1,000,000,000
Housing and Community Services Department	ORS 456.692	<u>1,300,000,000</u>
Total Pass Through Revenue Bonds		<u>2,902,000,000</u>
Total Revenue Bonds		<u>4,593,100,000</u>
<b>Certificates of Participation &amp; Other Financing Agreements</b>		
Department of Administrative Services <sup>(1)</sup>	ORS 286A.035	<u>100,000,000</u>

Sources: HB 5005, 2023 Regular Legislative Session, the Oregon Constitution and Oregon Revised Statutes

<sup>(1)</sup> HB 5005 approved \$100,000,000 for other financing agreements, including capital leases, leases that operate as a vehicle to borrow money, and real estate lease-purchase or similar agreements for the purchase, construction, or improvement of real property, for the Department of Administrative Services. The payments related to other financing agreements will be paid using agency resources (Other Funds). No Certificates of Participation are authorized in the 2023-25 Biennium.

**TABLE 24**  
**STATE OF OREGON OUTSTANDING LONG-TERM FINANCIAL OBLIGATIONS**  
**AND CONSTITUTIONAL AND STATUTORY PROVISIONS**  
**(AS OF JUNE 30, 2023)<sup>(1)</sup>**

Program	Legal Provision	Constitutional Debt Limit (% of RMV) <sup>(2)</sup>	Constitutional Debt Limit (\$) <sup>(3)</sup>	Outstanding Debt (\$) <sup>(4)</sup>	Authorization Remaining (\$)
<b>General Obligation Bonds</b>					
General Purpose	Article XI Sec 7		\$50,000		\$50,000
State Highway	Article XI Sec 7	1.00	\$9,646,929,615	\$25,910,000	\$9,621,019,615
Veteran's Welfare	Article XI-A	8.00	\$77,175,436,918	\$390,950,000	\$76,784,486,918
State Power Development	Article XI-D	1.50	\$14,470,394,422		\$14,470,394,422
Forest Rehabilitation	Article XI-E	0.1875	\$1,808,799,303		\$1,808,799,303
Higher Ed. Building XI-F	Article XI-F(1)	0.75	\$7,235,197,211	\$1,023,295,000	\$6,211,902,211
Community College	Article XI-G			\$239,965,000	
Higher Ed. Facilities XI-G	Article XI-G	0.75	\$7,235,197,211	\$709,620,000	\$6,285,612,211
Pollution Control	Article XI-H	1.00	\$9,646,929,615	\$23,640,000	\$9,623,289,615
Elderly & Disabled Housing	Article XI-I(2)	0.50	\$4,823,464,807	\$23,610,000	\$4,799,854,807
Alternate Energy Projects	Article XI-J	0.50	\$4,823,464,807	\$84,285,000	\$4,739,179,807
Oregon School Bond Guarantee	Article XI-K	0.50	\$4,823,464,807		\$4,823,464,807
Oregon Opportunity Bonds (OHSU) <sup>(5)</sup>	Article XI-L	0.50	\$4,823,464,807	\$7,150,000	\$4,816,314,807
Seismic Rehab – Public Education Bldgs.	Article XI-M	0.20	\$1,929,385,923	\$366,465,000	\$1,562,920,923
Seismic Rehab – Emergency Service Bldgs.	Article XI-N	0.20	\$1,929,385,923	\$99,495,000	\$1,829,890,923
Pension Obligations	Article XI-O	1.00	\$9,646,929,615	\$904,710,000	\$8,742,219,615
School District Capital Costs	Article XI-P	0.50	\$4,823,464,807	\$328,390,000	\$4,495,074,807
State Real or Personal Property	Article XI-Q	1.00	\$9,646,929,615	\$3,280,050,000	\$6,366,879,615
<b>Total General Obligation Bonds</b>				<b>\$7,507,535,000</b>	
<b>Revenue Bonds</b>					
<b>Direct Revenue</b>					
Lottery	ORS 286A.560 - 585			\$1,295,345,000	
Transportation Infrastructure Bank	ORS 367.030				
Highway User Tax	ORS 367.620			\$2,658,110,000	
Single-Family & Multi-Family Housing	ORS 456.661			\$942,400,000	
Economic Development – Bond Bank	ORS Chapter 285B			\$51,550,000	
<b>Total Direct Revenue</b>				<b>\$ 4,947,405,000</b>	
<b>Appropriate Credits</b>					
Certificates of Participation	ORS Chapter 283 & 286A			85,745,000	
<b>Total Appropriation Credits</b>				<b>\$85,745,000</b>	

Source: Office of the Oregon State Treasurer, Debt Management Division.

- (1) Excludes the impact, if any, of the issuance of obligations offered after June 30, 2023. Does not include: Bond or Tax Anticipation Notes issued for less than 13 months, refunded and defeased bonds.
- (2) Percentages listed are of Real Market Value (RMV) of all taxable real property in the State.
- (3) Based on the January 1, 2022 Real Market Value of \$964,692,961,481.
- (4) Outstanding Department of Veterans' Affairs and Higher Education general obligation debt reflect the proceeds amount of any original issue discount and deferred interest bonds.
- (5) Authorized by statute to finance capital construction at Oregon Health and Science University in an aggregate principal amount that produces net proceeds in an amount that does not exceed \$200 million.

**TABLE 25**  
**STATE OF OREGON**  
**GENERAL OBLIGATION DEBT OUTSTANDING SUMMARY**  
**(AS OF JUNE 30, 2023)**

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022<sup>(3)</sup></b>	<b>FY 2023<sup>(3)</sup></b>
Gross General Obligation Debt <sup>(1), (2)</sup>	\$6,431,005,504	\$6,471,451,539	\$6,723,280,187	\$6,813,935,000	\$7,507,535,000
Revenue Supported GO Debt <sup>(1), (2)</sup>	\$2,682,610,185	\$2,603,138,408	\$2,395,805,033	\$2,370,406,650	\$2,335,912,500
Net GO Debt <sup>(1), (2)</sup>	\$3,748,395,319	\$3,868,313,131	\$4,327,475,154	\$4,443,528,350	\$5,171,622,500
Population	4,211,746	4,240,535	4,256,700	4,269,529	4,291,525
Gross Debt per Capita	\$1,527	\$1,526	\$1,579	\$1,596	\$1,749
Net Debt per Capita	\$890	\$912	\$1,017	\$1,041	\$1,205
Real Market Value (RMV) <sup>(4)</sup>	\$676,875,118,712	\$715,796,909,641	\$756,746,704,516	\$823,693,769,305	\$964,692,961,481
Gross Debt as Percent of RMV	0.95%	0.90%	0.89%	0.83%	0.78%
Net Debt as Percent of RMV	0.55%	0.54%	0.57%	0.54%	0.54%
Total Personal Income <sup>(5)</sup>	\$224,300,000,000	\$241,500,000,000	\$257,000,000,000	\$264,200,000,000	\$276,900,000,000
Revenue Supported GO Debt as Percent of Total Personal Income	1.20%	1.08%	0.93%	0.90%	0.84%
Net GO Debt as Percent of Total Personal Income	1.67%	1.60%	1.68%	1.68%	1.87%

Source: Office of the Oregon State Treasurer, Debt Management Division.

- <sup>(1)</sup> Annual Report of the State Debt Policy Advisory Commission, 2019 through 2023, SDPAC - Exhibit I.2. FY 2023 amounts updated to reflect GO debt issued and outstanding as of June 30, 2023.
- <sup>(2)</sup> Excludes the impact of the issuance, if any, of the obligations offered after June 30, 2023. Does not include notes issued for less than 13 months or refunded and defeased bonds.
- <sup>(3)</sup> Oregon Department of Administrative Services, Office of Economic Analysis, Oregon Economic & Revenue Forecast, March 2024, Table C.3 – Population of Oregon. Population figures are as of July 1 each year.
- <sup>(4)</sup> Oregon Department of Revenue, State of Oregon Summary of Assessment Rolls, 2018 through 2022. Based on real market value of statewide property as of January 1, of the prior calendar year.
- <sup>(5)</sup> Oregon Department of Administrative Services, Office of Economic Analysis, Oregon Economic & Revenue Forecast, March 2021, September 2021, March 2023, and March 2024 Table A.4 Annual Economic Forecast - Personal Income. Personal income includes all classes of income minus Social Security.

**TABLE 26**  
**STATE OF OREGON**  
**AGGREGATE GENERAL OBLIGATION DEBT SERVICE**  
**(AS OF JUNE 30, 2023)<sup>(1), (2)</sup>**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023-2024	\$577,245,000	\$325,723,724	\$902,968,724
2024-2025	\$588,585,000	\$296,272,573	\$884,857,573
2025-2026	\$620,080,000	\$269,662,041	\$889,742,041
2026-2027	\$641,355,000	\$241,406,459	\$882,761,459
2027-2028	\$374,655,000	\$211,576,625	\$586,231,625
2028-2029	\$375,085,000	\$197,287,929	\$572,372,929
2029-2030	\$370,600,000	\$182,572,217	\$553,172,217
2030-2031	\$361,610,000	\$167,914,168	\$529,524,168
2031-2032	\$358,060,000	\$153,069,522	\$511,129,522
2032-2033	\$352,530,000	\$138,068,233	\$490,598,233
2033-2034	\$358,460,000	\$122,894,295	\$481,354,295
2034-2035	\$353,755,000	\$107,367,401	\$461,122,401
2035-2036	\$345,845,000	\$91,951,238	\$437,796,238
2036-2037	\$314,265,000	\$77,141,220	\$391,406,220
2037-2038	\$282,695,000	\$63,794,786	\$346,489,786
2038-2039	\$271,030,000	\$51,681,995	\$322,711,995
2039-2040	\$224,140,000	\$40,549,092	\$264,689,092
2040-2041	\$201,775,000	\$31,411,784	\$233,186,784
2041-2042	\$168,270,000	\$22,746,557	\$191,016,557
2042-2043	\$121,425,000	\$15,667,452	\$137,092,452
2043-2044	\$67,420,000	\$10,533,733	\$77,953,733
2044-2045	\$40,635,000	\$7,920,598	\$48,555,598
2045-2046	\$33,575,000	\$6,236,673	\$39,811,673
2046-2047	\$30,690,000	\$4,705,274	\$35,395,274
2047-2048	\$24,090,000	\$3,349,802	\$27,439,802
2048-2049	\$12,910,000	\$2,206,549	\$15,116,549
2049-2050	\$9,855,000	\$1,672,565	\$11,527,565
2050-2051	\$9,275,000	\$1,218,068	\$10,493,068
2051-2052	\$8,355,000	\$775,403	\$9,130,403
2052-2053	\$6,070,000	\$370,210	\$6,440,210
2053-2054	\$3,195,000	\$83,452	\$3,278,452
<b>Total</b>	<b>\$7,507,535,000</b>	<b>\$2,847,831,635</b>	<b>\$10,355,366,635</b>

Source: Office of the State Treasurer, Debt Management Division.

<sup>(1)</sup> Does not reflect the impact, if any, of the issuance of obligations after June 30, 2023.

<sup>(2)</sup> The interest calculation on variable rate obligations is determined by multiplying the most recent interest rate reset for each obligation times its outstanding principal over the life of the bonds.

**TABLE 27**  
**STATE OF OREGON**  
**Aggregate Appropriation Credit Payment Schedule**  
**(AS OF JUNE 30, 2023)<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023-2024	\$4,155,000	\$3,198,358	\$7,353,358
2024-2025	\$4,220,000	\$3,077,181	\$7,297,181
2025-2026	\$4,350,000	\$2,947,669	\$7,297,669
2026-2027	\$4,485,000	\$2,809,818	\$7,294,818
2027-2028	\$4,635,000	\$2,661,095	\$7,296,095
2028-2029	\$4,795,000	\$2,502,764	\$7,297,764
2029-2030	\$4,965,000	\$2,333,212	\$7,298,212
2030-2031	\$5,145,000	\$2,152,685	\$7,297,685
2031-2032	\$5,335,000	\$1,960,468	\$7,295,468
2032-2033	\$5,535,000	\$1,758,485	\$7,293,485
2033-2034	\$5,745,000	\$1,548,930	\$7,293,930
2034-2035	\$5,965,000	\$1,328,551	\$7,293,551
2035-2036	\$6,210,000	\$1,083,807	\$7,293,807
2036-2037	\$6,465,000	\$829,011	\$7,294,011
2037-2038	\$6,730,000	\$563,752	\$7,293,752
2038-2039	\$7,010,000	\$287,620	\$7,297,620
<b>Total</b>	<b>\$85,745,000</b>	<b>\$31,043,406</b>	<b>\$116,788,406</b>

Source: Office of the State Treasurer, Debt Management Division.

<sup>(1)</sup> Does not reflect the impact, if any, of the issuance of obligations offered after June 30, 2023.

## CERTAIN BONDHOLDER CONSIDERATIONS

Investment in bonds and other debt obligations of the State involves risks, some of which are described below or elsewhere in the State's Official Statement. Prospective investors are advised to consider the following factors, among others, and other information in the State's Official Statement, including all of the Appendices, in evaluating whether to purchase bonds issued by the State. The factors discussed below are not meant to be a comprehensive or exhaustive list of all of the risks that should be considered, and the order in which these investment risks are presented does not necessarily reflect their relative importance. Any one or more of the risks and other considerations discussed below, among others, could lead to a decrease in the market value and/or in the marketability or liquidity of bonds issued by the State, and no assurance can be given that other risk factors and investment considerations will not become material in the future.

### **Public Health Emergencies or Crises**

The occurrence of a public health emergency or crisis, including an unexpected widespread outbreak of a contagious virus such as COVID-19, Ebola, Zika, or H1N1, may put stress on the finances and operations of the State, could require that resources be diverted from one part of the operations of the State to another part, or could constrain or impair the finances and operations of certain State agencies and operations.

### **Natural Disasters and Other Public Emergencies**

Natural disasters (such as earthquakes, wildfires, volcanic eruptions, mudslides, tsunamis, heat waves, floods, droughts, avalanches, windstorms and other events) and future public health emergencies are possible. The loss of life and property damage that could result from these events could have a material and adverse effect on the State and its operations and financial condition.

***Earthquake/Seismic Activity.*** The State is located in an area of seismic activity along the Pacific coast. The scientific consensus is that the State and the Pacific Northwest region are subject to periodic great earthquakes along the Cascadia Subduction Zone, a large fault that runs offshore from Northern California to British Columbia. Geologists are predicting the Pacific Northwest is due for a major earthquake magnitude (8.7 to 9.1). Such an earthquake would cause widespread damage to structures and infrastructure in western Oregon, and total damage in coastal areas inundated by a possible accompanying tsunami. It is likely the infrastructure damage would be sufficient to disrupt transportation, communication, water and sewer systems, power and gas delivery and fuel supplies for weeks to months for much of western Oregon. This kind of regional disaster is unprecedented and could result in a significant permanent loss of population and business.

***Wildfire and Forest Fire Activity.*** The State has experienced significant wildfire events during the past several years. The increase of warmer and drier weather conditions in the State indicates that wildfire events are likely to continue in the future. Wildfire events threaten the health, economy and environment of the State by causing unhealthy levels of air quality that can cause respiratory problems for some people; threatening, damaging or destroying infrastructure, homes, property and agriculture; destroying forestland resources; and damaging or destroying habitat for wildlife.

## **Climate Change**

The increase in the earth's average atmospheric temperature, generally referred to as "climate change," is expected to, among other things, increase the frequency and severity of extreme weather events. Additionally, increasing temperatures are affecting the form of precipitation, and therefore, Oregon's mountain snowpack. This is altering the timing, duration, volume, and quality of water runoff throughout the State, making it potentially challenging to meet water needs during the summer and fall months.

Generally, the State has been susceptible to wildfires and hydrologic variability and climate change may be a factor in the increasing incidence of wildfires and drought declarations. However, as greenhouse gas emissions continue to accumulate, climate change is expected to intensify and increase the frequency of extreme weather events, such as coastal storm surges, drought, wildfires, floods and heat waves, and rising sea levels along the coast. Over the past several years, the State has already experienced the impacts of climate change, including record-breaking wildfires and repeated years of low snow-packs and/or drought declarations. The future fiscal impact of climate change on the State and investors is difficult to predict, but it could be significant.

## **Cyber and Data Security**

The State operates a large and complex technology infrastructure to conduct its operations. The quickly changing cybersecurity threat landscape presents increasing risk to the integrity and confidentiality of information that the State receives and holds.

The State has adopted the National Institute of Standards and Technology Cybersecurity Framework as a defining roadmap for reducing or mitigating risks or damage resulting from cybersecurity incidents. Enterprise Information Services ("EIS"), which is responsible for all State Information Technology ("IT") and computer systems, has established Statewide Information Security Standards for information systems security. The Statewide Information Security Standards and recommended best practices have been developed using a combination of international and national standards, including the NIST Cybersecurity Framework. These standards promote the development, implementation, and operation of secure information systems by establishing minimum levels of due diligence for information security. All State Executive Branch and Treasury employees are required to take annual information security training. Executive Branch and Treasury information security training completion rates for the calendar year 2022 was almost 100%.

EIS directs Information Security strategies and policies statewide. In August 2018, the State adopted a Statewide Information Security Plan to apply relevant safeguards to state agencies and state information, IT systems, networks, and applications. Compliance with this information security plan and statewide policies and standards is mandatory.

In 2016, enterprise security governance was modified as a result of former Governor Brown's Executive Order 16-13 and ORS 276A.206, which unify information technology security functions under the authority of the State CIO. Major cybersecurity initiatives that address findings of federal and state audits and cybersecurity risk assessments are coordinated through the Enterprise Leadership Team, which provides strategic direction for the executive agencies of the State. Agencies with elected leadership (Secretary of State, Treasury and Attorney General), the Legislature and Judiciary are coordinated within the implementation of cybersecurity initiatives to maximize the protection of critical State systems and data from a common threat.

Despite the implementation of these cybersecurity plans and procedures, no assurances can be given by the State that such measures will ensure against all potential cybersecurity threats and attacks and accompanying disruptions and costs.



**APPENDIX B**

**BASIC FINANCIAL STATEMENTS OF THE OREGON STATE LOTTERY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



**OREGON**

**LOTTERY™**

Together, we do good things.

**Annual Comprehensive  
Financial Report**

For the Fiscal Year Ended - June 30, 2023

**An Enterprise Fund of the State of Oregon**

This page intentionally left blank.

# Oregon State Lottery

An Enterprise Fund of the State of Oregon

## Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



**OREGON  
LOTTERY®**

Together, we do good things.

**Mike Wells**  
Director

**Kathy Ortega, CPA, CGMA**  
Chief Financial Officer

**Report Prepared by:**

Finance and Accounting  
Oregon State Lottery

Karen Caulfield, CPA  
Michael Davidson  
Monique Fawver  
Martha Wildfang

This page intentionally left blank.

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

## TABLE OF CONTENTS

### Introductory Section

Letter of Transmittal.....	2
Organization Chart with Principal Officials.....	6

### Financial Section

Independent Auditor’s Report .....	8
Management’s Discussion and Analysis.....	11

### Basic Financial Statements

Statement of Net Position .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	19
Statement of Cash Flows .....	20
Notes to the Financial Statements .....	21

### Required Supplementary Information

Pension Related Schedules.....	44
Other Post Employment Benefits Schedules.....	45
Notes to Required Supplementary Information.....	47

### Supplementary Information

Budgetary Comparison Schedule .....	50
-------------------------------------	----

### Statistical Section

Index .....	52
Net Position by Component .....	53
Changes in Net Position.....	54
Sales by Product .....	56
Product Percent of Total Sales .....	57
Top Ten Retailers.....	58
Number of Lottery Retailers and Sales by County .....	59
Demographic and Economic Data - State of Oregon.....	60
Employment by Industry - State of Oregon.....	61
Demographic Profile of Oregon Lottery Players.....	62
Number of Employees .....	64
Operating Indicators and Capital Asset Information.....	65

### Other Reports

Report on Internal Control Over Financial Reporting and Compliance.....	68
---	----

This page intentionally left blank.





**OREGON**  
**LOTTERY™**

---

# **Introductory Section**



November 28, 2023

To the Honorable Governor Tina Kotek and Citizens of the State of Oregon:

Lottery is pleased to provide you with the Annual Comprehensive Financial Report of the Oregon State Lottery (Lottery) for fiscal year ended June 30, 2023. This report is published to meet the requirement in state law for an annual accounting of financial activities.

Lottery management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the Lottery's financial statements for the fiscal year ended June 30, 2023. The auditors used generally accepted auditing standards in conducting the engagement. Their unmodified opinion on the financial statements is the first component in the Financial Section of this report.

A narrative analysis of the Lottery's financial performance for the fiscal year can be found in the Management's Discussion and Analysis (MD&A) immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

### **Profile of Oregon State Lottery**

The Oregon State Lottery was created through the initiative process in November 1984. Voters approved an amendment to the Oregon Constitution that required the establishment and operation of a State Lottery. Initially, Lottery profits were earmarked to create jobs and further economic development. In May 1995, voters approved a Constitutional amendment allowing Lottery profits to finance public education. Similarly, voters added state parks and salmon habitat restoration projects to the list of allowable uses of Lottery proceeds in November 1998. Oregonians have voted to use Lottery profits for programs that make Oregon a great place to live and support veterans and outdoor schools.

The Lottery was established as a state agency to market and sell Lottery products to the public. As directed in statute, it operates to produce an optimal amount of net revenues for the people of Oregon commensurate with the public good. Developing new products and game enhancements is a continual process to sustain long-term revenues while considering the potential impact of game decisions on problem gambling. The Lottery's commitment is to provide information and tools to help customers make informed choices and responsibly enjoy Lottery games. Further, the Lottery is committed to ensuring that players and their families know how to access treatment for problem gambling and that they understand treatment is free, confidential, and effective.

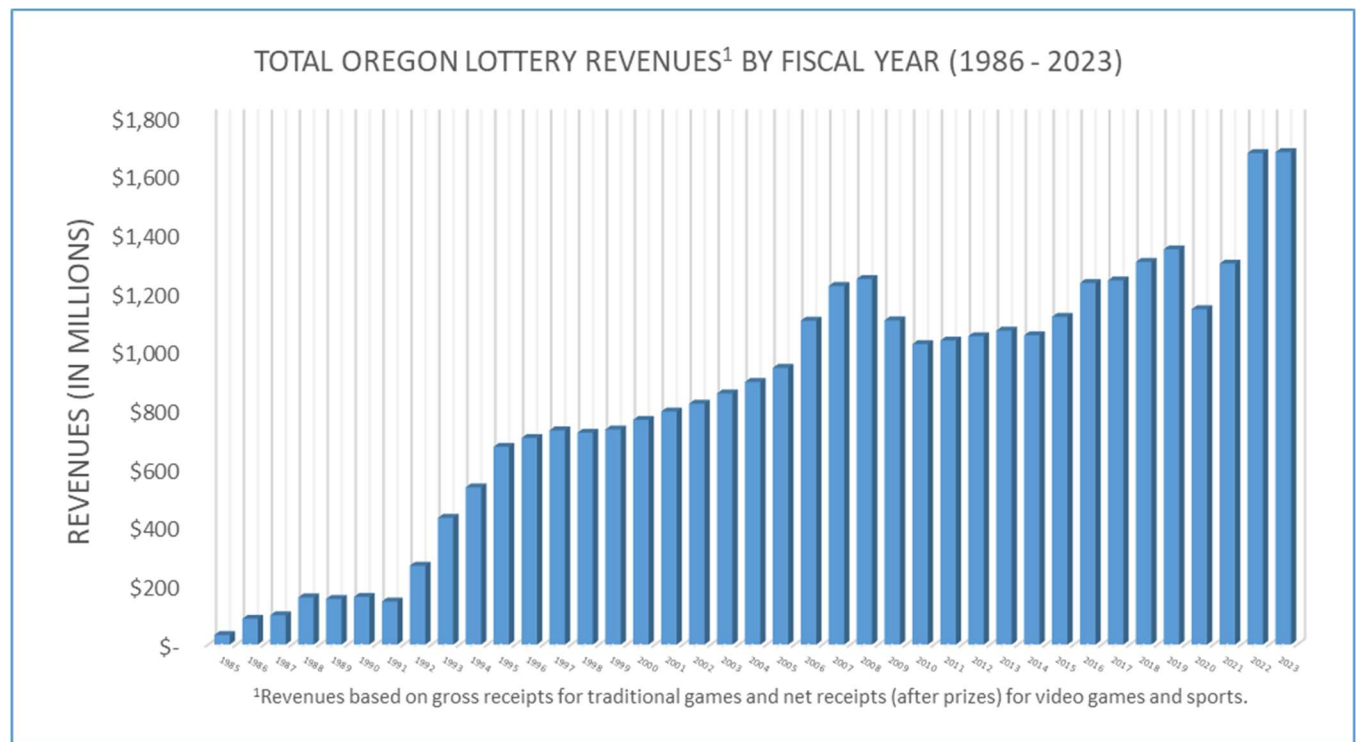
Lottery has a network of 3,808 retailers through which it offers players a broad mix of Traditional Games as well as Video Lottery<sup>SM</sup> and sports betting. Traditional Lottery games include Scratch-its<sup>SM</sup> Instant Tickets, Keno, Powerball<sup>®</sup>, Oregon's Game Megabucks<sup>SM</sup>, Raffle<sup>SM</sup>, Win for Life<sup>SM</sup>, Mega Millions<sup>®</sup>, Lucky Lines<sup>SM</sup>, and Pick 4<sup>SM</sup>. Video Lottery<sup>SM</sup> is a product sold on stand-alone Video Lottery<sup>SM</sup> terminals located in establishments licensed by Oregon Liquor Control Commission (OLCC). The Lottery has approximately 10,880 Video Lottery<sup>SM</sup> terminals deployed throughout the state. On January 18, 2022, Lottery partnered with DraftKings to run the DraftKings Sportbook platform.

The Lottery, which is accounted for as a single enterprise fund, is entirely self-financed through its sales. Its operations are designed to fulfill its duty to develop, produce, and market Lottery games, pay winners and operating expenses, and remit the remaining net profits to the State. These net profits are transferred to the Oregon Economic Development Fund and are then distributed by the State to finance the various uses allowed by law. Through its business units, the Lottery provides services necessary to operate successfully, including security, marketing, retailer support, finance, management, and information services. Additional information about the Lottery is available on its website at <http://www.oregonlottery.org>.

The Lottery is operated under the direction of a five-member commission, with the commissioners appointed by the Governor and confirmed by the Senate. The Commission directs the activities of the Lottery, including adopting rules for the security and integrity of operations. The Governor also appoints a director, who serves as the chief administrator of the Lottery. This position is also subject to Senate confirmation. The Director is responsible for operating the Lottery in accordance with state law and administrative rules and under the guidance of the Commission.

For budgeting purposes, the Commission adopts an annual Financial Plan based on activities identified in Lottery's Strategic Business Plan. The Financial Plan uses revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis. Budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised quarterly for changes in budget assumptions and revenue forecasts. The Commission must approve revisions to changes to expenses in the adopted budget. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget, and appropriate adjustments are presented to the Commission for approval if necessary. By law, expenses to operate the Lottery are limited to no more than 16 percent of total annual revenues, and in fiscal year 2023, expenses were 2.88 percent.

Since the Lottery's first full year of operation in 1986 through fiscal year 2008, Lottery revenues demonstrated strong and consistent growth. Lottery revenues declined in fiscal years 2009 and 2010 due to the impacts of Oregon's economic recession and the implementation of a statewide smoking ban in bars and taverns where Lottery products are sold. Revenues stabilized in fiscal year 2011 and have shown steady but modest growth, except for fiscal year 2014, which showed a slight decline. Revenue growth returned and continued to increase until the fourth quarter of fiscal year 2020. The effects of the COVID-19 pandemic and resulting retailer location closures significantly reduced sales. Since reopening in February 2021, Lottery sales have recovered from pre-pandemic levels.



## **Economic Condition and Outlook**

Per the September 2023 Oregon Office of Economic Analysis (OEA) Economic and Revenue Forecast, Oregon's economy is stable, with growth surpassing expectations. The slowdown in inflation and a likely soft landing bode well, though reacceleration of the economy could reignite inflation. Income gains now overshadow price increases due to reduced inflation, enhancing living standards. Growth is expected from labor force expansions, positive migration, and productivity spurred by capital investments.

The Oregon Lottery's outlook remains steady, with a slight uptick in resources for the 2023-25 biennium by \$9.5 million (0.5%), while a minor dip is noted in the sales forecast for video lottery. A significant booster for sales next year could be the \$5.6 billion personal income tax kicker, enhancing consumer spending. However, Lottery faces challenges such as increased entertainment competition and shifting generational preferences in the long term. However, the entry of Millennials into their peak lottery years suggests a gradual growth in video lottery sales.

## **Long-term Financial Planning**

The Lottery uses a Strategic Plan, annual Business Plan, and budget to manage its operations. Lottery operates with the highest standards of security and integrity to maximize revenue for the people of Oregon, commensurate with the public good. Lottery will continue to focus on operational excellence, improving processes, collaboration, and input.

In the September 2023 Economic and Revenue Forecast, the OEA reflects Lottery transfers of \$1.84 billion for the 2023-2025 biennium. It is expected that competition for household entertainment dollars will increase, gaming competition will increase and potentially shifts in generational preferences and tastes when it comes to gaming.

## **Relevant Financial Policies**

To provide resources for current operations and future investment, the Lottery Commission established a contingency reserve fund. In June of 2022, the Commission authorized an increase to the contingency reserve with a cap of \$135 million. At June 30, 2023, the actual cash balance in the contingency reserve was \$135 million. The Lottery intends to use operating funds to pay for future business initiatives which are key to compete, remain relevant to our players, and maximize transfers to our beneficiaries while maintaining the contingency reserve should revenues decline from other economic factors. Further details can be found in the MD&A section of this report.

## **Major Initiatives**

The Lottery is upgrading back-office support systems facing obsolescence and end-of-life support. The business modernization roadmap under development includes enterprise architecture options, a movement towards known play, staging plans for the implementation of solutions, and system integration. The timeline for the roadmap is three to five years. The assessment of Lottery's business processes and capabilities and analysis of the enterprise architecture have aided in developing the foundational activities that will drive adoption and ensure the long-term success of business operations.

The Lottery's brand promise is directly aligned to support its mission: "Operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good." Lottery's goal is to be efficient and effective by delivering integrated communications through to retailers. Communications are designed to build awareness and educate the public on the game offerings, how they work, how to play responsibly, the collection of prizes, where to find problem gambling help, and where the money goes.

Lottery's focus is on a customer-first approach using modern communication tools designed to deliver positive experiences to remain relevant as customer behaviors change over time.

For example, in January 2022, the central gaming system for Scoreboard was replaced with a new platform by Draft Kings. Draft Kings acquired the previous vendor, SBTech, during fiscal year 2021. Draft Kings offers an improved betting experience, including the ability to make same-game parlay bets and excellent customer service. Lottery also had substantial employee resources involved in the implementation of the new ERP Dynamics 365 for Finance and Operations

platform and the Retail Partner Management system as well as ongoing efforts to maintain and replace Video Lottery terminals in our retail establishments.

The Lottery continues its commitment to enhancing and expanding its Responsible Gambling Program as part of its overall commitment to Corporate Social Responsibility (CSR), an integral component of Lottery's Brand Promise. This includes sharing an Oregon Lottery Responsible Gambling Code of Practice with the public that details Lottery's values, commitments, and focus areas regarding promoting responsible gambling and enabling free access to problem gambling treatment. The Lottery has created a program to positively impact Oregon by balancing business priorities with social, economic, and environmental responsibilities. The overall CSR goals include keeping lottery entertainment entertaining, promoting help for those struggling with gambling addiction, championing diversity, equity, and inclusion, and supporting sustainability.

### **Acknowledgements**

The preparation of this report reflects the combined efforts of the Lottery's Finance and Accounting staff. We want to thank all Lottery staff for working cooperatively to ensure the integrity of Lottery's financial reporting. In addition, we appreciate the direction and support provided by the Lottery Commission.

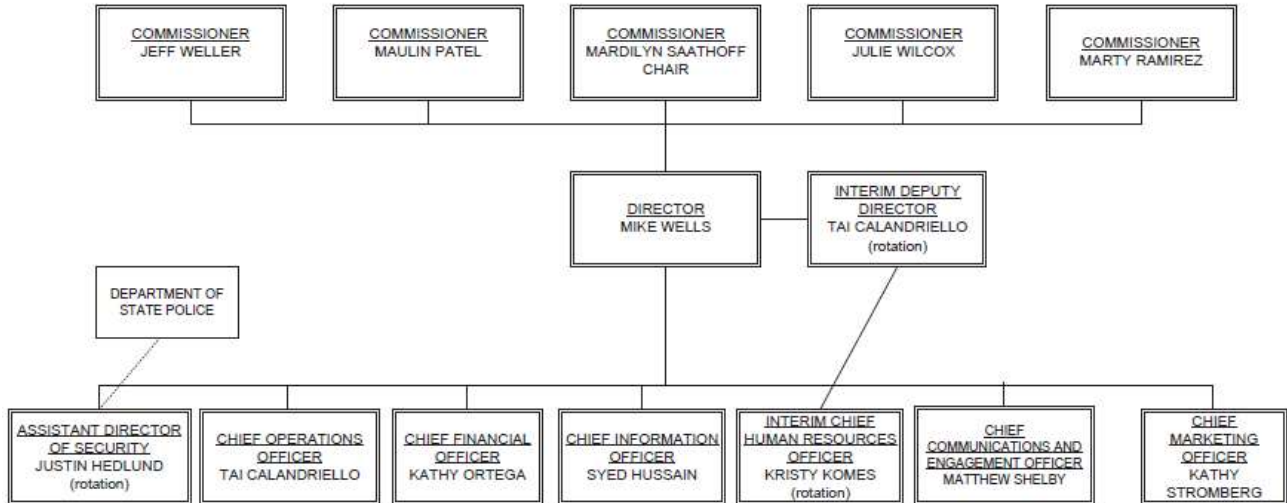
Respectfully submitted,

A handwritten signature in black ink that reads "Kathy Ortega". The signature is written in a cursive, flowing style.

Kathy Ortega, Chief Financial Officer  
Oregon State Lottery



## OREGON STATE LOTTERY COMMISSION





---

# Financial Section



LaVonne Griffin-Valade Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## Independent Auditor's Report

The Honorable Tina Kotek  
Governor of Oregon

MardiLyn Saathoff, Chair  
Oregon State Lottery Commission

Michael Wells, Director  
Oregon State Lottery

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Oregon State Lottery, an enterprise fund of the State of Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Oregon State Lottery, as of June 30, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oregon State Lottery, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon State Lottery and do not purport to, and do not, present fairly the financial position of the State of Oregon, as of June 30, 2023, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Lottery's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan schedules and information, and other post-employment benefit plan schedules and information (as listed in the table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Oregon State Lottery's basic financial statements. The budgetary comparison schedule (as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issue our report dated November 21, 2023, on our consideration of the Oregon State Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon State Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon State Lottery's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
November 21, 2023

# Oregon State Lottery

## Management's Discussion and Analysis

This section of the Oregon State Lottery's (Lottery) Annual Comprehensive Financial Report presents our discussion and analysis of the Lottery's financial performance for the fiscal year ended June 30, 2023. This analysis is to be considered in conjunction with information in the transmittal letter of this report.

### Financial Highlights

- Revenue for all Lottery products remained level at \$1.7 billion for the fiscal year.
- Pension expense allocated to the Lottery was \$13.6 million compared to negative \$8.9 million the prior year, an increase of 252.3 percent.
- Net investment in capital assets increased \$25.0 million as aging and obsolete video terminals were replaced with new terminals.
- The Lottery transferred \$899.3 million to Oregon's Economic Development Fund, which is a 1 percent decrease from the prior year.

### Overview of the Financial Statements

In addition to this discussion and analysis, the Financial Section of this annual report contains the basic financial statements, which include the fund financial statements and accompanying notes; required supplementary information; and an optional budgetary comparison schedule, which is presented as other supplementary information.

The basic financial statements offer short-term and long-term financial information about the Oregon State Lottery, which is structured as a single enterprise fund. The required supplementary information contains further details regarding pension and other postemployment benefits. The budgetary comparison schedule presents budgeted and actual revenues and expenses for the fiscal year. In addition, a Statistical Section containing information regarding financial trends, revenue capacity, as well as demographic, economic, and operating information is presented following the budgetary comparison schedule.

The Statement of Net Position provides information about the nature and amounts of resources with present service capacity that the Lottery controls (assets), resources that will be consumed in a future fiscal year (deferred outflows of resources), obligations at the end of the fiscal year to use resources that the Lottery has little or no discretion to avoid (liabilities), and acquisitions of resources that are applicable to a future fiscal year (deferred inflows of resources). The residual (net) of these four elements is reported as net position.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the results of the Lottery's operations for the past year.

The primary purpose of the Statement of Cash Flows is to provide information about the Lottery's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, expenses are recorded when liabilities are incurred, and revenues are recognized when earned, not when received.

## Analysis of Financial Position and Operations

Lottery's net position for the current and prior fiscal year is summarized in Table 1:

Table 1: Oregon State Lottery's Net Position

	2023	2022	Increase/ (Decrease)
Current assets	\$ 495,894,975	\$ 499,280,658	\$ (3,385,683)
Capital assets	105,493,681	79,774,867	25,718,814
Other noncurrent assets	184,137,446	215,988,632	(31,851,186)
Total assets	785,526,102	795,044,157	(9,518,055)
Deferred Outflows of Resources	22,824,762	20,301,356	2,523,406
<b>Total assets and deferred outflows of resources</b>	<b>808,350,864</b>	<b>815,345,513</b>	<b>(6,994,649)</b>
Current liabilities	300,393,389	332,410,961	(32,017,572)
Noncurrent liabilities	163,124,812	151,511,874	11,612,938
Total Liabilities	463,518,201	483,922,835	(20,404,634)
Deferred Inflows of Resources	15,743,615	25,263,908	(9,520,293)
<b>Total liabilities and deferred inflows of resources</b>	<b>479,261,816</b>	<b>509,186,743</b>	<b>(29,924,927)</b>
<b>Net position:</b>			
Net investment in capital assets	98,376,717	73,362,750	25,013,967
Restricted for OPEB Asset- RHIA	1,833,552	1,561,144	272,408
Unrestricted	228,878,779	231,234,876	(2,356,097)
<b>Total net position</b>	<b>\$ 329,089,048</b>	<b>\$ 306,158,770</b>	<b>\$ 22,930,278</b>

Total cash and cash equivalents increased from fiscal year 2022 by \$5.0 million, and the cash portion of the contingency reserve was funded at the \$135 million commission approved amount. Cash amounts held for funding major initiatives and contracts was reduced by \$18.5 million as projects and payments on contracts progressed throughout the year. Securities lending cash collateral, and the liability for the collateral, decreased \$31.6 million as securities lending activities declined. The Oregon Treasury conducts securities lending activities on our behalf.

Noncurrent prize liabilities were reduced as long-term prizes were paid. In fiscal year 2023 all three Oregon's Game Megabucks jackpot winners chose the cash option for the game, consequently no long-term liability was incurred. Lottery's share of the net pension liability increased \$18.2 million as the pension system's liability increased. The State's PERS pension system had significantly lower investment earnings to fund benefits compared with the prior year.

A portion of the Lottery's net position, 29.9 percent, reflects investment in capital assets, primarily Video Lottery<sup>SM</sup> gaming terminals. Of the \$228.9 million in unrestricted net position at fiscal year-end, \$88.1 million is committed for capital purchases, projects, and long-term contract obligations.

### Capital Assets

The Lottery's investment in capital assets for the current and prior fiscal year is shown in Table 2 on the following page. Most capital assets used in operations are Video Lottery gaming terminals and computer software. During the 2023 fiscal year approximately 2300 video lottery terminals purchased in fiscal years 2016-2017 were replaced with new terminals.

Table 2: Oregon State Lottery's Capital Assets, Net of Accumulated Depreciation

	2023	2022	Increase/ (Decrease)
Equipment	\$ 76,033,462	\$ 58,588,882	\$ 17,444,580
Building and Improvements	7,529,819	6,900,017	629,802
Vehicles	2,136,206	2,008,687	127,519
Computer Software	455,499	4,271,799	(3,816,300)
Right-to-Use Leased Equipment and Facilities	2,147,987	948,439	1,199,548
Right-to-Use Subscription Software	17,111,414	6,920,940	10,190,474
Other Assets	79,294	136,103	(56,809)
	<u>\$ 105,493,681</u>	<u>\$ 79,774,867</u>	<u>\$ 25,718,814</u>

Lottery implemented Governmental Accounting Standards Board Statement 96 (Subscription-Based Information Technology Arrangements) as of the beginning of the fiscal year. As such, some prior capitalized software was reclassified to the new asset category. Additionally, Lottery added capital for subscription software that would typically have been treated as an expense in years prior to the new standard.

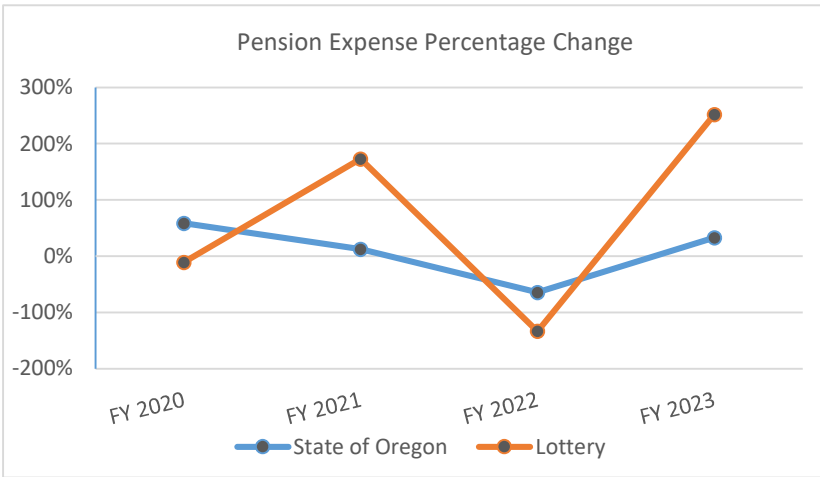
Below is a summary of the changes in net position for the current and prior year:

Table 3: Oregon State Lottery's Changes in Net Position

	2023	2022	Increase/ (Decrease)
<b>Operating revenue:</b>			
Video Lottery <sup>SM</sup> game sales, net	\$ 1,181,773,978	\$ 1,246,146,763	\$ (64,372,785)
Sports wagering sales, net	55,258,144	32,052,189	23,205,955
Scratch-its <sup>SM</sup> instant ticket sales	157,960,917	163,404,873	(5,443,956)
Draw game sales	282,664,702	233,743,066	48,921,636
Other income	595,102	3,399,589	(2,804,487)
<b>Total operating revenues</b>	<u>1,678,252,843</u>	<u>1,678,746,480</u>	<u>(493,637)</u>
<b>Operating expenses:</b>			
Prizes	274,198,721	257,168,546	17,030,175
Retailer commissions	310,579,497	313,576,943	(2,997,446)
Other operating expenses	184,436,321	128,797,762	55,638,559
<b>Total operating expenses</b>	<u>769,214,539</u>	<u>699,543,251</u>	<u>69,671,288</u>
<b>Operating income</b>	<u>909,038,304</u>	<u>979,203,229</u>	<u>(70,164,925)</u>
Interest and investment income/(loss)	11,418,289	(8,970,219)	(20,388,508)
Insurance recoveries and gains	4,969,895	9,946	4,959,949
Nonoperating expenses	(723,229)	(530,904)	192,325
<b>Total nonoperating revenues/(expenses/losses)</b>	<u>15,664,955</u>	<u>(9,491,177)</u>	<u>25,156,132</u>
<b>Income before transfers</b>	<u>924,703,259</u>	<u>969,712,052</u>	<u>(45,008,793)</u>
Transfers	(901,772,981)	(910,500,891)	(8,727,910)
<b>Change in net position:</b>	<u>22,930,278</u>	<u>59,211,161</u>	<u>(36,280,883)</u>
Net position - beginning	306,158,770	246,947,609	59,211,161
<b>Net position - ending</b>	<u>\$ 329,089,048</u>	<u>\$ 306,158,770</u>	<u>\$ 22,930,278</u>

Overall operating income declined 7.2 percent in fiscal year 2023. Total product sales remained steady in fiscal year 2023; however, the mix of products sold changed compared to fiscal year 2022. Declines in video lottery sales were offset with sports wagering and draw game sales. Increased draw game sales resulted in a corresponding increase in prize expense. As is industry practice, both video and sports sales are reported net of prizes. Additional information on prizes for those products can be found in financial statement note 2.

Other operating expenses increased 43.2 percent over the prior year. As expected, the increase in sports wagering and draw game sales caused an increase of \$17.3 million in game vendor charges. Vendor charges for both products are sales based. Services and supplies expense increased \$10.3 million from the prior fiscal year due to project and system maintenance consulting fees. The most significant increase in operating expense for fiscal year 2023 came not from Lottery operations, but the annual share of the statewide PERS pension expense passed to agencies by the statewide accounting office. Lottery’s expense share increased 252.6 percent from the prior year, or \$22.5 million. The intent of the entry is for all participating State agencies to share in the total expense allocated actuarially to the State of Oregon as one employer of the pension plan. Most of the reason for Lottery’s significant increase is the allocation methodology used by the statewide accounting office, as the increase in salary expense for fiscal year 2022 (the measurement year) was only 17.4 percent. The volatility of Lottery pension expense is represented in the graph below.

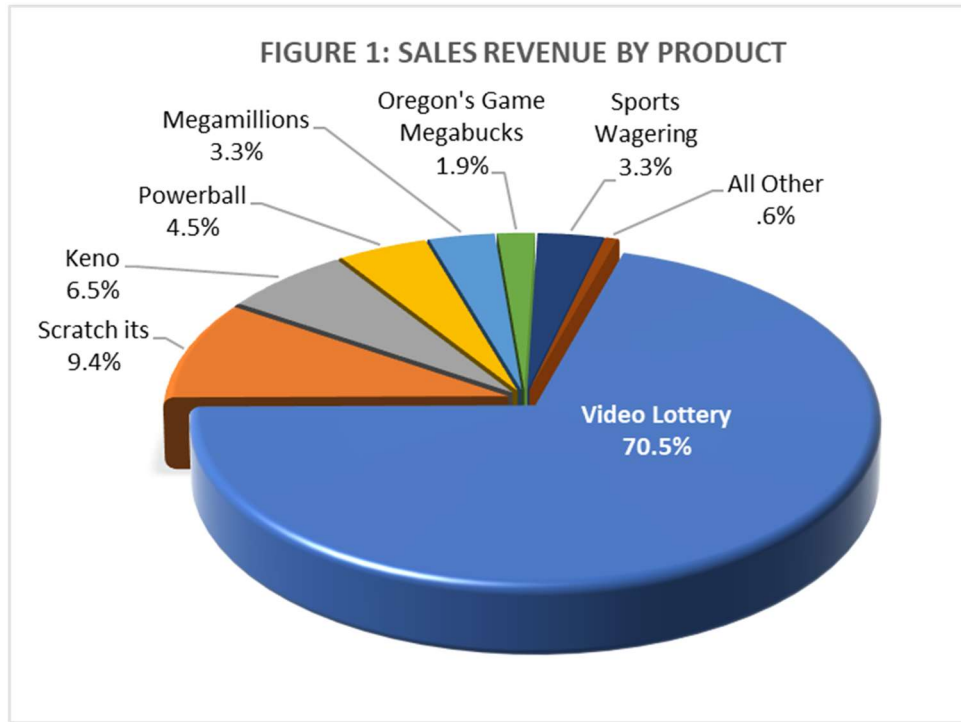


Total non-operating revenues increased \$25.2 million. Interest income increased \$11.6 million attributable to slightly higher cash balances throughout the year and a significant rise in interest rates in the current economy. A gain of \$5.0 million was recognized with the majority coming from the sale of approximately 2300 video lottery terminals which had no book value. Investments, which are reported at fair value, caused a loss to be recognized. However, the recognized loss was \$8.8 million less than similar activities from the prior year. Lottery holds securities to maturity; thus, fair value fluctuations do not impact operational decisions or cash position.

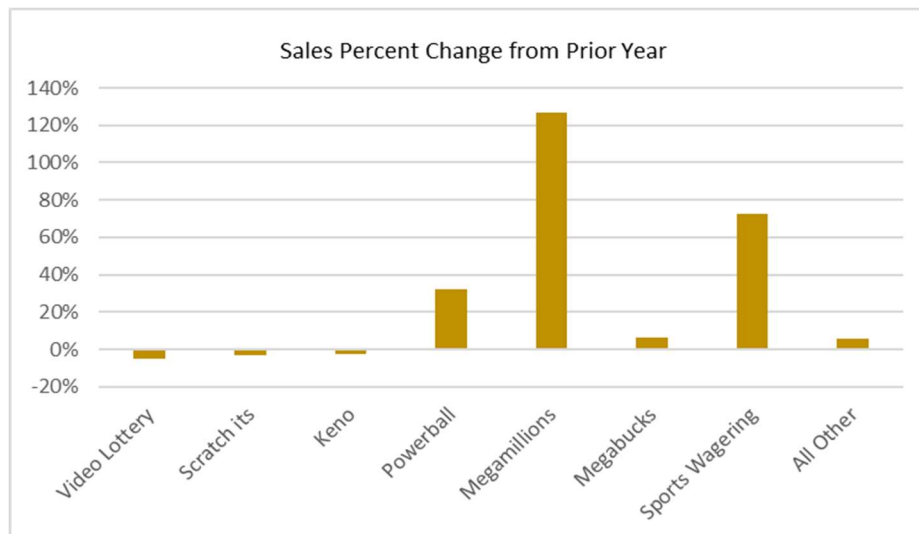
Overall, income before transfers decreased 4.6 percent. Transfers to the Economic Development decreased 1.0 percent, or \$9.0 million.

## Sales Revenue

Figure 1 below shows the major sources and percentages of sales revenue for fiscal year 2023.



Overall product sales for fiscal year 2023 increased just .1 percent from 2022 amounts. Video Lottery<sup>SM</sup> remains the Lottery's largest source of revenue representing 70.5 percent of total sales. However, that percentage declined from the prior year where video revenues were 74.3 percent of product sales. The \$64.4 million decline in video revenue was offset by increased sales in sports wagering and draw games. Sports wagering increased 72.4%, or \$23.2 million from fiscal year 2022. DraftKings, Lottery's partner for sports wagering, has reported significant increases in players and average revenue per player boosting increased revenue in Oregon. Megamillions sales benefited from two jackpot offerings over a billion dollars during the fiscal year and grew 126.6 percent year over year. Powerball sales also increased 32.1 percent as the largest Powerball jackpot ever (\$2.04 billion) occurred during fiscal year 2023. The following graph shows the percentage change in sales from fiscal year 2022 to 2023 for the major product categories.



During the fiscal year, the Lottery continued to actively promote problem gambling programs.

The Lottery is continuing its efforts to systematically replace video lottery terminals to keep the product updated and fresh. The Commission approved setting aside \$20 million of fiscal year 2023 profits to fund replacements scheduled for fiscal year 2024. Also in fiscal year 2024, Lottery will continue to modernize its back-office systems so modern technologies can be utilized for enhancements to data gathering, retailer partnering, and cost savings.





---

# **Basic Financial Statements**

**OREGON STATE LOTTERY**  
**Statement of Net Position**  
**June 30, 2023**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 448,930,935
Securities Lending Cash Collateral	1,975,603
Investments for Prize Payments	11,019,492
Accounts Receivable (Net)	28,153,194
Ticket Inventory	2,398,282
Prepaid Expenses	3,417,469
Total Current Assets	495,894,975

Noncurrent Assets:

Cash and Cash Equivalents	88,346,226
Investments for Prize Payments	89,369,066
Prize Reserves	4,588,602
Net Other Post-Employment Benefits (OPEB) Asset	1,833,552

Capital Assets:

Buildings, Equipment and Vehicles	249,268,636
Computer Software	24,842,216
Other Assets	3,458,313
Less Accumulated Depreciation and Amortization	(172,075,484)

Total Noncurrent Assets	289,631,127
Total Assets	785,526,102

**Deferred Outflows of Resources**

Deferred Amounts for Pensions	22,590,922
Deferred Amounts for Other Post-Employment Benefits (OPEB)	233,840
Total Deferred Outflows of Resources	22,824,762
Total Assets and Deferred Outflows of Resources	808,350,864

**Liabilities**

Current Liabilities:

Due to Economic Development Fund	235,277,145
Obligations Under Securities Lending	1,975,603
Prize Liability	38,103,425
Accounts Payable	16,498,521
Compensated Absences	2,969,593
Unearned Revenue	1,900,308
Contracts Payable	3,668,794
Total Current Liabilities	300,393,389

Noncurrent Liabilities:

Prize Liability	106,140,524
Compensated Absences	1,670,396
Net Pension Liability	48,951,329
Other Post-Employment Benefits (OPEB) Liabilities	843,747
Contracts Payable	5,518,816

Total Noncurrent Liabilities	163,124,812
Total Liabilities	463,518,201

**Deferred Inflows of Resources**

Deferred Amounts for Pensions	14,665,953
Deferred Amounts for Other Post-Employment Benefits (OPEB)	1,077,662
Total Deferred Inflows of Resources	15,743,615
Total Liabilities and Deferred Inflows of Resources	479,261,816

**Net Position**

Net Investment in Capital Assets	98,376,717
Restricted for Net Other Post-Employment Benefits (OPEB) Asset	1,833,552
Unrestricted	228,878,779
Total Net Position	\$ 329,089,048

*The accompanying notes are an integral part of the financial statements.*

**OREGON STATE LOTTERY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2023**

**Operating Revenues**

Sales:	
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 1,181,773,978
Sports Wagering (Net Receipts)	55,258,144
Scratch-its <sup>SM</sup> Instant Tickets (Net of Returns)	157,960,917
Keno	109,091,865
Powerball <sup>®</sup>	75,941,748
Megabucks <sup>SM</sup>	31,200,704
Mega Millions <sup>®</sup>	55,776,122
Raffle <sup>SM</sup>	2,499,850
Win For Life <sup>SM</sup>	4,467,126
Lucky Lines <sup>SM</sup>	1,740,608
Pick 4 <sup>SM</sup>	1,946,679
Provision for Uncollectibles	(4,939)
Other Income	600,041
Total Operating Revenues	<u>1,678,252,843</u>

**Operating Expenses**

Prizes	274,198,721
Retailer Commissions	310,579,497
Salaries and Wages	70,932,252
Depreciation and Amortization	24,937,475
Services and Supplies	30,314,744
Game Vendor Charges	42,149,957
Advertising and Market Research	6,562,498
Public Information	851,936
Tickets	2,961,030
Game Equipment Parts and Maintenance	4,947,210
Sales Support	779,219
Total Operating Expenses	<u>769,214,539</u>
Operating Income	<u>909,038,304</u>

**Nonoperating Revenues (Expenses)**

Interest	14,201,601
Investment and Securities Lending Income (Loss)	(2,783,312)
Insurance Recoveries	19,509
Gain (Loss) on Disposition of Assets	4,950,386
Investment Expenses - Securities Lending	(363,209)
Investment Expenses	(7,016)
Interest Expense	(353,004)
Total Nonoperating Revenues (Expenses)	<u>15,664,955</u>
Income Before Transfers	<u>924,703,259</u>

**Transfers**

Transfers to the Economic Development Fund	(899,337,574)
Transfers to the General Obligation Bond Fund	(2,435,407)
Total Transfers	<u>(901,772,981)</u>
Change in Net Position	22,930,278
Net Position - Beginning	<u>306,158,770</u>

**Net Position - Ending**

\$ 329,089,048

*The accompanying notes are an integral part of the financial statements.*

**OREGON STATE LOTTERY**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 1,673,489,476
Payments to Employees for Services	(48,422,326)
Payments to Suppliers	(419,238,447)
Payments to Prize Winners	(271,801,547)
Other Cash Receipts (Payments)	2,638,415
Net Cash Provided (Used) by Operating Activities	<u>936,665,571</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Principal and Interest Payments on Long-term Pension Debt	(716,250)
Transfers to the Economic Development Fund	(906,451,043)
Transfers to the General Obligation Bond Fund	(2,435,407)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(909,602,700)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(46,675,617)
Proceeds from Disposition of Capital Assets	5,317,200
Payments on Contracts	(3,850,700)
Insurance Recoveries for Capital Assets	19,509
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(45,189,608)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchases of Investments	(2,024,034)
Proceeds from Sales and Maturities of Investments	11,272,000
Interest on Investments and Cash Balances	14,201,601
Securities Lending Expenses	(363,209)
Investment Expenses	(7,016)
Net Cash Provided (Used) by Investing Activities	<u>23,079,342</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>4,952,605</u>
Cash and Cash Equivalents - Beginning	532,324,556
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 537,277,161</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income	\$ 909,038,304
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	24,937,475
Net Changes in Assets and Liabilities:	
(Increase) / Decrease in Accounts Receivable	(4,743,540)
(Increase) / Decrease in Ticket Inventory	(562,247)
(Increase) / Decrease in Prepaid Expenses	157,261
(Increase) / Decrease in Prize Reserves	1,996,141
(Increase) / Decrease in Pension Deferred Outflows	(2,512,837)
(Increase) / Decrease in Net OPEB Asset and OPEB Deferred Outflows	(282,978)
Increase / (Decrease) in Accounts Payable	(1,909,187)
Increase / (Decrease) in Compensated Absences Liability	(908,015)
Increase / (Decrease) in Unearned Revenue	530,107
Increase / (Decrease) in Prize Liability	2,397,173
Increase / (Decrease) in Net Pension Liability and Deferred Inflows	8,786,205
Increase / (Decrease) in OPEB Liability and OPEB Deferred Inflows	(258,291)
Total Adjustments	<u>27,627,267</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 936,665,571</u>
<b>Noncash Investing, Capital, and Related Financing Activities:</b>	
Net Change in Fair Value of Investments	\$ (2,783,312)
Intangible Assets Acquired Through Contract	8,167,329
Total Noncash Investing, Capital, and Related Financing Activities	<u>\$ 5,384,017</u>

*The accompanying notes are an integral part of the financial statements.*

# OREGON STATE LOTTERY

## Notes to the Financial Statements

June 30, 2023

### 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Oregon State Lottery Commission (Commission) was created as an agency of the State of Oregon by enactment of Article XV, Section 4 (3), of the Oregon Constitution, an initiative measure approved by Oregon voters at the November 1984 general election. The Commission established the Oregon State Lottery (Lottery), which is an enterprise fund of the State of Oregon. The Lottery commenced operations to market and sell Lottery products to the public in January 1985. The net profits of the Lottery are transferred to the Oregon Economic Development Fund and are then distributed by the State of Oregon to finance the various public purposes allowed by law.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements of the Lottery have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Lottery uses an enterprise fund, the Oregon State Lottery Fund, with a self-balancing set of accounts to record its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that are financed and operated in a manner like private business enterprises.

Lottery financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues and expenses are categorized as operating or nonoperating in the Statement of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses are those that result from selling Lottery games to the public. Operating revenues include the sale of Lottery products and incidental revenues associated with operating the Lottery. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses that do not result from selling Lottery games, such as investment income and investment expenses, are reported as nonoperating revenues and expenses.

Assets and liabilities are classified on the Statement of Net Position as current and noncurrent. Current assets are resources expected to be realized in cash or consumed within a year from the financial statement date. Current liabilities are obligations generally expected to be paid using resources that are classified as current assets and obligations due within one year from the date of the financial statements. Noncurrent assets are capital assets, resources that are restricted to use for other than current operations, resources designated to be used to acquire noncurrent assets, or resources that are not expected to be collected within one year. Noncurrent liabilities are obligations generally expected to be paid using resources that are classified as noncurrent assets and obligations due beyond one year from the date of the financial statements.

Total net position is segregated into three categories: net investment in capital assets, restricted for net OPEB asset and unrestricted net position. Article XV of the Oregon Constitution restricts the use of Lottery revenues for payment of prizes and administrative expenses, and remaining revenues are to be used for public purposes allowed in Article XV. Net proceeds not yet transferred are reflected in liabilities as the amount Due to the Economic Development Fund. Net position reported at year end will be used for Lottery operations.

#### C. Sales Revenue

Revenues for draw games Oregon's Game Megabucks<sup>SM</sup>, Powerball<sup>®</sup>, Mega Millions<sup>®</sup>, Keno, Win for Life<sup>SM</sup>, Raffle<sup>SM</sup>, Pick 4<sup>SM</sup>, and Lucky Lines<sup>SM</sup> are recognized when the draws occur. Revenues for instant scratch ticket games are recognized when retailers activate ticket packs for sale to the public. Sports wagering revenues are recognized when events have completed and the outcome is known and are reported net of returns to players. Revenues for Video Lottery<sup>SM</sup> games are recognized when sales to the public occur and are reported net of

prizes awarded. (Refer to Note 2(B) for more information on Video Lottery<sup>SM</sup> and sports wagering revenue and prize expense). All revenues are reported net of free plays, discounts, and allowances.

**D. Unearned Revenue**

All draw games can be purchased in advance of the drawings and sports wagers can be placed prior to an event. When shares are sold or wagers are placed in advance of the draw or event date, sales revenue is not yet earned. Unearned revenue includes revenue associated with draw or event dates occurring after the June 30 fiscal year end.

**E. Prize Expense**

Instant ticket prize expense is estimated and recognized when ticket packs are activated and is based on the game design. Game design includes certain guaranteed prizes in each pack of tickets and prizes placed randomly by the gaming vendor. When validations for the game have ended, differences between estimated and actual prizes awarded for the randomly placed prizes are adjusted to prize expense and prize liability. Guaranteed prizes not claimed by winners are transferred to the Economic Development Fund.

Prize expense for draw games is recognized as drawings are held, based on the shares sold and the estimated or known cost of the prize payments. Prize expense is adjusted as prizes are claimed and the actual cost of the prize is known. Initial expense for prizes with long-term payments is recognized at the discounted present value of estimated future cash payments. Amortization of the related discount is expensed over the life of the prize payout. Sports wagering prize expense is recognized when the outcome of the wagered event is known. Video Lottery<sup>SM</sup> prize expense is recognized as game play completes and prizes are known. More detailed information for Video Lottery<sup>SM</sup> and sports wagering is in Note 2(B).

**F. Prize Liability**

Prize liability is recorded when the prize expense is recognized (see Note 1(E) above) and is reported at the discounted present value of estimated future cash payments. Discount rates are based on interest rates earned on securities purchased to fund long-term prize payments. Estimated and known prize payments due within one year of the financial statement date are recorded as a current liability and payments due later than the upcoming year are classified as a noncurrent liability. Unclaimed prizes (winning shares known to be sold and not presented for payment within one year from the draw date or official end of a game) are reclassified from Prize Liability to Due to Economic Development Fund.

**G. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, test cash held by employees, cash in demand deposit accounts and cash and investments held in the Oregon Short-Term Fund (OSTF). For purposes of the Statement of Cash Flows, all Lottery moneys held by the Office of the State Treasurer in the OSTF are cash equivalents. The OSTF is an investment pool that functions as a demand deposit account.

**H. Investments**

Investments are reported at fair value based on quoted market prices for similar assets at June 30, 2023. The fair value hierarchy established by generally accepted accounting principles categorizes valuation inputs in three levels. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are unobservable. The quoted prices used by Lottery are Level 2 inputs. Changes in the fair value of investments are recognized as investment income or loss in the current year.

**I. Securities Lending**

Securities lending amounts are reported at the value of the cash collateral received. The security lending liability is reported at the cash amount received as collateral.

**J. Accounts Receivable**

Accounts receivable is reported net of an allowance for uncollectible accounts. Accounts receivable primarily consist of proceeds due from Lottery retailers. Most retailers selling Lottery products are required to remit weekly proceeds (Sunday through Saturday), less commissions, on the following Wednesday. Corporate

accounts with multiple establishments may remit proceeds on the second Wednesday following the end of the business week.

**K. Inventories**

Inventories are valued at cost using the specific identification method. Ticket inventory consists of Scratch-its<sup>SM</sup> instant tickets primarily stored in the Lottery warehouse. A small amount of inventory is stored at retail establishments. Ticket inventory held in the warehouse is destroyed and recorded as an expense when distributions to retailers are no longer allowed. When activations are no longer allowed, tickets not sold at retail establishments are expensed. The tickets are returned to the warehouse and subsequently destroyed.

**L. Prize Reserves**

Prize reserves held by the Multi-State Lottery (MUSL) are amounts held to indemnify participating lotteries for prizes that may be won. Should the Lottery decide against participation in MUSL, these amounts would be returned. Prize reserves for our prior sports wagering product Scoreboard<sup>SM</sup> are held in escrow and are available to our payment processor in the event cash amounts are not sufficient to cover player account withdrawals. Scoreboard<sup>SM</sup> wagering ended in January 2022. Scoreboard<sup>SM</sup> prize payments will end once all events have completed.

**M. Capital Assets**

Capital assets, which mainly include gaming equipment and related software and licensing agreements, are reported at historical cost. Physical and intangible assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Video lottery equipment	5 to 7 or per agreement
Other machinery and equipment	3 to 25
Leasehold improvements	3 to 10 or per lease agreement
Vehicles	5 to 10
Computer hardware and software	2 to 10 or per agreement
Intangible Right of Use Assets	Term of contract

**N. Leases**

The Lottery participates in several lease contracts for storage facilities and equipment. The contracts are recognized as a lease liability and an intangible right-to-use capital asset in the Statement of Net Position. Lease liabilities are recognized at the present value of payments expected to be made during the lease term. Lease terms include optional renewal periods if they are reasonably expected to be exercised and rates can be estimated. The discount rate applied is the rate applied by the lessor. If the lessor rate is not provided Lottery policy is to use the Oregon Bond Index rate for the State of Oregon. The rate used is one where the effective date and borrowing term most closely relate to the lease initiation date and term. As payments are made the principal portion of payments reduce the liability.

The corresponding intangible asset is measured and recognized at the value of the initial lease liability. The asset is then amortized on a straight-line basis over its contract term. Leased assets are reported with other capital assets.

**O. Subscription Based Information Technology**

Agreements allowing Lottery to use another party’s information technology software, including hardware when necessary, are recognized as intangible right-to-use capital assets. The asset measurement includes costs necessary to place the software into service for Lottery use, as well as any future payment liabilities for use of the asset. Liabilities are measured at the discounted present value of future payments expected to be made during the contract term. Variable payments (such as user seat based charges) are not included in the measurement. Optional renewal periods, when they are reasonably expected to be exercised and rates can be estimated, are included. The discount rate used is the rate included in the contract. If a rate is not included

Lottery policy is to use the Oregon Bond Index rate for the State of Oregon, using the rate and term that most closely relates to the contract term and start date.

Right to use assets are amortized generally over the term of the contract using a straight-line basis. Recorded liabilities are relieved as the principal portion of required payments is applied.

**P. Compensated Absences**

Employees earn vacation leave of 10 to 20 hours per month, depending upon length of service. All Lottery employees may accumulate a maximum of 350 hours per employee. Twice per year eligible employees have the option to be compensated for up to 80 hours of their vacation accrual balance. Lottery also awards state service milestone leave as employees reach five year increments of state service. The hours awarded are equivalent to the length of state service, up to 40 hours, and are generally required to be used or taken as compensation in the same year. Accumulated vacation leave and accumulated compensatory time is recorded as an expense and a liability (compensated absences) as the benefits accrue to employees. The compensated absences liability is calculated based upon salary rates in effect at the fiscal year-end and includes estimated employer expenses. No liability is reported for accumulated sick leave benefits since employees are not paid for unused sick leave benefits when leaving State service.

**Q. Net Pension Liability, Pension Related Deferred Inflows and Outflows of Resources and Pension Expense**

These items are included at amounts equal to Lottery's portion of the State of Oregon's proportionate share of Oregon Public Employee's Retirement System (PERS) plan totals measured as of June 30, 2022. Amounts are recognized on the same basis the plan uses. PERS uses the accrual basis of accounting. As such, revenues are recognized when earned, contributions are recognized when due, benefits and withdrawals are recognized when due and payable. Lottery pension expense is included in Salaries and Wages expense.

**R. Net Other Postemployment Benefits Asset and Other Postemployment Benefits Liabilities, Related Deferred Inflows and Outflows of Resources, and Expense**

Lottery employees may be covered by one of three postemployment benefit plans. The associated assets and liabilities for the two plans administered by the Oregon Public Employee's Retirement System (PERS) are measured as of June 30, 2022 and recognized on the same basis the plan uses. PERS recognizes revenues when earned, contributions when due and benefits/withdrawals are recognized when payable. The other plan is administered by the Public Employees Benefit Board (PEBB) and is measured as of June 30, 2023. Amounts included are Lottery's portion of the State of Oregon's amount of the respective other postemployment benefit plans. Expense for the plans is included in Salaries and Wages expense.

**2. Stewardship and Legal Compliance**

**A. Budgetary Compliance**

The Oregon State Lottery is exempt from State of Oregon Budget Laws. For budgeting purposes, the Commission adopts an annual Financial Plan based on revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis, and activities identified in Lottery's annual Business and Strategic Plan. Quarterly, budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised for changes to the revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments, if necessary, are presented to the Commission for approval. A comparison of revenues and expenses to the final revised and approved fiscal year 2023 Financial Plan is presented as supplementary information in this report.



**B. Video Lottery<sup>SM</sup> and Sports Wagering Net Revenue**

Video Lottery<sup>SM</sup> revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule reconciles cash received with actual wagering and prize activity:

	<u>Revenue</u>		<u>Prize Expense</u>
Cash Received	\$ 4,508,061,439	Cash Paid Out	\$ 3,326,287,461
Dollars Won and Played	<u>11,591,435,657</u>	Dollars Won and Played	<u>11,591,435,657</u>
Total Revenue	<u>\$ 16,099,497,096</u>	Total Prizes	<u>\$ 14,917,723,118</u>
Net Revenue before Discounts = \$1,181,773,978			

Sports wagering revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule shows actual wagering activity:

	<u>Amount</u>
Wagers Placed	\$ 577,602,651
Wagers Refunded Due to Cancellations	(3,526,118)
Prizes Won	<u>(510,216,061)</u>
Net Revenue Before Discounts	<u>\$ 63,860,472</u>

**C. Use of Revenues and Net Revenues**

Article XV of the Oregon Constitution requires that all prizes and expenses of the Lottery be paid from Lottery revenues and any remaining proceeds be used to benefit the public purposes of economic development, public education (including outdoor school), veterans services, or restoring and protecting parks, beaches, watersheds and native fish and wildlife habitats. ORS 461.500 requires that at least 84 percent of the total annual revenues be returned to the public in the form of prizes and net revenues benefiting the public purposes in the Constitution and statutes, that at least 50 percent of the total annual revenues be returned to the public in the form of prizes, and that no more than 16 percent of total annual revenues may be allocated for the payment of administrative expenses.<sup>1</sup>

The table on the following page shows that for fiscal year 2023 the Lottery operated within the legal limits defined by ORS 461.500:

<sup>1</sup> Attorney General Opinion No. 8220 advises that ORS 461.548 regarding Video Lottery<sup>SM</sup> proceeds is unconstitutional and is not applicable. It is not included here.

<u>Fiscal Year 2023 Revenues</u>		
Sales	\$ 17,105,591,981	
Other Distributable Income	11,884,106	
Total Distributable Revenue	<u>\$ 17,117,476,087</u>	
<u>Fiscal Year 2023 Distribution of Revenues</u>		
Revenues Returned to the Public:		
Prizes to the Public	\$ 15,692,675,250	91.68%
Unclaimed Prizes Paid/Due to Economic Development Fund	9,462,650	0.06%
Transfers Paid/Due to Economic Development Fund	899,337,574	5.25%
Total Revenues Returned to the Public	16,601,475,474	96.99%
Administrative Expenses	493,070,335	2.88%
Held for Contingency Reserve	22,930,278	0.13%
Total Distribution of Revenues	<u>\$ 17,117,476,087</u>	<u>100.00%</u>

**D. Unclaimed Prizes**

ORS 461.500 requires all unclaimed prizes to be allocated to the benefit of public purpose. Lottery administrative rules declare a prize as unclaimed when it is known that winning shares have been sold and have not been redeemed within one year of the end of the game, one year from the draw date, or one year from the date of issue. During fiscal year 2023, prizes in the amount of \$9,462,650 were determined to be unclaimed and were either transferred or accrued for transfer to the Economic Development Fund.

**E. Contingency Reserve**

ORS 461.510 (4) and Administrative Rule 177-010-0045 allows for the creation of a contingency reserve. In June 2022, the Lottery Commission approved a contingency reserve amount such that the cash available for future investment does not exceed \$135,000,000. The following table shows the liquidity detail of Unrestricted Net Position shown on the Statement of Net Position at June 30, 2023:

Cash Available for Future Investment (Uncommitted Contingency Reserve)	\$ 135,000,000
Committed by Contract for Asset Purchases/Licensing (See Note 7 and 10)	2,409,195
Committed by Commission for Capital Purchases/Projects	85,653,833
Inventory and Prepaid Expenses	5,815,751
Total Unrestricted Net Position	<u>\$ 228,878,779</u>

**F. Transfers to Economic Development Fund**

In fiscal year 2023 \$22,930,278 of current year income was retained in contingency reserve. Remaining income after transfers to the General Obligation Bond Fund was accrued for transfer to the Economic Development Fund. Actual cash transferred, including unclaimed prizes, during fiscal year 2023 was \$906,451,043. The remaining balance is included on the Statement of Net Position in current liabilities. The schedule on the following page reconciles the amounts:

	Balance Owed at June 30, 2022	Amounts Accrued	Cash Paid to Economic Development	Balance Remaining at June 30, 2023
Income	\$ 230,950,516	\$ 899,337,574	\$ 896,689,160	\$ 233,598,930
Unclaimed Prizes	1,977,448	9,462,650	9,761,883	1,678,215
Total	<u>\$ 232,927,964</u>	<u>\$ 908,800,224</u>	<u>\$ 906,451,043</u>	<u>\$ 235,277,145</u>

### 3. Deposits

The Lottery uses a financial institution qualified by the Oregon State Treasurer to hold public funds, and the Oregon Short-Term Fund (OSTF) for deposits. The Office of the State Treasurer maintains the OSTF, an investment pool available for use by state agencies and local governments. A separate financial report for the OSTF may be obtained from the Office of the State Treasurer, 867 Hawthorne Ave. SE, Salem, Oregon 97301 or from the Treasurer’s website at: <https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Lottery or State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Lottery does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for state deposits are established by banking regulations and Oregon Revised Statute (ORS) Chapter 295. This statute creates a shared liability structure through a collateral pool of pledged securities held by a custodian. ORS 295 is administered by the Oregon State Treasurer using the Public Funds Collateralization Program (PFCP). This program monitors public funds balances in excess of Federal Deposit Insurance of \$250,000, total public funds on deposit, depository net worth and capitalization information. All depositories are required to report quarterly at a minimum but may be required to report as often as weekly. Reported information determines each depository’s minimum market value of securities that must be pledged as collateral.

The PFCP determines collateral requirements based on the capitalization of each depository. Well capitalized depositories must pledge securities with a market value of 10% of their last reported uninsured public funds deposits. Collateral requirements increase for depositories considered to be less than well capitalized. Collateral requirements may be up to 110% of uninsured public funds deposits. The Oregon State Treasurer, in consultation with the Department of Consumer and Business Services, may also require collateral up to 110% for well capitalized banks. Depositories with increased collateral requirements are required to report weekly to ensure collateralization at the appropriate level.

Consequently, Lottery’s bank balance at June 30, 2023 of \$538,721,612, deposited in financial institutions and the OSTF, is insured or collateralized.

### 4. Investments

The State Treasurer is the Investment Officer for the State of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Lottery does not have an independent investment policy.

#### A. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State Treasurer will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lottery’s investments with the Office of the State Treasurer are registered in street name and held with the State Treasurer’s custodian in the name of the State of Oregon. State Treasurer records segregate them to the Lottery.

**B. Credit Risk and Concentration of Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Lottery holds both US Treasury STRIPS as well as US Agency STRIPS of the Resolution Funding Corporation (RFC). The RFC investments are not explicitly guaranteed by the U.S. government and do not have a credit rating. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Investments in the RFC represents .87 percent of the Lottery’s investment holdings on June 30, 2023.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The length of time until maturity affects the exposure of the investment to fair value fluctuations. Lottery’s investments are purchased to closely match the liability stream for prize payouts and are intended to be held until maturity.

The following table shows the segmented time distribution of the fair value of all Lottery investments on June 30, 2023:

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Fair Value
U.S. Agency STRIPS	\$ 801,617	\$ 68,063	\$ -	\$ -	\$ 869,680
U.S. Treasury STRIPS	10,217,875	36,193,687	26,856,011	26,251,305	99,518,878
Total Investments	<u>\$ 11,019,492</u>	<u>\$ 36,261,750</u>	<u>\$ 26,856,011</u>	<u>\$ 26,251,305</u>	<u>\$ 100,388,558</u>

**5. Securities Lending**

In accordance with State of Oregon (State) investment policies, state agencies may participate in securities lending. The Office of the State Treasurer has authorized its custodian to act as its agent in the lending of the State’s securities pursuant to a form of loan agreement. There were no significant violations of the provisions of securities lending agreements during the fiscal year.

During fiscal year 2023, the State’s securities lending agent lent short-term and fixed income securities from the OSTF and U.S. Government securities segregated to the Lottery and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. The State can impose restrictions on the amount of the loans that the securities lending agent made on its behalf. No such restrictions were made during the year ended June 30, 2023. The State may pledge or sell collateral securities in the event of a borrower default; however, the Lottery and the State, through the State Treasurer’s Securities Lending Agreements, are fully indemnified against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

During the year, the State and borrowers maintained the right to terminate all securities lending transactions on demand. Therefore, the maturities of investments made with cash collateral generally did not match the maturities of the securities loans. On June 30, 2023, the State and the Lottery had no credit risk exposure to borrowers related to securities on loan.

As of June 30, 2023, the total fair value of securities on loan from the OSTF was \$167,137,267, the collateral received was \$170,531,248 and the fair value of invested collateral was \$12,156,661. Cash collateral received for OSTF and Lottery investments is invested in a securities lending collateral pool and is not exposed to custodial credit risk.

The Lottery’s allocated portion of the OSTF securities on loan and Lottery owned investments on loan at June 30, 2023, is presented in the schedule on the following page:

	Securities Lending Balances		
	Fair Value of Securities on Loan	Collateral Received	Fair Value of Invested Cash Collateral
Lottery Share OSTF	\$ 3,050,075	\$ 3,112,012	\$ 221,846
Lottery Investments	1,723,111	1,753,725	1,753,474
Total	<u>\$ 4,773,186</u>	<u>\$ 4,865,737</u>	<u>\$ 1,975,320</u>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2023, is shown in the following schedule:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Depreciable Capital Assets</u>				
Equipment	\$ 244,156,763	\$ 38,446,972	\$ 54,841,735	\$ 227,762,000
Building and Improvements	15,563,347	1,069,960	785,931	15,847,376
Vehicles	5,303,991	687,377	776,957	5,214,411
Computer Software*	26,629,311	353,357	21,899,425	5,083,243
Right-to-Use Leased Equipment and Facilities	1,773,447	1,445,045	-	3,218,492
Right-to-Use Subscription Software*	1,873,808	11,755,672	2,202	13,627,278
Other Assets	1,805,469	-	1,565,648	239,821
Total Assets Being Depreciated	297,106,136	53,758,383	79,871,898	270,992,621
<u>Accumulated Depreciation/Amortization</u>				
Equipment	185,567,881	20,865,144	54,704,487	151,728,538
Building and Improvements	9,108,179	440,158	785,931	8,762,406
Vehicles	3,295,304	359,522	576,621	3,078,205
Computer Software	22,357,512	346,390	18,076,158	4,627,744
Right-to-Use Leased Equipment and Facilities	825,008	245,497	-	1,070,505
Right-to-Use Subscription Software	-	2,647,559	-	2,647,559
Other Assets	1,669,366	33,205	1,542,044	160,527
Total Accumulated Depreciation	222,823,250	24,937,475	75,685,241	172,075,484
<u>Capital Assets Not Being Depreciated</u>				
Building and Improvements	444,849	-	-	444,849
Right-to-Use Subscription Software In Progress*	5,047,132	1,084,563	-	6,131,695
Capital Assets, Net	<u>\$ 79,774,867</u>	<u>\$ 29,905,471</u>	<u>\$ 4,186,657</u>	<u>\$ 105,493,681</u>

A portion of the computer software beginning balance was reclassified to right-to-use subscription software with the implementation of Governmental Accounting Standards Board Statement 96 (Subscription-Based Information Technology Arrangements). Classifications changed by the implementation are designated with an asterisk.

On June 27, 2014 the Lottery vacated its backup center and it remained idle at June 30, 2023. Carrying value included in capital assets is \$444,849.

## 7. Long-term Liabilities

The schedule on the following page presents changes in long-term liabilities during the fiscal year, as well as the amounts due in the next fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Prizes	\$ 151,309,426	\$ 274,198,721	\$ 281,264,198	\$ 144,243,949	\$ 38,103,425
Compensated Absences	5,548,004	3,675,955	4,583,970	4,639,989	2,969,593
Subscription Software Contracts	3,819,842	6,728,328	5,754,637	4,793,533	2,086,262
Financing Agreement	1,643,836	-	1,157,566	486,270	463,587
Leases	948,439	1,439,001	550,278	1,837,162	711,813
Pre-SLGRP Pension Debt	2,641,952	-	571,307	2,070,645	407,132
	<u>\$ 165,911,499</u>	<u>\$ 286,042,005</u>	<u>\$ 293,881,956</u>	<u>\$ 158,071,548</u>	<u>\$ 44,741,812</u>

As of June 30, 2023, there were 87 Oregon Lottery prizes with remaining long-term annual prize payments. The estimated number of years remaining for payments extends to 59 years. The following schedule of payments includes claimed prizes with guaranteed payments for a fixed period. Although estimated and included in prize liability, conditional prize payments are not shown in the following table:

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 9,229,877	\$ 146,789
2025	8,580,878	374,787
2026	8,252,727	602,939
2027	7,366,658	760,008
2028	5,637,370	726,296
2029-2033	22,021,592	4,691,736
2034-2038	13,351,211	4,718,118
2039-2043	4,360,906	1,942,422
2044-2048	2,899,052	1,720,943
2049-2051	1,153,581	826,426
Total Guaranteed Prize Payments Due	<u>\$ 82,853,852</u>	<u>\$ 16,510,464</u>

The Lottery has 11 software subscription contracts requiring monthly, quarterly, or annual payments for a defined period. Gaming software licenses include the video gaming system and instant ticket second chance drawing licenses. Beginning in September 2016 Lottery contracted for a video gaming system. The system includes all hardware and software necessary for a host and backup system that communicates and stores transactions occurring on Video Lottery<sup>SM</sup> terminals throughout the State. The contract will expire in September 2024. However, Lottery can request a 12-month extension. Since the extension is likely to be requested the amount has been included in the liability. Should the Lottery default through non-payment or breach of contract, undisputed amounts on invoices for services performed and deliverables delivered, less any amounts previously paid, are due immediately. The second chance drawing software contract includes draw configuration and support for one or more application programming interfaces. The contract began in February 2021 and continues through February 2024. After the initial three-year term Lottery may extend the contract on an annual basis. Lottery does have the right to terminate the contract with a 30-day notice to the contractor. Other licenses held are for human resource software used for recruiting, compensation, and employee engagement; software for retailer partner management; and software for a marketing tool.

Software subscriptions are recognized as a liability for the present value of required future payments. The table on the following page shows the future principal and interest portions for payments required by software subscriptions:

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 2,086,262	\$ 99,266
2025	1,833,306	51,098
2026	625,548	13,102
2027	248,417	5,650
Total	<u>\$ 4,793,533</u>	<u>\$ 169,116</u>

In October 2016, the Lottery began a purchasing agreement for 2,700 video retailer terminals, known as iLinks, which are part of the communication infrastructure between the Video Lottery<sup>SM</sup> game terminals and the host system. The interest rate for the contract is 7.35 percent and the last payment is due in September 2024. Total assets acquired through the agreement is \$6,736,500 and is included in Buildings, Equipment and Vehicles on the Statement of Net Position.

Future financing payments required for the agreement are shown in the following schedule:

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 463,587	\$ 10,946
2025	22,683	279
Total Financing Payments Due	<u>\$ 486,270</u>	<u>\$ 11,225</u>

The Lottery participates in nine property leases for storage facilities and a payment center. The Lottery also participates in six leases for billboards and three for office equipment. The leases are recognized as right to use capital assets with a corresponding liability for the discounted present value of the payments required. Future lease and interest payments required are displayed in the following table:

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 711,813	\$ 36,880
2025	606,277	21,275
2026	370,523	8,586
2027	67,205	3,603
2028	71,877	1,489
2029	9,467	33
Total Lease Payments Due	<u>\$ 1,837,162</u>	<u>\$ 71,866</u>

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately, is reduced by contributions and increased for interest charges at the assumed interest rate. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The Pre-SLGRP Pension Debt of \$2,070,645 represents Lottery's allocation of the state liability. The payment schedule is shown on the following page:

Year Ending June 30	Principal	Interest
2024	\$ 407,132	\$ 135,971
2025	435,708	107,394
2026	466,290	76,811
2027	499,020	44,082
2028	262,495	9,056
Total Pre-SLGRP Payments Due	\$ 2,070,645	\$ 373,314

## 8. Discounts and Allowances

Revenues are reported net of discounts and free plays in the Statement of Revenues, Expenses and Changes in Fund Net Position. Some Lottery game structures offer free tickets as prizes instead of cash. The sales value of these prizes reduce sales rather than being included as prize expense. For fiscal year ended June 30, 2023 Lottery awarded free play prizes of \$729,111. Promotional discounts and free plays also reduced sales by \$9,156,609.

At June 30, 2023, accounts receivable in the Statement of Net Position is reported net of \$34,100 allowance for uncollectible amounts.

## 9. Joint Venture

The Multi-State Lottery Association (MUSL) was established September 16, 1987, to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and costs for services of MUSL and the Product Groups. For the fiscal year ending June 30, 2023 MUSL service fees were \$56,939.

MUSL is a non-profit, government-benefit association owned and operated by its member lotteries. It is governed by a board on which each member lottery is represented. Each member lottery has one vote. The Board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the Board. These officers and consultants serve at the pleasure of the Board and the Board prescribes their powers, duties, and qualifications. Product groups manage product offerings, establish budgets, establish rules and policies for a product as well as the fees for services. The Finance Committee recommends all fees for services to be charged by MUSL and product groups to the Executive Committee who review and submit to the Board for final action. MUSL is subject to annual audits conducted by independent auditors that are retained by the Board. Upon termination of the MUSL's existence, if such termination should occur, the member lottery would receive any proceeds determined available for distribution by the Board.

The fiscal year end for MUSL is June 30. Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. Government Securities. The schedule on the following page presents the summarized financial activity from MUSL financial statements as of June 30, 2023 and June 30, 2022 (in thousands):



	<u>2023</u> <sup>2</sup>	<u>2022</u>
Assets	\$ 857,188	\$ 766,593
Total Assets	<u>\$ 857,188</u>	<u>\$ 766,593</u>
Liabilities	\$ 822,534	\$ 756,516
Net Assets <sup>1</sup> - Unrestricted	34,654	10,077
Total Liabilities and Net Assets <sup>1</sup>	<u>\$ 857,188</u>	<u>\$ 766,593</u>
Revenue	\$ 30,929	\$ 3,442
Expenses	6,353	5,579
Increase/(Decrease) in Net Assets <sup>1</sup>	<u>\$ 24,576</u>	<u>\$ (2,137)</u>

<sup>1</sup>Because MUSL is organized as a non-profit, its financial statements have been prepared in accordance with accounting standards promulgated by the Financial Accounting Standards Board (FASB). Therefore, MUSL’s financial statements use the term “net assets” rather than “net position” for equity.

<sup>2</sup>The fiscal year 2023 MUSL audit has not been completed as of publication. Amounts presented are draft.

The financial statements for MUSL may be obtained from the Multi-State Lottery Association, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

## 10. Other Significant Commitments and Contingencies

### A. Commitments

In October 2019 the Lottery signed a comprehensive agreement for software and services associated with processing transactions for traditional products. The initial contract term is five years from the go-live date of May 23, 2021. During this term Lottery will pay 2.5047 percent of net sales of traditional products. Contract extension options are available for two additional five-year terms. For fiscal year 2023 expenses under the contract were \$11,043,826.

A sports wagering contract was signed in December 2021. The term is seven years from the launch date of January 18, 2022. Additional extension terms can be negotiated. Fees under the contract are 49 percent of net receipts (wagers less prizes but not including player incentives and related prizes) and 51 percent of player incentives and other expenses such as league fees and costs related to player account servicing. However, player incentives are capped at 15 percent of net receipts and player costs are capped at 4 percent of net receipts. The contract generally can only be terminated for contract breaches and changes of legal standing to engage in sports wagering. Total Lottery expenses for sports wagering for the fiscal year ending June 30, 2023 were \$29,238,196. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In June 2023 Lottery issued commitments to purchase 500 Video Lottery<sup>SM</sup> gaming terminals. At June 30, \$7,974,500 remained to be purchased in the upcoming fiscal year.

### B. Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. There is no practical method of estimating the amount of future benefit payments that may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. For the fiscal year ended June 30, 2023, \$11,786 of reimbursements were expensed.

## 11. Employee Retirement Plan

### A. General Information

The State of Oregon participates in the Oregon Public Employees Retirement System (PERS) plan. As an agency of the State of Oregon, eligible Lottery employees receive pension benefits through the plan. PERS is a defined benefit, cost-sharing multiple-employer plan, administered by the Public Employees Retirement Board (Board) as required by Chapters 238 and 238(A) of the Oregon Revised Statutes (ORS). Board members are appointed by the governor and confirmed by the state Senate.

Pension benefits are based on hire dates and are provided under the PERS plan or the Oregon Public Service Retirement Plan (OPSRP). PERS members who established membership before January 1, 1996 receive PERS Tier 1 benefits while those who established membership on or after that date receive PERS Tier 2 benefits. The PERS plan was closed to new members on August 28, 2003. Eligible employees hired after that date are members of OPSRP. Both plans provide a life pension, death, and disability benefits.

#### Pension Benefit

Tier 1/Tier 2 member's basic pension benefits are calculated based on years of service and final average salary, multiplied by 1.67 percent for general service employees and 2.0 percent for police and fire (P&F) employees. Benefits may also be calculated under a money match computation if a greater benefit results. For members contributing prior to August 21, 1981 benefits may also be calculated under a formula plus annuity computation. Pension benefit options include survivorship and lump sum refunds. The retirement allowance is payable monthly for life.

Tier 1 full pension benefits are available at age 58 (age 55 for P&F) or any age with 30 years of service (25 for P&F). There is a reduced benefit option available at age 55 (50 for P&F) and fewer than 30 years of service (25 for P&F). Tier 2 members can retire at age 60.

OPSRP member pension benefits are calculated based on years of service and the final average salary multiplied by 1.5 percent for general service employees and 1.8 percent for P&F. General service employees may retire at 65 or at age 58 with 30 years of service. P&F employees are eligible at age 60 or age 53 with 25 years of service.

OPSRP also includes the Individual Account Program (IAP) for employee contributions. Beginning January 1, 2004 all Tier 1/Tier 2 plan non-retired members also established an account in the IAP. Prior to July 1, 2020 all employee contributions were deposited in the member's account along with earnings. Beginning July 1, 2020 employee's whose monthly salary exceeds established monthly thresholds have a portion of their contributions redirected to an Employee Pension Stability Account (EPSA) which will be used to pay for part of the future pension benefit. Employees have the option to make additional voluntary contributions to replace any redirected amounts. IAP accounts are reduced by administrative expenses and losses. At retirement, IAP account balances are distributed to employees through a choice of a lump-sum payment or annuity options. Tier 1/Tier 2 employee contributions prior to January 1, 2004 remain in the member's defined benefit account.

#### Death Benefit

Upon the death of a non-retired PERS Tier 1/Tier 2 member the beneficiary receives a lump-sum refund of the member's accumulated contributions and interest. The beneficiary also receives a lump-sum payment from employer funds equal to the account balance. Upon the death of a non-retired OPSRP member the spouse (or person constitutionally required to be treated as a spouse) receives a life pension at 50 percent of what would have been paid to the member.

#### Disability Benefit

All members can receive non job-related disability benefits after 10 years of service. Job-related disability is available for any length of service. Tier 1/Tier 2 monthly benefits are calculated with service time to age 58 (55 for P&F). OPSRP members receive 45 percent of their salary during the last full month of service.

#### Benefit Changes

After retiring, PERS plan members may choose to continue participation in a variable equities investment account and may experience benefit fluctuations due to changes in the market value of equity investments. Cost-of-living benefit adjustments (COLA) for both PERS and OPSRP members are required annually in current

Oregon statutes. For service time before October 1, 2013 adjustments are tied to the Portland Consumer Price Index with a 2% annual cap. Service time on or after October 1 receives a 1.25% increase on the first \$60,000 of annual benefit and .15% for benefit over \$60,000. The Oregon legislature has authority to change benefits.

Contributions

As required by Oregon statute, employer contribution rates are actuarially determined and allow accumulation of assets sufficient to pay defined pension benefits when due. Employer contribution rates are expressed as a percentage of covered payroll. The Board’s practice is to implement new rates in each odd-numbered year based on the valuation of the previous odd-numbered year. Rates used in fiscal year 2023 were effective July 1, 2021 and based on the December 31, 2019 valuation. Lottery contributions in fiscal year 2023 were \$7,298,737.

Set by statute, Lottery employees contribute 6 percent of covered salary to their IAP account. However, beginning in July 2020 a portion of monthly employee contributions may be redirected to the employee’s EPSA account and used to fund their pension benefit. Redirects are required when the PERS system is less than 90% funded and an employee’s monthly salary exceeds the monthly salary threshold established by the legislature. The percentage of monthly contributions redirected is determined by plan. For Tier 1/Tier 2 members 2.5 percent of employee contribution is redirected and for OPSRP members .75 percent is redirected.

**B. Net Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

The collective net pension liability, measured as of June 30, 2022, is based on the December 31, 2020 actuarial valuation rolled forward to the measurement date. IAP account balances are not included in the measurement of the total pension liability. Assumptions used for the measurement include those shown in the following table:

Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00 percent COLA and graded COLA (1.25/0.15) percent in accordance with Moro decision; blend based on service.
Mortality	<u>Healthy retirees and beneficiaries:</u> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Active members:</u> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Disabled Retirees:</u> Pub-2010 Disable Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

The discount rate used to measure the collective pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed contributions from contributing employers and plan members are made at the actuarially determined rates required to meet projected benefit payments. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments.

The long-term expected rate of return used in projecting the collective pension liability is based on a forward-looking capital market economic model. The assumed asset allocation is based on the Oregon Investment Council’s (OIC) target allocation and actual investments in June 2021 based on the target. Using the OIC description of asset classes, investments were mapped to the asset classes and percentages below. Each asset

class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The following assumptions were used:

Asset Class	Target Allocation	Annual Arithmetic Return	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62%	7.11%	5.85%	17.05%
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50	1.77	1.76	1.20
Assumed Inflation - Mean			2.40%	1.65%

PERS actuarially determined each employer’s proportionate share by comparing each employer’s projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is estimated by combining the present value of projected future normal cost contributions with projected contributions required for past unfunded actuarial liabilities (UAL) and reducing those projections with any transition surpluses, lump sum payments from employers, and pre-State and Local Government Rate Pool (SLGRP) surpluses at the valuation date. Estimated future normal cost rate contributions represent future service contributions while UAL estimated contributions represent contributions for past service. PERS has determined employer transition liabilities to meet the definition of separately financed employer liabilities and are not included in the projected contribution effort. The State of Oregon’s proportion was 27.24% as of the prior June 30, 2021 measurement date and increased to 29.46% as of the June 30, 2022 measurement date.

The State of Oregon’s proportionate share of the net pension liability was allocated to individual funds based on actual fiscal year 2022 contributions. Lottery is 1.09 percent of the State’s share, an increase of .15 percent from the June 30, 2021 measurement date. Lottery’s proportion of the State’s share equates to .32 percent of the collective net pension liability. On June 30, 2023 Lottery reported a net pension liability of \$48,951,329. The following demonstrates Lottery’s proportionate share of the net pension liability sensitivity to a 1 percentage point change in the discount rate:

1% higher discount rate –7.9%	\$17,264,576
1% lower discount rate – 5.9%	\$86,810,948

For the year ended June 30, 2023 Lottery recognized pension expense of \$13,572,104. At June 30, 2023 Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources in the table on the following page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,376,192	\$ (305,269)
Changes in assumptions	7,680,728	(70,171)
Net difference between projected and actual earnings on investments	-	(8,751,551)
Changes in proportion and differences between fund contributions and proportionate share of contributions	5,235,265	(5,538,962)
Lottery contributions subsequent to the measurement date	7,298,737	-
	<u>\$ 22,590,922</u>	<u>\$ (14,665,953)</u>

Lottery contributions subsequent to the measurement date will reduce the net pension liability in the upcoming fiscal year. Other deferred amounts will be included in pension expense as shown in the following table:

Fiscal Year Ending June 30	Amount to Pension Expense
2024	\$ 733,106
2025	(614,087)
2026	(3,503,194)
2027	4,054,384
2028	(43,977)
Thereafter	-
Total	<u>\$ 626,232</u>

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:  
<https://www.oregon.gov/pers/emp/Pages/Actuarial-Financial-Information.aspx>

## 12. Other Postemployment Benefit Plans

Oregon Lottery employees may be eligible for post-retirement insurance coverage through three other postemployment benefit (OPEB) plans available. Two plans are administered by the Public Employees Retirement System (PERS) and the other is administered by the Public Employees Benefit Board (PEBB). Lottery, as an enterprise fund of the State of Oregon, recognizes a portion of each plan in the financial statements.

### A. Plans Administered by the Public Employees Retirement System

The Retirement Health Insurance Account (RHIA), administered by PERS, is a cost-sharing, multiple-employer OPEB plan. The plan authorizes a payment of up to \$60 towards the monthly cost of health insurance for eligible PERS members. To be eligible the PERS member must have eight or more years of qualifying service in PERS at the time of retirement, receive both Medicare Parts A and B coverage, and enroll in a PERS-sponsored health plan. The coverage also extends to members receiving a disability allowance, as if the member had at least eight years of creditable service. A surviving spouse or dependent of a deceased PERS retiree is eligible if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time of the member's death and the member retired before May 1, 1991. The plan is closed to entrants hired on or after August 29, 2003.

The RHIA plan and benefit amount is established by ORS 238.420. There are no automatic or ad-hoc adjustments to the benefit amount in the statute.

The other plan administered by PERS is the Retiree Health Insurance Premium Account (RHIPA). This plan is a single employer plan with the State of Oregon as the single employer. As authorized by ORS 238.415 retirees receive payment for the average difference between the health insurance premiums paid by retired state employees and the premiums paid by active state employees. The average amount is determined by the PERS Board on or before January 1 of each year. This plan is closed to entrants hired on or after August 29, 2003.

Retirees are eligible for the RHIPA plan if they have eight or more years of qualifying service but are not eligible for federal Medicare coverage. Retirees receiving a disability pension are also eligible if the pension was calculated as if they had eight or more years qualifying service and are not receiving federal Medicare coverage. A surviving spouse or dependent of a retired state employee is eligible if he or she is receiving a retirement benefit from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

Both plans are required by statute to be funded through employer contributions in the amount actuarially necessary to fund the liabilities of the plans. Employer contribution levels must be established by the PERS Board using the same actuarial assumptions it uses to determine employer contribution rates for the Public Employees Retirement Fund. Contribution rates for the fiscal year ending June 30, 2023 were effective July 1, 2021 and based on the December 31, 2019 valuation. The rates are a percentage of covered payroll and vary by the retirement plan of the participant. The contribution rates and amounts contributed by Lottery during the year ended June 30, 2023 are shown in the following table:

	RHIA		RHIPA	
	PERS Tier 1/Tier 2	OPSRP	PERS Tier 1/Tier 2	OPSRP
Normal Cost	0.05%	0.00%	0.11%	0.00%
Unfunded Actuarial Liability	0.00%	0.00%	0.17%	0.17%
Total Required Rate	0.05%	0.00%	0.28%	0.17%
Amounts Contributed	\$ 6,257	\$ -	\$ 35,041	\$ 52,586

Both plans use assumptions and other inputs to measure the total OPEB liability. These assumptions and inputs are shown in the table on the following page:

	RHIA	RHIPA
Plan Type	Cost-Sharing Multiple Employer	Single Employer (State of Oregon)
Valuation date	December 31, 2020	December 31, 2020
Measurement date	June 30, 2022	June 30, 2022
Experience Study	2020, published July 20, 2021	2020, published July 20, 2021
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40 percent	2.40 percent
Long-term expected rate of return	6.90 percent	6.90 percent
Discount rate	6.90 percent	6.90 percent
Projected salary increases	3.40 percent	3.40 percent
Retiree healthcare participation	Healthy retirees: 27.5% Disabled retirees: 15%	8-14 years of service: 10% 15-19 years of service: 11% 20-24 years of service: 14% 25-29 years of service: 22% 30+ years of service: 27%
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 5.9% for 2021, decreasing to 4.7% for 2028, increasing to 4.8% for 2037, and decreasing to an ultimate rate of 3.9% for 2074 and beyond
Mortality	<p><b>Healthy retirees and beneficiaries:</b>  Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b>  Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b>  Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>	<p><b>Healthy retirees and beneficiaries:</b>  Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b>  Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b>  Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

For both plans, the projections of cash flows used to determine the discount rate assumes that employer(s) contributions are made at the contractually required rates, as actuarially determined.

The long-term expected rate of return for both plans is the same as that used for pension benefit projections. A description of how this rate is determined and information on the assumed asset allocation of the portfolio is included in Note 11(B). This long-term rate was applied to all periods of projected benefit payments to determine the total OPEB liability for both plans.

For the RHIA cost-sharing multiple-employer plan, employer proportionate share was determined by comparing the employer's actual, legally required contributions made during the measurement date fiscal year to the total actual contributions made during that period by all employers. For both plans, the State of Oregon's internal allocation among funds was based on fiscal year 2022 actual contributions from each fund. Lottery's share of both plans is shown below. The amounts are measured as of June 30, 2022 based on a December 31, 2020

actuarial valuation rolled forward. Effects of a 1 percentage point change in the healthcare cost trend rate and the discount rate are also shown in the following table:

	RHIA	RHIPA
State of Oregon Share of Plan	34.08%	100.00%
Lottery Percent of State of Oregon Share	1.22%	1.03%
Lottery Share of Net OPEB Liability/(Asset)	\$ (1,479,599)	\$ (353,954)
Lottery Share with:		
1% increase in healthcare cost trend rate	N/A	\$ (309,223)
1% decrease in healthcare cost trend rate	N/A	\$ (394,208)
1% increase in the discount rate – 7.9%	\$ (1,604,809)	\$ (392,140)
1% decrease in the discount rate – 5.9%	\$ (1,333,535)	\$ (324,356)

In the fiscal year ending June 30, 2022, Lottery recognized expense/(income) for the RHIA and RHIPA plans in the following amounts respectively; \$(419,862) and \$(51,907). The following table shows the balances of Lottery’s deferred outflows and inflows for the two plans:

	RHIA		RHIPA	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (40,096)	\$ -	\$ (93,384)
Changes in assumptions	11,585	(49,320)	9,095	(142,073)
Net difference between projected and actual earnings on investments	-	(112,838)	-	(23,016)
Changes in proportion and differences between fund contributions and proportionate share of contributions	100,993	(142,033)	-	-
Contributions Subject to Measurement Date	6,257	-	87,627	-
	<u>\$ 118,835</u>	<u>\$ (344,287)</u>	<u>\$ 96,722</u>	<u>\$ (258,473)</u>

Contributions subsequent to the measurement date will reduce the liability in the upcoming fiscal year. The other deferred amounts will increase/(reduce) OPEB expense as follows:

Fiscal Year Ending June 30	RHIA	RHIPA
2023	\$ (161,612)	\$ (62,034)
2024	(35,029)	(62,452)
2025	(71,206)	(64,632)
2026	36,138	(29,459)
2027	-	(28,108)
Thereafter	-	(2,693)
Total	<u>\$ (231,709)</u>	<u>\$ (249,378)</u>

Detailed information about the PERS other postemployment benefit plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:

<https://www.oregon.gov/pers/emp/Pages/Actuarial-Financial-Information.aspx>



**B. Plan Administered by the Public Employees Benefit Board**

The Public Employees Benefit Board (PEBB), through the authority of Oregon Revised Statutes Chapter 243, offers healthcare assistance to eligible retired employees and their beneficiaries. The PEBB plan is a multi-employer plan that allows retired employees to continue their health insurance coverage on a self-pay basis until they are eligible for Medicare. The premium rate for retired employees is determined by pooling the retirees with active employees and thus creates an implicit rate subsidy. Employees are eligible if they retire and are immediately eligible for a pension benefit from PERS. In addition, the retiree must have been enrolled in a PEBB medical or dental plan immediately prior to retirement. Retirees must enroll in the plan within 30 days of the end of their active coverage.

The total OPEB liability for the PEBB plan was actuarially measured as of July 1, 2022 and projected forward to June 30, 2023. In projecting the future benefits the discount rate used is based on the Bond Buyer General Obligation 20-Year Municipal Bond Index as of June 29, 2023. There are no assets accumulated for payment of the liability. The following table shows significant assumptions used:

Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
Discount Rate	3.65%
Health Care Cost Trend	Pursuant to ORS 243.135(8), 3.4% per year
General Inflation	2.4% per year
Annual Salary Increases	3.4% per year
Mortality	Based on Pub-2010 mortality tables, with adjustments for PERS experience and generational mortality improvements using scale: Milliman Unisex Social Security Data (60-year average), with data through 2017
Demographic Assumptions	January 1, 2017 through December 31, 2020 actuarial experience study adopted by the Public Employees Retirement System.

Lottery, as a fund of the State of Oregon, recognizes a portion of the total liability. Fund proportions for fiscal year 2023 are based on the average of the prior three years' proportionate share calculation. Lottery's share of the liability at June 30, 2023 is \$843,747 which is 0.80 percent of the State of Oregon's liability. The sensitivity of the liability to changes in the discount rate and healthcare cost trend rate are shown in the following table:

Lottery Share with:	
1% increase in healthcare cost trend rate – 4.4%	\$ 958,974
1% decrease in healthcare cost trend rate – 2.4%	\$ 746,471
1% increase in the discount rate – 4.65%	\$ 788,549
1% decrease in the discount rate – 2.65%	\$ 901,893

For the fiscal year ended June 30, 2023 Lottery recognized \$83,971 of expense for the PEBB plan. The following table shows the balances of Lottery's deferred outflows and inflows for the plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (193,373)
Changes in assumptions	18,283	(281,529)
Total	<u>\$ 18,283</u>	<u>\$ (474,902)</u>

The amounts will reduce Lottery’s proportion of OPEB expense in future years as follows:

Fiscal Year Ending June 30,	
2024	\$ (77,010)
2025	(77,010)
2026	(74,135)
2027	(77,287)
2028	(69,891)
Years thereafter	(81,286)
Total	<u>\$ (456,619)</u>

**13. Risk Financing**

The State of Oregon administers property and casualty insurance programs covering State government through its Insurance Fund (included in the Central Services Fund). The Insurance Fund services claims for direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees, or agents; workers’ compensation; cyber security liability, employee dishonesty; and faithful performance coverage for certain positions required by law to be covered and other key positions.

As a state agency, the Lottery participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each state agency based on its share of services provided in a prior period. The total statewide assessment for each coverage type is based on independent biennial actuarial forecasts and administrative costs, less any available equity in the Insurance Fund from the prior biennium. Lottery’s fiscal year 2023 share of the 2021-2023 biennial assessment was \$920,211. The Fund also charged \$598,997 for Lottery specific cyber security policies. For the Lottery, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.



# **Required Supplementary Information**

**Schedule of Lottery Proportionate Share of the Net Pension Liability/(Asset)**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Measurement Dates**  
(Dollars in Millions)

<b>Oregon State Lottery</b>					
As of June 30,	Percent of Collective Net Pension Liability/(Asset)	Share of Collective Net Pension Liability/(Asset)	Covered Payroll	Share of Collective Net Pension Liability/ (Asset) as a Percentage of Covered Payroll	PERS Fiduciary Net Position as a Percent of Total Pension Liability
2022	0.3%	\$ 49.0	\$ 41.6	117.6%	84.5%
2021	0.3%	30.8	34.7	88.8%	87.6%
2020	0.3%	72.1	43.5	165.8%	75.8%
2019	0.3%	43.5	31.9	136.4%	80.2%
2018	0.3%	38.2	32.1	119.0%	82.1%
2017	0.2%	29.8	30.7	97.1%	83.1%
2016	0.2%	34.4	30.1	114.1%	80.5%
2015	0.2%	11.4	28.1	40.6%	91.9%
2014	0.2%	(4.5)	23.7	-19.0%	103.6%
2013	0.2%	10.1	23.8	42.6%	92.0%

(See Notes to Required Supplementary Information)

**Schedule of Lottery Pension Contributions**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Fiscal Years**  
(Dollars in Millions)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2023	\$ 7.3	\$ 7.3	\$ -	\$ 43.5	16.79%
2022	7.0	7.0	-	41.6	16.93%
2021	5.2	5.2	-	34.7	14.94%
2020	6.5	6.5	-	43.5	14.87%
2019	3.5	3.5	-	31.9	10.97%
2018	3.5	3.5	-	32.1	10.90%
2017	2.3	2.0	0.3	30.7	6.48%
2016	2.3	2.0	0.3	30.1	6.75%
2015	1.5	1.9	(0.4)	28.1	6.60%
2014	2.0	1.9	0.1	23.7	8.07%

(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of the Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Account (RHIA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

<b>Oregon State Lottery</b>					
As of June 30,	Percent of Collective Net OPEB Liability/(Asset)	Share of Collective Net OPEB Liability/(Asset)	Covered Employee Payroll	Share of Collective Net OPEB Liability/ (Asset) as a Percentage of Covered Payroll	RHIA Fiduciary Net Position as a Percent of Total OPEB Asset
2022	0.42%	\$ (1,480)	\$ 41,617	-3.56%	194.60%
2021	0.41%	(1,416)	34,678	-4.08%	183.90%
2020	0.33%	(681)	43,498	-1.57%	150.10%
2019	0.31%	(593)	31,945	-1.86%	144.40%
2018	0.30%	(334)	32,099	-1.04%	124.00%
2017	0.25%	(104)	30,651	-0.34%	108.90%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2023	\$ 6	\$ 6	\$ -	\$ 43,481	0.01%
2022	7	7	-	41,617	0.02%
2021	7	7	-	34,678	0.02%
2020	23	23	-	43,498	0.05%
2019	147	147	-	31,945	0.46%
2018	149	149	-	32,099	0.46%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Premium Account (RHIPA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Oregon State Lottery				PERS Fiduciary Net Position as a Percent of Total OPEB Liability
	Percent of State of Oregon Net OPEB Liability/(Asset)	Share of State of Oregon Net OPEB Liability/ (Asset)	Covered Employee Payroll	Share of State of Oregon Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	
2022	1.03%	\$ (354)	\$ 41,617	-0.85%	169.7%
2021	0.94%	(145)	34,678	-0.42%	124.6%
2020	1.24%	124	43,498	0.28%	84.5%
2019	0.99%	250	31,945	0.78%	64.9%
2018	1.02%	359	32,099	1.12%	49.8%
2017	0.81%	377	30,651	1.23%	34.3%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIPA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2023	\$ 88	\$ 88	\$ -	\$ 43,481	0.20%
2022	86	86	-	41,617	0.21%
2021	108	108	-	34,678	0.31%
2020	141	141	-	43,498	0.32%
2019	136	136	-	31,945	0.43%
2018	137	137	-	32,099	0.43%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of OPEB Liability**  
**Public Employees Benefit Board (PEBB)**  
**Last Ten Measurement Dates\***  
(Dollars in Millions)

As of June 30,	Percentage of OPEB Liability	Share of OPEB Liability	Covered Employee Payroll	Share of Liability as a Percent of Covered Payroll
2023	0.80%	\$ .8	\$ 45.3	1.9%
2022	0.77%	1.0	42.2	2.3%
2021	0.76%	1.1	36.0	3.2%
2020	0.86%	1.3	40.5	3.2%
2019	0.83%	1.3	37.0	3.5%
2018	0.92%	1.4	33.5	4.2%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Notes to Required Supplementary Information**

Pension Schedules

- In 2013 the Oregon Legislature adopted changes reducing future cost of living adjustments. This reduced the liability as of June 30, 2014. The reduction to benefits was challenged and a significant portion of the legislation was reversed by the Oregon Supreme Court in April 2015. Consequently, the liability at June 30, 2015 increased.
- The PERS Board adopted assumption changes that were used to measure the June 30, 2016 pension liability. Included in the changes was a reduction of the long-term expected rate of return to 7.5 percent, a lowering of the assumed inflation rate to 2.5 percent, as well as changes in the assumptions for mortality, merit increases and other wage benefits affecting retiree benefits.
- For the June 30, 2018 measurement of the pension liability, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.
- Senate Bill 1049, signed into law in June 2019, imposed a limit of \$195,000 of annual salary included in the calculation of benefits. This limit is effective in 2020 and is indexed in future years.
- Assumption changes for the June 30, 2021 measurement date included a reduced long-term expected rate of return of 6.9 percent and an inflation rate which was lowered to 2.4 percent from 2.5 percent. The healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups and assumptions for merit increases, unused sick leave and vacation pay were updated.
- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Other Post Employment Plan (OPEB) Schedules

- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information for the RHIA and RHIPA plans. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

- For the June 30, 2018 measurement, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.
- The June 30, 2021 RHIA and RHIPA measurement includes an assumed long-term expected rate of return of 6.9 percent (reduced from 7.2 percent). Additionally, the healthcare participation and healthy mortality assumptions were changed to reflect updated trends and mortality improvement scale for all groups.
- The PEBB plan does not accumulate assets to pay benefits and does not issue a financial report.





**OREGON**  
**LOTTERY™**

---

# **Supplementary Information**

**Oregon State Lottery**  
**An Enterprise Fund of the State of Oregon**  
**Budgetary (Non-GAAP) Basis Comparison Schedule**  
For the Fiscal Year Ended June 30, 2023

	<u>Actual</u>	<u>Budget <sup>(1)</sup></u>	Variance Favorable/ (Unfavorable)
<b>Revenue</b>			
Video Lottery <sup>SM</sup> (Gross Receipts)	\$ 16,099,497,096	\$ 16,155,262,106	\$ (55,765,010)
Sports Wagering (Gross Receipts)	565,474,205	527,319,620	38,154,585
Scratch-its <sup>SM</sup> Instant Tickets	157,960,917	157,052,912	908,005
Keno	109,091,865	108,911,367	180,498
Powerball <sup>®</sup>	75,941,748	74,436,819	1,504,929
Megabucks <sup>SM</sup>	31,200,704	30,745,231	455,473
Mega Millions <sup>®</sup>	55,776,122	55,118,441	657,681
Raffle <sup>SM</sup>	2,499,850	2,500,000	(150)
Win For Life <sup>SM</sup>	4,467,126	3,914,104	553,022
Lucky Lines <sup>SM</sup>	1,740,608	1,809,186	(68,578)
Pick 4 <sup>SM</sup>	1,946,679	1,953,860	(7,181)
Total Revenue	<u>17,105,596,920</u>	<u>17,119,023,646</u>	<u>(13,426,726)</u>
Prize Expense	<u>15,698,768,833</u>	<u>15,725,125,820</u>	<u>26,356,987</u>
Net Revenue	<u>1,406,828,087</u>	<u>1,393,897,826</u>	<u>12,930,261</u>
<b>Direct Expenses</b>			
Retailer Commissions	310,579,497	300,019,486	(10,560,011)
Game Vendor Charges	42,149,957	43,465,687	1,315,730
Tickets	2,961,030	4,145,427	1,184,397
Advertising	6,298,714	8,005,552	1,706,838
Sales Support	779,219	964,690	185,471
Game Equipment/Parts & Maintenance	4,947,210	5,875,316	928,106
Depreciation	22,113,157	28,253,270	6,140,113
Total Direct Expenses	<u>389,828,784</u>	<u>390,729,428</u>	<u>900,644</u>
Gross Profit	<u>1,016,999,303</u>	<u>1,003,168,398</u>	<u>13,830,905</u>
<b>Indirect Revenue</b>			
Other Income (Loss)	<u>13,058,552</u>	<u>2,050,000</u>	<u>11,008,552</u>
<b>Indirect Expenses</b>			
Public Information	851,936	1,111,100	259,164
Research	263,784	776,330	512,546
Personal Services	73,512,602	78,573,682	5,061,080
Services and Supplies	30,129,302	58,525,473	28,396,171
Depreciation	2,824,318	2,542,362	(281,956)
Interest Expense	208,061	82,343	(125,718)
Total Indirect Expenses	<u>107,790,003</u>	<u>141,611,290</u>	<u>33,821,287</u>
Net Profit	<u>\$ 922,267,852</u>	<u>\$ 863,607,108</u>	<u>\$ 58,660,744</u>

(1) Budget adopted by the Lottery Commission and adjusted by the Economic and Revenue Forecasts published by the Department of Administrative Services throughout the year.



---

# Statistical Section

## Statistical Section

### Index

This part of the Oregon State Lottery's annual comprehensive financial report presents detailed information to provide context for understanding what the information in the financial statements and note disclosures say about the Lottery's overall financial health.

#### Financial Trends

These schedules contain trend information to help the reader understand how the Lottery's financial performance has changed over time. Prior to fiscal year 2013, net position was referred to as net assets and net investment in capital assets was referred to as invested in capital assets. Prior year terminology has been renamed in these schedules for comparability.

- Net Position by Component
- Changes in Net Position

#### Revenue Capacity

These schedules contain information to help the reader assess the Lottery's most significant revenue source, Lottery game sales income. The sales amounts reported for the top ten retailers and sales by county are based on Lottery's business year, which is slightly different than its fiscal year of July 1 through June 30. The business year begins on the Sunday following the last Saturday in June and ends on the last Saturday in the following June.

- Sales by Product
- Product Percent of Total Sales
- Top Ten Retailers
- Number of Lottery Retailers and Sales by County

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Lottery's financial activities take place.

- Demographic and Economic Data – State of Oregon
- Employment by Industry – State of Oregon
- Demographic Profile of Oregon Lottery Players

#### Operating Information

These schedules contain data to help the reader understand how the information in Lottery's financial report relates to the products it provides and the activities it performs. There are many factors that impact the level of demand for Lottery products. Game themes, play styles, price points, and prize payouts typically impact the sales of instant ticket games. For Video Lottery<sup>SM</sup>, the level of demand is generally impacted by variety of game choices, entertaining and sophisticated graphics, and convenience of available retailer locations.

- Number of Employees
- Operating Indicators and Capital Asset Information

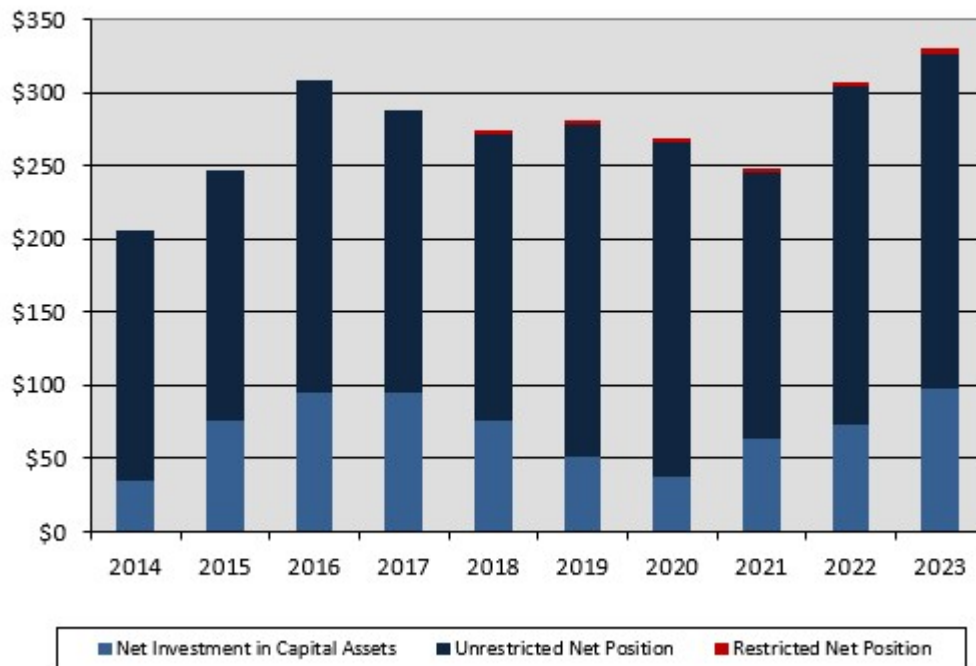
Note: The Lottery does not issue long-term debt; thus, information on debt capacity is not relevant.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report or the audited financial statements for the applicable year.

**Oregon State Lottery**  
**Net Position by Component**  
 Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Unrestricted Net Position	Restricted Net Position	Total Net Position
2013	\$ 35,206,297	\$ 170,106,781		\$ 205,313,078
2015	76,354,491	169,997,090		246,351,581
2016	95,316,854	212,344,474		307,661,328
2017	95,749,372	190,972,061		286,721,433
2018	75,952,509	195,453,450	\$ 104,211	271,510,170
2019	52,108,890	226,297,385	333,846	278,740,121
2020	38,040,215	228,592,534	592,770	267,225,519
2021	63,784,030	182,482,620	680,959	246,947,609
2022	73,362,750	231,234,876	1,561,144	306,158,770
2023	98,376,717	228,878,779	1,833,552	329,089,048

**Net Position**  
 (In Millions)



**Oregon State Lottery**  
**Changes in Net Position**  
Last Ten Fiscal Years

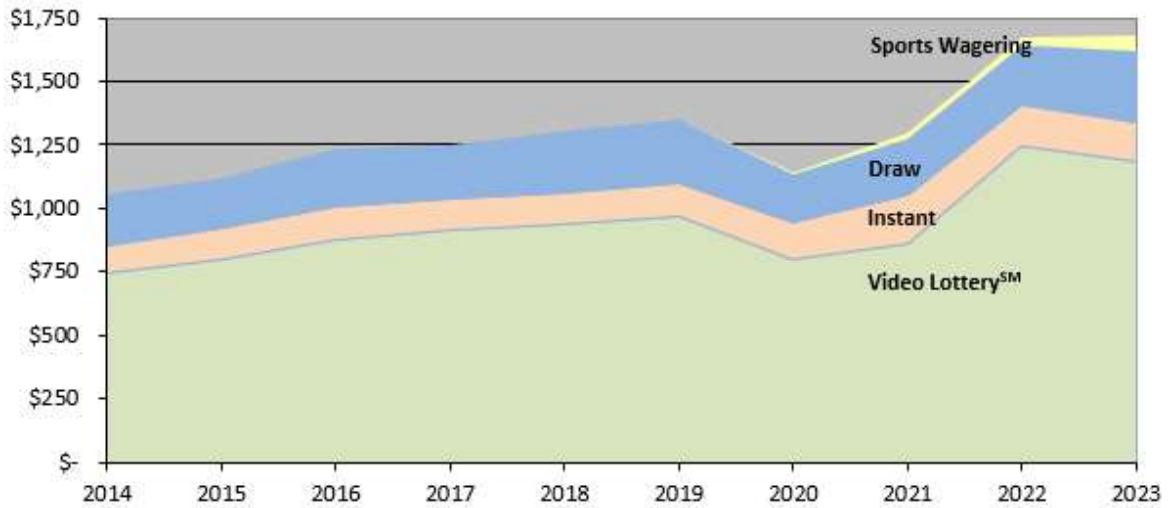
	2014	2015	2016	2017
<b>Operating Revenues</b>				
Sales:				
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 727,124,878	\$ 737,370,280	\$ 742,730,503	\$ 914,071,290
Sports Wagering (Net Receipts)				
Scratch-its <sup>SM</sup> Instant Tickets	109,034,321	119,578,108	131,599,460	126,498,948
Keno	92,443,482	93,035,050	95,826,162	101,501,142
Powerball <sup>®</sup>	45,049,124	37,091,247	63,821,261	44,856,176
Megabucks <sup>SM</sup>	28,372,873	33,329,803	33,031,579	31,768,618
Mega Millions <sup>®</sup>	22,333,065	20,468,872	18,823,156	17,913,809
Raffle <sup>SM</sup>	4,997,060	7,488,730	2,499,840	2,499,750
Win For Life <sup>SM</sup>	4,532,922	4,082,661	3,854,189	3,569,776
Lucky Lines <sup>SM</sup>	1,918,288	1,771,994	2,001,358	2,147,834
Pick 4 <sup>SM</sup>	1,397,158	1,435,284	1,566,384	1,475,180
Recovery of (Provision for) Uncollectibles	971	(4,594)	18,485	(10,109)
Other Income	177,786	382,438	672,544	593,089
<b>Total Operating Revenues</b>	<b>1,052,987,553</b>	<b>1,117,237,776</b>	<b>1,230,189,728</b>	<b>1,246,885,503</b>
<b>Operating Expenses</b>				
Prizes	206,571,490	211,444,280	239,317,411	217,150,249
Retailer Commissions	203,727,883	215,514,570	234,963,289	239,551,975
Salaries and Wages	39,443,617	37,055,741	54,427,617	51,608,241
Depreciation and Amortization	13,542,859	20,134,347	23,863,609	29,733,663
Services and Supplies	11,278,132	11,829,146	15,876,801	13,818,139
Game Vendor Charges	8,638,986	8,931,443	9,891,910	8,170,995
Advertising and Market Research	7,610,400	9,549,598	9,705,469	11,071,161
Public Information	2,633,736	4,246,421	5,759,053	6,572,101
Tickets	2,956,834	3,213,208	3,138,033	3,328,614
Game Equipment Parts and Maintenance	2,265,927	1,885,491	1,734,280	1,572,029
Sales Support	1,674,670	1,263,959	633,721	726,436
<b>Total Operating Expenses</b>	<b>500,344,534</b>	<b>525,068,204</b>	<b>599,311,193</b>	<b>583,303,603</b>
<b>Operating Income</b>	<b>552,643,019</b>	<b>592,169,572</b>	<b>630,878,535</b>	<b>663,581,900</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Income (Loss)	6,330,595	6,783,754	16,217,601	(481,760)
Insurance Recoveries	3,482	12,067	2,005	15,221
Gain (Loss) on Disposition of Assets	(257,250)	(1,473,869)	(98,971)	(12,653)
Investment Expenses - Securities Lending	(45,956)	(74,757)	(212,675)	(369,908)
Investment Expenses	-	(4,185)	(71,522)	(13,939)
Interest Expense	(315,269)	(325,227)	(316,029)	(639,028)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,715,602</b>	<b>4,917,783</b>	<b>15,520,409</b>	<b>(1,502,067)</b>
<b>Income Before Transfers</b>	<b>558,358,621</b>	<b>597,087,355</b>	<b>646,398,944</b>	<b>662,079,833</b>
Transfers to Economic Development Fund	(507,250,297)	(545,948,950)	(583,179,120)	(695,750,970)
Transfers to General Obligation Bond Fund	(1,692,668)	(1,883,433)	(1,910,077)	(1,835,887)
<b>Change in Net Position</b>	<b>\$ 49,415,656</b>	<b>\$ 49,254,972</b>	<b>\$ 61,309,747</b>	<b>\$ (35,507,024)</b>

2018	2019	2020	2021	2022	2023
\$ 933,980,026	\$ 966,474,906	\$ 797,498,371	\$ 860,326,742	\$ 1,246,146,763	\$ 1,181,773,978
		8,620,945	29,147,647	32,052,189	55,258,144
130,389,967	131,236,973	149,831,274	196,029,843	163,404,873	157,960,917
102,023,352	102,665,467	93,417,823	98,927,011	112,010,235	109,091,865
60,088,322	49,829,088	31,196,079	40,541,274	57,488,112	75,941,748
36,525,999	36,418,393	29,041,472	29,242,902	29,404,998	31,200,704
30,089,400	50,210,700	23,770,095	33,631,835	24,614,302	55,776,122
2,499,910	2,307,370	2,499,890	2,499,850	2,499,710	2,499,850
3,608,392	3,766,700	3,637,752	3,820,432	3,821,104	4,467,126
1,523,926	1,850,874	2,013,468	2,282,856	1,932,814	1,740,608
1,605,368	1,765,534	1,730,474	1,996,712	1,971,791	1,946,679
82,152	(54,947)	(253,303)	(39,809)	(35,471)	(4,939)
441,691	1,265,527	2,306,865	420,775	3,435,060	600,041
1,302,858,505	1,347,736,585	1,145,311,205	1,298,828,070	1,678,746,480	1,678,252,843
231,670,894	239,044,444	223,500,660	266,065,927	257,168,546	274,198,721
245,681,221	254,277,458	217,920,495	239,197,863	313,576,943	310,579,497
51,906,145	61,731,587	63,045,069	74,189,390	44,867,842	70,932,252
33,888,584	34,763,881	24,967,865	22,561,417	22,771,207	24,937,475
13,738,901	17,747,590	27,382,826	25,490,902	19,986,158	30,314,744
8,439,800	8,557,771	12,496,247	19,233,957	24,871,577	42,149,957
11,106,857	8,350,536	8,052,269	5,458,147	6,063,128	6,562,498
6,541,769	9,026,042	4,368,793	837,416	902,247	851,936
3,042,684	2,923,348	3,398,500	3,497,439	3,111,560	2,961,030
6,766,475	5,912,370	8,383,835	4,849,767	5,681,596	4,947,210
965,786	1,221,244	606,130	373,821	542,447	779,219
613,749,116	643,556,271	594,122,689	661,756,046	699,543,251	769,214,539
689,109,389	704,180,314	551,188,516	637,072,024	979,203,229	909,038,304
5,789,388	20,482,336	24,122,456	(2,561,203)	(8,970,219)	11,418,289
16,908	1,049	4,053	9,932	9,946	19,509
85,582	107,516	35,650	172,067	6,945	4,950,386
(334,504)	(118,278)	(529,448)	(32,558)	(40,107)	(363,209)
(12,012)	(168,928)	(14,028)	(14,083)	(13,640)	(7,016)
(713,548)	(643,275)	(585,429)	(484,467)	(484,102)	(353,004)
4,831,814	19,660,420	23,033,253	(2,910,312)	(9,491,177)	15,664,955
693,941,203	723,840,734	574,221,769	634,161,712	969,712,052	924,703,259
(706,350,736)	(714,417,052)	(583,442,933)	(652,457,782)	(908,300,942)	(899,337,574)
(1,981,793)	(2,193,731)	(2,293,438)	(1,981,840)	(2,199,949)	(2,435,407)
\$ (14,391,326)	\$ 7,229,951	\$ (11,514,602)	\$ (20,277,910)	\$ 59,211,161	\$ 22,930,278

**Oregon State Lottery**  
**Sales by Product**  
 Last Ten Fiscal Years

Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering	Instant Products	Draw Games					All Other Games	Total
				Keno	Powerball <sup>*</sup>	Mega Millions <sup>*</sup>	Oregon's Game Megabucks <sup>SM</sup>			
2014	\$ 742,730,503		\$ 109,034,321	\$ 92,443,482	\$ 45,049,124	\$ 22,333,065	\$ 28,372,873	\$ 12,845,428	\$ 1,052,808,796	
2015	798,578,183		119,578,108	93,035,050	37,091,247	20,468,872	33,329,803	14,778,669	1,116,859,932	
2016	876,475,310		131,599,460	95,826,162	63,821,261	18,823,156	33,031,579	9,921,771	1,229,498,699	
2017	914,071,290		126,498,948	101,501,142	44,856,176	17,913,809	31,768,618	9,692,540	1,246,302,523	
2018	933,980,026		130,389,967	102,023,352	60,088,322	30,089,400	36,525,999	9,237,596	1,302,334,662	
2019	966,474,906		131,236,973	102,665,467	49,829,088	50,210,700	36,418,393	9,690,478	1,346,526,005	
2020	797,498,371	\$ 8,620,945	149,831,274	93,417,823	31,196,079	23,770,095	29,041,472	9,881,584	1,143,257,642	
2021	860,326,742	29,147,647	196,029,843	98,927,011	40,541,274	33,631,835	29,242,902	10,599,850	1,298,447,104	
2022	1,246,146,763	32,052,189	163,404,873	112,010,235	57,488,112	24,614,302	29,404,998	10,225,419	1,675,346,891	
2023	1,181,773,978	55,258,144	157,960,917	109,091,865	75,941,748	55,776,122	31,200,704	10,654,263	1,677,657,741	

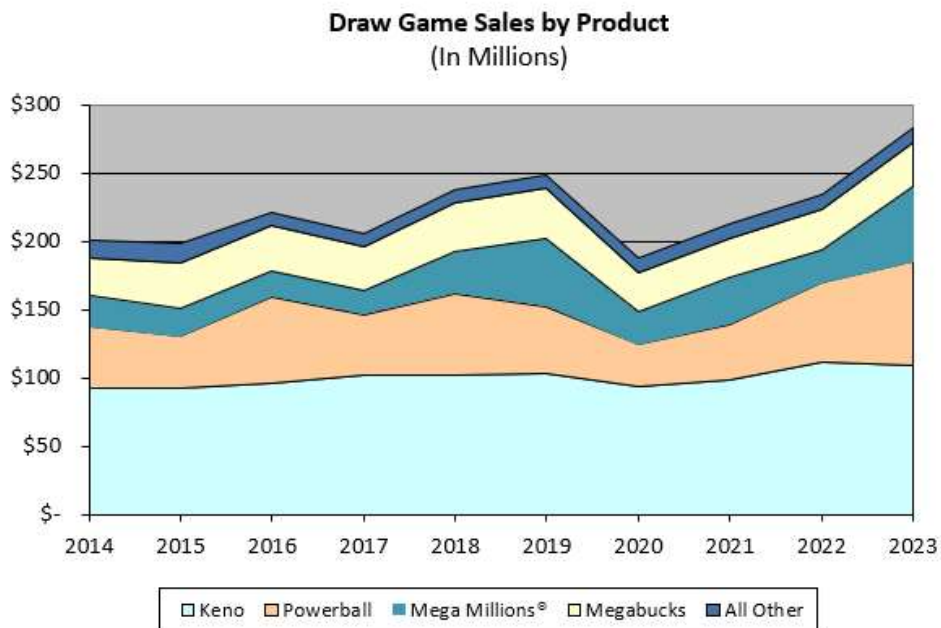
**Sales by Product Type**  
 (In Millions)





**Oregon State Lottery**  
**Product Percent of Total Sales**  
 Last Ten Fiscal Years

Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering <sup>1</sup>	Instant Products	Draw Games				
				Keno	Powerball <sup>®</sup>	Mega Millions <sup>®</sup>	Oregon's Game Megabucks <sup>SM</sup>	All Other Draw Games
2014	70.5%		10.4%	8.8%	4.3%	2.1%	2.7%	1.2%
2015	71.5%		10.7%	8.3%	3.3%	1.8%	3.0%	1.4%
2016	71.3%		10.7%	7.8%	5.2%	1.5%	2.7%	0.8%
2017	73.3%		10.1%	8.1%	3.6%	1.4%	2.5%	1.0%
2018	71.7%		10.0%	7.8%	4.6%	2.3%	2.8%	0.8%
2019	71.8%		9.7%	7.6%	3.7%	3.7%	2.7%	0.8%
2020	69.8%	0.8%	13.1%	8.2%	2.7%	2.1%	2.5%	0.8%
2021	66.3%	2.2%	15.1%	7.6%	3.1%	2.6%	2.3%	0.8%
2022	74.4%	1.9%	9.8%	6.7%	3.4%	1.5%	1.8%	0.5%
2023	70.4%	3.3%	9.4%	6.5%	4.5%	3.3%	1.9%	0.7%



<sup>1</sup> Starting in 2022, Sports Wagering is no longer included in All Other Draw Sales and historical values have been restated.

## Oregon State Lottery

### Top Ten Retailers

Current Year and Nine Business Years Prior

		2023		
Rank	Retailer	Sales	Percent of Total Sales	County
1	The Pit Stop Sports Bar & BBQ Grill	\$ 10,806,176	0.67%	Washington
2	Produce Row Cafe	6,220,406	0.38%	Multnomah
3	Winners Corner	5,323,164	0.33%	Multnomah
4	Independent Sports Bar & Grill	5,241,847	0.32%	Multnomah
5	Foxy's #2	2,261,724	0.14%	Clackamas
6	Richards Deli and Pub	2,186,864	0.14%	Washington
7	Dotty's #24	2,164,932	0.13%	Multnomah
8	Doozy's	2,139,847	0.13%	Deschutes
9	Original Joe's	2,132,194	0.13%	Multnomah
10	Dotty's #27	2,129,571	0.13%	Multnomah
Totals		\$ 40,606,725	2.51%	

Total Lottery Sales \$ 1,618,761,010

		2014		
Rank	Retailer	Sales	Percent of Total Sales	County
1	Elmer's Pancake-Delta Park	\$ 1,554,767	0.15%	Multnomah
2	Dotty's #9	1,530,802	0.15%	Washington
3	Dotty's #24	1,495,415	0.14%	Multnomah
4	Shari's-Airport Way #218	1,492,779	0.14%	Multnomah
5	Deli Store	1,488,597	0.14%	Columbia
6	Owl's Nest #2	1,435,644	0.14%	Multnomah
7	Bradley's Bar & Grill	1,413,824	0.13%	Multnomah
8	Fox Den Eatery # 4, The	1,405,695	0.13%	Linn
9	Glass House Tavern	1,377,591	0.13%	Multnomah
10	Elmer's	1,372,790	0.13%	Multnomah
Totals		\$ 14,567,904	1.38%	

Total Lottery Sales \$ 1,053,726,648

Source: Oregon State Lottery Business Analytics and Insights Department

**Oregon State Lottery**  
**Number of Lottery Retailers and Sales by County**  
For Business Year 2023

County	Sales		Retailers	
	Business Year Sales	Percent of Total Sales	Number of Lottery Retailers	Percent of Total Retailers
Multnomah	\$ 379,696,280	23.44%	840	20.91%
Washington	199,726,030	12.34%	354	8.80%
Clackamas	154,093,551	9.52%	356	8.85%
Marion	150,317,310	9.29%	362	9.00%
Lane	134,559,873	8.31%	362	9.00%
Jackson	76,978,939	4.76%	231	5.74%
Deschutes	68,107,116	4.21%	138	3.43%
Linn	51,000,913	3.15%	131	3.26%
Douglas	40,006,255	2.47%	138	3.43%
Josephine	33,321,668	2.06%	99	2.46%
Columbia	32,459,653	2.01%	73	1.82%
Yamhill	28,896,419	1.79%	94	2.34%
Umatilla	28,343,311	1.75%	85	2.11%
Clatsop	26,733,374	1.65%	81	2.01%
Klamath	26,419,617	1.63%	79	1.96%
Malheur	26,221,105	1.62%	45	1.12%
Lincoln	22,244,984	1.37%	76	1.89%
Polk	20,123,246	1.24%	62	1.54%
Coos	16,564,196	1.02%	63	1.57%
Benton	16,178,526	1.00%	53	1.32%
Tillamook	14,074,522	0.87%	47	1.17%
Wasco	12,251,627	0.76%	35	0.87%
Crook	11,543,900	0.71%	30	0.75%
Hood River	8,090,789	0.50%	24	0.60%
Union	7,846,458	0.48%	29	0.72%
Curry	6,727,606	0.42%	24	0.60%
Jefferson	6,434,903	0.40%	20	0.50%
Baker	6,424,408	0.40%	25	0.62%
Morrow	3,142,658	0.19%	10	0.25%
Grant	2,530,058	0.16%	10	0.25%
Lake	2,189,195	0.14%	12	0.30%
Harney	2,175,114	0.13%	12	0.30%
Wallowa	1,463,009	0.09%	9	0.22%
Sherman	1,158,085	0.07%	5	0.12%
Gilliam	619,786	0.04%	6	0.15%
Wheeler	96,533	0.01%	1	0.02%
	<b>\$ 1,618,761,017</b>	<b>100.00%</b>	<b>4,021</b>	<b>100.00%</b>

Source: Oregon State Lottery Business Analytics and Insights Department

**Oregon State Lottery**  
**Demographic and Economic Data - State of Oregon**  
 Last Ten Calendar Years

Calendar Year	Population <sup>1</sup>	Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Annual Unemployment Rate <sup>2</sup>
2013	3,930,065	\$ 158,116,922	\$ 40,233	7.7%
2014	3,970,239	163,652,836	41,220	6.9%
2015	4,028,977	176,401,260	43,783	5.7%
2016	4,093,465	185,839,645	45,399	4.9%
2017	4,142,776	199,422,200	48,137	4.1%
2018	4,190,713	213,070,100	50,843	4.2%
2019	4,217,737	224,346,400	53,191	3.7%
2020	4,241,544	241,790,300	57,005	7.6%
2021	4,246,155	261,546,500	61,596	5.2%
2022	4,240,137	266,139,200	62,767	4.2%

<sup>1</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis

<sup>2</sup>Source: Oregon Employment Department

**Oregon State Lottery**  
**Employment by Industry - State of Oregon**  
 Calendar Year 2022 - and Nine-Years Prior

	2022		2013	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Health care and social assistance	312,843	11.76%	262,456	11.58%
Retail trade	264,677	9.96%	237,603	10.48%
Local government	210,480	7.92%	174,753	7.72%
Manufacturing	206,906	7.78%	191,160	8.44%
Accommodation and food services	190,276	7.16%	167,525	7.40%
Professional, scientific, and technical services	187,980	7.07%	141,848	6.26%
Construction	153,517	5.78%	108,701	4.80%
Real estate, rental, and leasing	143,199	5.39%	98,885	4.37%
Administrative and waste services	136,310	5.13%	120,023	5.30%
Transportation and warehousing	132,623	4.99%	65,350	2.89%
Other services	129,476	4.87%	119,212	5.26%
Finance and insurance	108,772	4.09%	95,051	4.20%
Wholesale trade	86,064	3.24%	79,477	3.51%
Arts, entertainment, and recreation	60,435	2.27%	56,285	2.48%
Farm employment	57,344	2.16%	66,978	2.96%
Management of companies	52,792	1.99%	39,075	1.73%
Educational services	50,885	1.91%	54,969	2.43%
Information	49,275	1.85%	40,721	1.80%
State government	43,172	1.62%	62,165	2.74%
Forestry, fishing, and related activities	32,859	1.24%	31,775	1.40%
Federal government, civilian	27,876	1.05%	27,606	1.22%
Military	10,604	0.40%	12,151	0.54%
Utilities	5,299	0.20%	4,781	0.21%
Mining	4,621	0.17%	6,455	0.28%
<b>Total employment</b>	<b>2,658,285</b>	<b>100.00%</b>	<b>2,265,005</b>	<b>100.00%</b>

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

**Oregon State Lottery**  
**Demographic Profile of Oregon Lottery Players**  
 Last Ten Calendar Years

	2013	2014	2015	2016	2017
Number Surveyed	1,000	1,000	2,000	2,000	2,000
Player Percentage	47.8%	46.1%	54.1%	48.1%	54.3%
	Players	Players	Players	Players	Players
<u>Gender</u>					
Male	55%	50%	51%	49%	49%
Female	45%	50%	49%	51%	51%
Other (New starting in 2019)					
<u>Age</u>					
18 - 24	10%	9%	9%	9%	9%
25 - 34	17%	19%	20%	20%	16%
35 - 44 (35 - 54 starting in 2018)	16%	16%	16%	15%	20%
45 - 54	23%	21%	21%	22%	20%
55 - 64	19%	16%	14%	10%	16%
65 +	15%	19%	21%	24%	19%
<u>Education (not asked in 2020)</u>					
Some High School	3%	4%	5%	5%	3%
High School Graduate	18%	20%	22%	25%	18%
College/Tech School	32%	33%	27%	25%	45%
College Graduate	23%	21%	32%	32%	23%
Graduate School/Degree	17%	16%	12%	11%	11%
<u>Marital Status (no longer asked as of 2020)</u>					
Single	26%	25%	24%	24%	16%
Married	51%	48%	52%	51%	65%
Co-habiting	5%	6%	7%	8%	6%
Divorced or Separated	7%	9%	10%	9%	7%
Widowed	4%	5%	6%	6%	4%
Civil Union/Domestic Partnership	1%	1%	1%	1%	2%
<u>Income</u>					
Less than \$15,000 (\$25,000 Beginning in 2018)	9%	8%	9%	8%	6%
\$15,000 - \$49,999 (\$25,000 - \$49,999 Beginning in 2018)	27%	31%	29%	25%	31%
\$50,000 - \$74,999	15%	12%	13%	12%	19%
\$75,000 - \$99,999	10%	6%	10%	10%	13%
\$100,000 +	15%	12%	16%	15%	13%
Refused/Don't Know	24%	31%	23%	30%	18%

Sources:

Player information from Oregon State Lottery's Tracking Study 2013 to 2019, 2021, 2022. Study for 2018 performed Summer 2019.

Player information from Oregon State Lottery's Brand Promise Study 2020

State information from U.S. Census Bureau, 2018 American Community Survey Tables - <https://data.census.gov>

2018	2019	2020	2021	2022	
2,023	2,023	800	1,500	1,506	2022 State Population 18+
55.0%	54.5%	47.6%	47.9%	50.6%	
Players	Players	Players	Players	Players	
50%	50%	49%	51%	53%	50.0%
50%	49%	50%	48%	47%	50.0%
	1%	1%	1%	0%	
8%	8%	7%	10%	9%	8.5%
19%	19%	20%	18%	19%	14.1%
38%	37%	38%	37%	39%	26.4%
n/a	n/a	n/a	n/a	n/a	n/a
16%	16%	17%	12%	14%	12.1%
19%	19%	19%	23%	19%	19.3%
3%	3%	n/a	3%	3%	8.4%
18%	18%	n/a	20%	18%	22.7%
46%	45%	n/a	39%	44%	32.6%
22%	22%	n/a	24%	23%	22.2%
11%	11%	n/a	13%	11%	14.1%
27%	27%	n/a	n/a	n/a	33.0%
42%	42%	n/a	n/a	n/a	47.6%
13%	13%	n/a	n/a	n/a	n/a
12%	12%	n/a	n/a	n/a	14.2%
6%	6%	n/a	n/a	n/a	5.2%
n/a	n/a	n/a	n/a	n/a	n/a
14%	14%	n/a	16%	12%	8.9%
26%	26%	n/a	23%	26%	30.9%
18%	18%	n/a	17%	16%	24.0%
15%	15%	n/a	15%	20%	14.4%
21%	21%	n/a	25%	21%	21.8%
6%	6%	n/a	5%	5%	n/a

**Oregon State Lottery**  
**Number of Employees**  
 Last Ten Fiscal Years

	2014 <sup>2</sup>	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales, Marketing & Retail Services	236	239	217	226	237	217	207	192	189	190
Support Services	157	152	163	142	135	143	131	125	145	156
Director's Office <sup>3,4,5</sup>	33	35	52	63	66	95	66	63	66	64
Security <sup>1,5</sup>	15	19	16	18	17	20	16	26	34	37
<b>Total</b>	<b>441</b>	<b>445</b>	<b>448</b>	<b>449</b>	<b>455</b>	<b>475</b>	<b>420</b>	<b>406</b>	<b>434</b>	<b>447</b>

Source: Lottery Payroll System

<sup>1</sup> Security employees excludes employees of the Oregon State Police.

<sup>2</sup> There were a number of vacant positions filled during the year as the economy strengthened and hiring freeze was removed.

<sup>3</sup> Includes Corporate Affairs division in fiscal years starting in 2018.

<sup>4</sup> Includes Product Management, Lottery Products Portfolio & Gaming Products Portfolio in fiscal years starting in 2021.

<sup>5</sup> 2021 Retail Contracts positions split between Director's Office and Security, 3 and 11 respectively. 2022 Retail Contracts positions, 15, entirely in Security.



**Oregon State Lottery**  
**Operating Indicators and Capital Asset Information**  
 Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers <sup>1</sup>	Number of Video Lottery Terminals Deployed <sup>1</sup>	Per Capita Sales <sup>2</sup>
2014	3,843	11,951	268.12
2015	3,939	11,925	281.31
2016	3,920	11,909	304.50
2017	3,932	11,817	304.41
2018	3,923	11,742	314.36
2019	3,975	11,586	321.60
2020	3,919	11,567	271.06
2021	3,896	10,851	310.91
2022	3,829	10,999	394.56
2023	3,797	10,936	395.66

<sup>1</sup>Source: Oregon State Lottery Business Analytics & Insights Department. (2020) Based on the week prior to the COVID-19 shutdown

<sup>2</sup>Source: Calculated based on calendar year population data from US Census Bureau.

This page intentionally left blank.



# Other Reports



LaVonne Griffin-Valade Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Tina Kotek, Governor of Oregon  
MardiLyn Saathoff, Oregon Lottery Commission  
Michael Wells, Director, Oregon State Lottery

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon State Lottery, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements, and have issued our report thereon dated November 21, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon State Lottery's (department) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

State of Oregon  
November 21, 2023

This page intentionally left blank.

**APPENDIX C**

**SUMMARY OF THE MASTER INDENTURE**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



*Appendix C*  
*Summary of the Master Indenture*

As defined in this Official Statement, the “Master Indenture” includes the Fifth Restated Master Indenture and any Supplemental Indentures, including the Thirty-Third Supplemental Indenture. The following summary describes certain provisions of the Fifth Restated Master Indenture and the Thirty-Third Supplemental Indenture. Such summary and the provisions of the Master Indenture described in the Official Statement are qualified in their entirety by reference to the complete Fifth Restated Master Indenture and the Thirty-Third Supplemental Indenture. Copies of the Fifth Restated Master Indenture and the Thirty-Third Supplemental Indenture may be obtained, on payment of copying and shipping charges, from the Trustee or the Department.

***The Master Indenture***

The Master Indenture was executed by the State of Oregon, acting by and through its State Treasurer and its Department of Administrative Services, and MUFG Union Bank, N.A., as prior trustee.

**Definitions**

“2007 Reserve Credit Facility” means the Reserve Credit Facility issued by the 2007 Reserve Credit Facility Provider for the 2007 Reserve Subaccount.

“2007 Reserve Credit Facility Provider” means Assured Guaranty Municipal Corp., as successor to Financial Security Assurance Inc., and its successors.

“2007 Reserve Subaccount” means the subaccount in the Reserve Account established under the Sixteenth Supplemental Indenture of Trust dated as of February 8, 2007 between the State, acting through the Issuer and the Department that secures the 2014 Series B Bonds, and any Series of Additional Bonds that the State subsequently elects to secure with the 2007 Reserve Subaccount. The 2007 Reserve Subaccount is expected to secure the 2024 Series C Bonds.

“2007 Series A Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2007 Series A (Tax-Exempt) dated as of February 8, 2007.

“2009 A&B Reserve Subaccount” means the subaccount in the Reserve Account established under the Twentieth Supplemental Indenture of Trust dated as of April 2, 2009 between the State, acting through the Issuer and the Department, and the Trustee that secures the 2014 Series C Bonds, the 2015 Series D Bonds, and any Series of Additional Bonds that the State subsequently elects to secure with the 2009 A&B Reserve Subaccount. The 2009 A&B Reserve Subaccount is expected to secure the 2024 Series D Bonds.

“2009 Series A Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2009 Series A (Tax-Exempt) dated as of April 2, 2009.

“2014 Series B Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Refunding Bonds, 2014 Series B, dated as of July 29, 2014.

“2014 Series C Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Refunding Bonds, 2014 Series C, dated as of July 29, 2014.

“2015 Series D Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2015 Series D (Tax-Exempt Refunding), dated as of January 28, 2015.

“2024 Bonds” means the 2024 Series A Bonds, the 2024 Series B Bonds, the 2024 Series C Bonds, and the 2024 Series D Bonds.

“2024 Series A Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding), which are authorized pursuant to the Thirty-Third Supplemental Indenture.

“2024 Series B Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series B (Federally Taxable Projects), which are authorized pursuant to the Thirty-Third Supplemental Indenture.

“2024 Series C Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series C (Tax-Exempt Refunding), which are authorized pursuant to the Thirty-Third Supplemental Indenture.

“2024 Series D Bonds” means the State of Oregon Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series D (Tax-Exempt Refunding), which are authorized pursuant to the Thirty-Third Supplemental Indenture.

“2024 Tax-Exempt Bonds” means the 2024 Series A Bonds, 2024 Series C Bonds, and 2024 Series D Bonds.

“Additional Bonds” means obligations issued in accordance with State law and the Master Indenture. Additional Bonds have a lien on the Pledged Revenues, which is on parity with the Bonds.

“Administrative Fund” means the fund of that name described in the Master Indenture.

“Annual Debt Service” means the amount required to be paid in a Fiscal Year of principal and interest on any Outstanding Bonds, calculated as follows: (a) interest which is to be paid from Bond proceeds shall be subtracted; (b) Bonds which are subject to scheduled, noncontingent redemption shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption, and only the amount scheduled to be outstanding on the final maturity date shall be treated as maturing on that date; (c) State Payments to be made in the Fiscal Year under a Parity Derivative Product shall increase Annual Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Parity Derivative Product shall reduce Annual Debt Service; (d) Bonds which are subject to contingent redemption shall be treated as maturing on their stated maturity dates; (e) Variable Rate Obligations bear interest from the date of computation until maturity at their Maximum Rate; and (f) Subsidy Payments that the State is scheduled to receive for interest on Outstanding Bonds in the Fiscal Year shall be subtracted.

“Appropriated Funds” for a particular Fiscal Year means any moneys, other than Unobligated Net Lottery Proceeds and Subsidy Payments, specifically appropriated or otherwise specifically made available by the Legislative Assembly or the Emergency Board in the Fiscal Year to replenish reserves established as additional security for lottery bonds pursuant to a certification described in the Master Indenture.

“Authorized Officer” means: (i) in the case of the Issuer, the State Treasurer, or the Deputy State Treasurer as the designee of the State Treasurer, or any other person or persons designated in writing by the State Treasurer to act on behalf of the Issuer under the Master Indenture; (ii) in the case of the Department, the Director or Deputy Director of the Department, or any other person designated in writing by the Director to act on behalf of the Department under the Master Indenture; (iii) in the case of the Trustee, any person or persons authorized in writing to act on behalf of the Trustee under the Master Indenture.

“Bond Counsel” means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Fund” means the Lottery Bond Fund, which is described in the Master Indenture.

“Bond-related Costs” means:

- (a) The costs and expenses of issuing, administering and maintaining Bonds and the Bond program, such as paying or redeeming Bonds, paying amounts due in connection with Credit Facilities and paying the administrative costs and expenses of the Trustee, the State Treasurer and the Department, including costs of consultants or advisors retained by the State Treasurer or the Department for the Bonds or the Bond program;
- (b) The costs of funding any Bond reserves;
- (c) Capitalized interest for Bonds;
- (d) Rebates or penalties due to the United States in connection with Bonds; and
- (e) Any other costs or expenses that the State Treasurer or the Director of the Oregon Department of Administrative Services determines are necessary or desirable in connection with issuing or refunding Bonds or maintaining the Bond program.

“Bonds” means bonds issued by the Issuer as Oregon State Lottery Revenue Bonds under the Master Indenture, including the 2024 Bonds and any Additional Bonds.

“Business Day” means, with respect to the Bonds of any Series, any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions, in the city in which the principal office of the Trustee is located are closed, or (ii) a day on which the New York Stock Exchange is closed.

“Code” means the United States Internal Revenue Code of 1986, as the same may from time to time be amended or supplemented, including any regulations promulgated thereunder and any administrative or judicial interpretations thereof.

“Credit Event” means (i) an order, judgment or decree shall be entered by any court of competent jurisdiction which is not vacated or set aside or stayed (or, in case custody or control is assumed under that order, that custody or control has not been terminated) within sixty (60) days after the date of the entry of such order, judgment or decree: (A) appointing a receiver, trustee or liquidator for an Obligor or the whole or any substantial portion of its assets; (B) approving a petition filed against an Obligor seeking the bankruptcy, arrangement or reorganization of the Obligor under any applicable law of the United States or any state thereof; or (C) assuming custody or control of an Obligor or of the whole or any substantial portion of its assets under the provisions of any other law for the relief or aid of debtors; or (ii) if an Obligor shall: (A) admit in writing its inability to pay its debts generally as they become due; (B) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law; (C) make an assignment for the benefit of its creditors; (D) consent to the appointment of a receiver of the whole or any substantial portion of its assets; or (E) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Obligor or of the whole or any substantial portion of its assets

“Credit Facility” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the State to secure Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Credit Facility is issued, in one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility.

“Credit Provider” means the person or entity, if any, providing a Credit Facility as security for Bonds.

“Debt Service Account” means the account of that name in the Bond Fund.

“Debt Service Subaccount” means a subaccount in the Debt Service Account that is described in the Master Indenture.

“Dedicated Payment Subaccount” means the subaccount of that name in the Bond Fund.

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default with respect to the Bonds.

“Defeasance Obligations” means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (iii) any of the noncallable obligations of the following agencies:

- Senior, unsubordinated Federal Home Loan Mortgage Corp. (FHLMC)  
Debt Obligations
- Senior, unsubordinated Federal Home Loan Banks (FHL Banks)  
Consolidated debt obligations
- Senior, unsubordinated Federal National Mortgage Association (FNMA)  
Debt obligations
- Senior, unsubordinated Farm Credit System  
Consolidated system wide bonds and notes
- Senior, unsubordinated Resolution Funding Corp. (REFCORP)  
Debt obligations, including strips by the Federal Reserve Bank of New York
- Financing Corp (FICO)  
Debt obligations
- Senior, unsubordinated U.S. Agency for International Development (U.S. A.I.D.)  
Guaranteed notes which mature at least four business days before the appropriate payment date

- The obligations of any other agency of the United States, or any corporation sponsored by the United States, if the Insurer approves those obligations in advance and in writing.

“Department” means the Department of Administrative Services of the State of Oregon.

“Derivative Product” means a written contract between the State and a Reciprocal Payor under which the State is obligated to pay the State Payments in exchange for the Reciprocal Payor's obligation to pay Reciprocal Payments, and which provides that the Reciprocal Payments are to be deposited directly into the Bond Fund and that the State is not required to fulfill its obligations under the contract if: (a) the Reciprocal Payor fails to make any Reciprocal Payment; or (b) the Reciprocal Payor fails to comply with its financial status covenants.

“Director” means the Director of the Department, the Deputy Director, or the person designated in writing by the Director to act as Director under the Master Indenture.

“Event of Default” means any occurrence or event designated as such in the Master Indenture.

“Fiscal Year” means the annual period which begins on July 1 and ends on the following June 30.

“Fifth Restated Master Indenture” means the Fifth Amended and Restated Master Indenture of Trust dated as of April 5, 2017, between the Issuer, the Department and the Trustee.

“GIC” means a guaranteed investment contract or similar instrument that is (i) credited to a subaccount in the Reserve Account, (ii) in which a provider agrees to pay the State or the Trustee a fixed rate of interest, and (iii) under which the State or the Trustee may receive funds when required for transfer to the Debt Service Account.

“GIC Obligor” means: (i) the provider of a GIC and, (ii) any guarantor of the obligations of a provider of a GIC, but only if the guarantor was rated, at the time the guarantee was issued, in one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the GIC.

“Guaranteed Reserve Earnings” means the amounts earned on guaranteed investment contracts, repurchase agreements, United States Treasury obligations or other Investment Securities in the Reserve Account, but only if those Investment Securities pay a fixed rate of return, can be liquidated at par if the Master Indenture requires a transfer to the Debt Service Account, and do not otherwise terminate prior to the final maturity date of the Series of Bonds for which they were acquired.

“Insurer” means any issuer of a Credit Facility for Outstanding Bonds unless the issuer of that Credit Facility is in default on its payment obligations under that Credit Facility.

“Interest Payment Date” means a date on which Bond interest is required to be paid.

“Investment Securities” means any investment which Oregon law permits the State to purchase, including GICs. However, “Investment Securities” does not include Reserve Credit Facilities.

“Issuer” means the State of Oregon acting by and through the State Treasurer of the State of Oregon.

“Master Indenture” means the Fifth Restated Master Indenture, together with any Supplemental Indentures, including the Thirty-Third Supplemental Indenture.

“Maximum Annual Debt Service” means the greatest Annual Debt Service, calculated on all Bonds, which are outstanding on the date of calculation.

“Maximum Rate” means the lesser of twelve percent per annum or the maximum interest rate, which a Variable Rate Obligation may bear under its authorizing documents.

“Minimum Amount” is equal to the sum of the amounts that the State is required to have in a subaccount under the following rule: Whenever the State issues a Series of Bonds that is secured by a subaccount in the Reserve Account, the State shall add to any required balance in the subaccount the lesser of (a) the amount required to make the balance in the subaccount equal to Maximum Annual Debt Service on all Outstanding Bonds then secured by that subaccount (with the additional Series treated as Outstanding); or (b) the Tax Maximum for the Series being issued. “Minimum Amount” may be calculated whenever a Series of Bonds is issued. When a Series of Bonds is paid, defeased or otherwise ceases to be secured by the subaccount, the Minimum Amount may be recalculated as if that Series had not been issued.

“Obligor” means (i) for GICs, a GIC Obligor, and (ii) for Reserve Credit Facilities, a Reserve Obligor.

“Outstanding” refers to all Bonds which have been authenticated and delivered by the Trustee under the Master Indenture, except: (a) Bonds theretofore canceled by the Trustee or theretofore delivered to the Trustee for cancellation; (b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered hereunder; and (c) any Bond deemed to have been paid as provided in the Master Indenture.

“Owner” means any person shown in the bond register as the registered owner of a Bond.

“Parity Derivative Product” means a Derivative Product, which qualifies as an Additional Bond in accordance with the Master Indenture.

“Paying Agent” means the fiscal agent of the State of Oregon, which is currently The Bank of New York Mellon Trust Company, N.A.

“Payment Date” means a date on which Bond principal, interest or premium is required to be paid.

“Pledged Revenues” means: the Unobligated Net Lottery Proceeds; any Subsidy Payments; all amounts in any funds or accounts held by the Trustee under the Master Indenture (except any amounts which may have been reserved for payment of rebates which are due to the United States under Section 148 of the Code in connection with Bonds), including any Appropriated Funds which are deposited with the Trustee; all the State’s right, title and interest under any Credit Facility (including any money drawn or paid thereunder); and any amounts the State may subsequently pledge or commit to pay the Bonds.

“Prior Bonds” means all Outstanding Bonds that are secured by the Prior Bonds Reserve Subaccount.

“Prior Bonds Reserve Subaccount” means the subaccount in the Reserve Account that secures the Prior Bonds, other Series of Bonds that the State has elected to secure with the Prior Bonds Reserve Subaccount, and any Series of Additional Bonds that the State subsequently elects to secure with the Prior Bonds Reserve Subaccount. The Prior Bonds Reserve Subaccount is expected to secure the 2024 Series A Bonds and the 2024 Series B Bonds.

“Rating Agency” means any nationally recognized financial rating agency, such as Fitch Investors Service, Inc., Moody’s Investors Service, Standard & Poor’s Corporation, which has rated Outstanding Bonds or a Credit Facility at the request of the State.

“Rebate Fund” means the Rebate Fund, which is described in the Master Indenture

“Reciprocal Payment” means scheduled payment to be made to, or for the benefit of, the State under a Derivative Product by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula set forth in the Derivative Product.

“Reciprocal Payor” means a party to a Derivative Product (other than the State) that is obligated to make one or more Reciprocal Payments thereunder, and which has at least an “A” long term senior unsecured debt rating and an “A” rating from a Rating Agency for its obligations under the Derivative Product.

“Redemption Price” means the principal, interest and premium, if any, which is required to be paid upon redemption of Bonds prior to their scheduled maturity date.

“Reserve Account” means the Reserve Account in the Bond Fund as described in the Master Indenture.

“Reserve Credit Facility” means a Credit Facility issued for the purpose of funding, in lieu of cash or Investment Securities, all or any portion of the Reserve Requirement for a subaccount in the Reserve Account, under which the Reserve Credit Facility Provider agrees to unconditionally provide the Trustee with funds to transfer to the Debt Service Account if amounts are required to be withdrawn from that subaccount in the Reserve Account for deposit in the Debt Service Account, and which is issued or provided by a Reserve Credit Facility Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Reserve Credit Facility is issued, in one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility.

“Reserve Credit Facility Provider” means a person or entity providing a Reserve Credit Facility.

“Reserve Obligor” means (i) a Reserve Credit Facility Provider and (ii) any reinsurer or guarantor of the obligations of a Reserve Credit Facility Provider under a Reserve Credit Facility, but only if the reinsurer or guarantor was rated, at the time the reinsurance or guarantee was issued, in one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Reserve Credit Facility

“Reserve Requirement” means the lesser of (i) Maximum Annual Debt Service on all Bonds that are Outstanding on the date of calculation and are secured by a subaccount in the Reserve Account, or (ii) the Minimum Amount for that subaccount. “Reserve Requirement” is calculated separately for each subaccount in the Reserve Account. Clause (i) of this definition shall be calculated based only on the Bonds that are Outstanding on the date of calculation (with any Series of Bonds that is being issued on the date of calculation treated as Outstanding and any Bonds that are paid, defeased or cease to be secured by the subaccount on or before the date of calculation treated as not Outstanding), and may be calculated each time any Bonds secured by that subaccount are issued, paid, defeased or otherwise cease to be secured by that subaccount.

“Series” refers to all Bonds authorized by a single document and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions, so long as all those Bonds are payable from the same Bond Fund.

“State Payment” means any scheduled payment required to be made by or on behalf of the State under a Derivative Product which is either fixed in amount or is determined according to a formula set forth in the Derivative Product.

“State” means the State of Oregon, acting through any of its authorized officers or agencies, but does not include the Legislative Assembly of the State of Oregon.

“Subordinate Obligations” means obligations which have a lien on the Pledged Revenues, which is inferior to the lien of the Bonds.

“Subsidy Payments” means any interest subsidy payments that the State is eligible to receive from the United States in connection with Bonds, including but not limited to subsidy payments by the federal government for Build America Bonds that are issued under the federal American Recovery and Reinvestment Act of 2009 or any similar legislation.

“Supplemental Indenture” means any document amending, modifying or supplementing the Master Indenture, which is adopted in accordance with the Master Indenture.

“Tax Maximum” means, for any Series of Bonds, the lesser of: Maximum Annual Debt Service on that Series calculated based on the Bonds of that Series that are Outstanding on the date the Tax Maximum is calculated; 125% of average amount of principal, interest and premium, if any, required to be paid on that Series during all Fiscal Years in which that Series will be Outstanding, calculated as of the date of issuance of that Series; or, ten percent of the proceeds of that Series, as “proceeds” is defined for purposes of Section 148(d) of the Code calculated as of the date of issuance of that Series. However, the “Tax Maximum” shall be treated as zero and no amount need be added to a subaccount that secures a Series of Additional Bonds if: (i) the Series of Additional Bonds refunds Outstanding Bonds that are secured by that subaccount; (ii) the refunded Bonds are defeased when the refunding Bonds are issued; and (iii) the issuance of the refunding Bonds and the defeasance of the refunded Bonds will not cause Annual Debt Service on Bonds that are secured by that subaccount to increase by more than \$5,000 in any Fiscal Year.

“Tax-Exempt Bonds” means shall mean any Bonds the interest on which is not included in gross income for purposes of federal income taxation under Section 103 of the Code.

“Trustee” means U.S. Bank Trust Company, National Association, and its successor or successors and any other corporation, which may at any time be substituted in its place as Trustee pursuant to the Master Indenture.

“Thirty-Third Supplemental Indenture” means the Thirty-Third Supplemental Indenture of Trust dated the date of issuance of the 2024 Bonds that authorizes the 2024 Bonds.

“Unobligated Net Lottery Proceeds” means all revenues derived from the operation of the Oregon State Lottery, including any and all games or other activities which the Oregon State Lottery may operate in the future, except for the revenues used for the payment of prizes and the expenses of the Oregon State Lottery as provided in section 4 (4)(d), Article XV of the Oregon Constitution, and ORS 461.500 and 461.510.

“Valuation Date” means July 1 of each year (or the first Business Day thereafter, if July 1 is not a Business Day), the Business Day following any day on which amounts are transferred out of a subaccount in the Reserve Account, and any date on which Additional Bonds are issued.

“Variable Rate Obligations” means any Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes during the term of the Bonds, and any State Payments or Reciprocal Payments under a

Parity Derivative Product for which the interest portion of the payment is based on a rate that changes during the term of the Derivative Product.

### **Pledge**

The State Treasurer, on behalf of the State and pursuant to the authority granted in the Act, grants, pledges, assigns and transfers to the Trustee and its successors and assigns, all right, title and interest of the State in and to the Pledged Revenues to have and to hold, but in trust for the equal and proportionate benefit and security of the Owners, without preference, priority or distinction except as expressly provided in the Master Indenture. In addition, the State pledges the Unobligated Net Lottery Proceeds available for transfer to the Reserve Account and the amounts described in the Master Indenture to pay amounts due to the Reserve Credit Facility Provider under or in connection with any Reserve Credit Facilities.

### **Bonds are Special Obligations**

The Bonds shall be special obligations of the Issuer payable solely from and secured by a pledge of the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

### **Funds And Accounts**

The Bond Fund shall be held and administered by the Trustee in accordance with the Master Indenture. Until all Bonds are paid or deemed paid, amounts in the Bond Fund shall be used solely to pay Bond principal, interest and any Redemption Price as provided in the Master Indenture. The Bond Fund shall contain the Debt Service Account, and the Reserve Account.

The Debt Service Account shall contain the Dedicated Payments Subaccount, a Prior Bonds Debt Service Subaccount, and separate Debt Service Subaccounts for each subaccount that is created in the Reserve Account. Amounts in the Debt Service Account shall be allocated among its subaccounts as follows: (a) first, amounts in the Dedicated Payments subaccount shall be allocated and credited to Debt Service Subaccounts as provided in instructions given by the Trustee; (b) second, amounts transferred to the Trustee for credit to the Debt Service Account shall be allocated among the Debt Service Subaccounts pro rata in order of Payment Dates and based on the amounts due to be paid from those subaccounts, after reduction for any amounts previously credited to those subaccounts; and (c) third, all transfers from a subaccount of the Reserve Account pursuant to the Master Indenture shall be credited to that subaccount's corresponding Debt Service Subaccount, and shall be applied only to pay Bonds that are secured by that subaccount in the Reserve Account. Except as described in the next sentence, amounts in the Debt Service Account shall be used solely to pay Bond principal, interest and redemption premium, if any, when due. If at any time during a Fiscal Year the sum of the balance in the Debt Service Account plus the amount available in the Dedicated Payments Subaccount exceeds the Annual Debt Service which remains to be paid in that Fiscal Year, the Trustee shall, at the request of the Department, disburse the excess to the order of the Department.

The Trustee shall transfer amounts from subaccounts in the Reserve Account to Debt Service Subaccounts as provided in the Master Indenture. The State may transfer to the Trustee for deposit in the Dedicated Payments Subaccount of the Debt Service Account amounts, which are not Unobligated Net Lottery Proceeds, Subsidy Payments, or Appropriated Funds, and may instruct the Trustee to apply the amounts so deposited to the payment of debt service on one or more Series of Bonds. The amounts so deposited which are available to pay debt service on Bonds in a Fiscal Year shall be transferred to the Debt Service Subaccounts for the Bonds that the State has instructed the Trustee to pay from the Dedicated Payments Subaccount, and shall be credited against the deposit to the Debt Service Account for that Fiscal Year, which is required under the Master Indenture and shall be applied to pay those Series of Bonds as provided in the Master Indenture. The State shall transfer any Subsidy Payments to the Trustee, or shall arrange to have the Trustee receive Subsidy Payments directly. The Trustee shall deposit all Subsidy Payments into Debt Service Subaccounts for the Bonds for which the Subsidy Payments are paid, and shall credit those deposits against the deposits that are required for that Fiscal Year and shall apply those deposits to pay those Series of Bonds.

### **Flow of Funds**

As soon as practicable after the beginning of each period described below, and before any other payments or expenditures of the Unobligated Net Lottery Proceeds are made by the State, the State shall apply Unobligated Net Lottery Proceeds from the Administrative Services Economic Development Fund and Subsidy Payments, subject to the Master Indenture, or, if Unobligated Net Lottery Proceeds and Subsidy Payments in that fund are insufficient,

from any other fund or account of the State that contains Unobligated Net Lottery Proceeds, for the following purposes, in the following amounts and in the following order of priority:

(1) For the period from July 1 through September 30 of each Fiscal Year:

First, to the Trustee for credit to the Debt Service Account, an amount which, when added to the amount available in the Debt Service Account and Dedicated Payments Subaccount, makes the balance in the Debt Service Account, plus the amount available in the Dedicated Payments Subaccount, equal to the greater of: (a) one half of the Annual Debt Service due during that Fiscal Year, or, (b) all Bond principal, interest and any redemption premium that is required to be paid on or before December 31 of that Fiscal Year;

Second, to the Trustee for credit to the subaccounts in the Reserve Account as provided in the Master Indenture, an amount which, when added to the amount on deposit in each subaccount of the Reserve Account, is necessary to restore the balance in all subaccounts in the Reserve Account to their Reserve Requirement;

Third, to the Trustee to pay amounts due during that period under or in connection with any Reserve Credit Facility that are not paid from amounts described in the Master Indenture; and

Fourth, to the Administrative Fund, any amount which is required to pay any amounts due under a Credit Facility and any other Bond-related Costs which will be due during that period and for which funds are not otherwise available.

(2) For the period from October 1 through June 30 of each Fiscal Year:

First, to the Trustee for credit to the Debt Service Account, an amount which, when added to the amount available in the Debt Service Account and the Dedicated Payments Subaccount, makes the balance in the Debt Service Account, plus the amount available in the Dedicated Payments Subaccount, at least equal to the remaining Annual Debt Service due during the Fiscal Year;

Second, to the Trustee for credit to the subaccounts in the Reserve Account as provided in the Master Indenture, an amount that was required to be transferred to the Trustee in the prior period, but was not so transferred because Unobligated Net Lottery Proceeds were not sufficient to allow that transfer to be made;

Third, to the Trustee to pay amounts due during that period under or in connection with any Reserve Credit Facility that are not paid from amounts described in the Master Indenture; and

Fourth, to the Administrative Fund, any amount which is required to pay any amounts due under a Credit Facility and any other Bond-related Costs which will be due during that period and for which funds are not otherwise available.

The transfers of Unobligated Net Lottery Proceeds required by the Master Indenture shall be satisfied and credited from the first Unobligated Net Lottery Proceeds received by the State during each period described in the Master Indenture, before any other allocation, appropriation or disbursement of the earnings of the Unobligated Net Lottery Proceeds is made in such Fiscal Year.

If the Unobligated Net Lottery Proceeds are not sufficient to make all the transfers during each period described in the Master Indenture, then the available Unobligated Net Lottery Proceeds shall be distributed in the following order of priority: first, to the Debt Service Account; second, to the Reserve Account (transfers to the Reserve Account under this section shall be allocated among deficient subaccounts in the Reserve Account pro rata based on the amount of the deficiency in each of those subaccounts); third, to the Trustee to pay the amounts due under or in connection with any Reserve Credit Facility as provided in the Master Indenture; and fourth, to the Administrative Fund.

The State reserves the right to transfer funds other than Unobligated Net Lottery Proceeds, Subsidy Payments, and Appropriated Funds to the Trustee for deposit into the Dedicated Payment Account. Any such deposit shall be credited against the next transfer of Unobligated Net Lottery Proceeds to that Bond Fund which is required by the Master Indenture, so long as the amount credited to the Dedicated Payment Account does not exceed the debt service which is payable from that account in that Fiscal Year.

Whenever Subsidy Payments are received by the Trustee, if the Debt Service Account already contains an amount sufficient to pay the remaining Annual Debt Service for the Fiscal Year, the Trustee shall nevertheless deposit those



Subsidy Payments in the appropriate Debt Service Subaccounts for the Bonds for which the Subsidy Payments are paid, and shall release an equal amount of Unobligated Net Lottery Proceeds that were previously deposited in the Debt Service Account, and apply the released Unobligated Net Lottery Proceeds pursuant to the Master Indenture.

#### **Payment of Bonds**

On or before each Payment Date the Trustee shall withdraw from each subaccount in the Debt Service Account (and the Dedicated Payments Subaccount, if and to the extent that amounts are available in the Dedicated Payments Subaccount to pay Bond principal, interest and Redemption Price, if any, which is due on that Payment Date) amounts equal to the principal, interest and Redemption Price, if any, due on the Bonds on such Payment Date, and shall transfer the amounts so withdrawn to the Paying Agent for payment of those Bonds.

#### **Reserve Account**

The State Treasurer covenants that the State shall maintain the Reserve Account and shall maintain a balance in each subaccount that the State establishes in the Reserve Account that is at least equal to the Reserve Requirement for that subaccount, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

Except as provided in the Master Indenture, amounts in each subaccount of the Reserve Account shall be transferred only to the Debt Service Subaccount corresponding to that subaccount in the Reserve Account, and used only to pay principal, interest and premium, if any, on the Series of Bonds that are secured by that subaccount in the Reserve Account, and only if amounts in the Debt Service Account that are credited to the corresponding Debt Service Subaccount are not sufficient to pay those amounts.

If the amount on deposit in the Debt Service Account fifteen calendar days prior to each Payment Date is not sufficient to pay the Bonds on that Payment Date, the Trustee shall allocate the deficiency among the Series of Bonds that have payments due on that Payment Date pro rata based on the amounts that are due to be paid on each Series and the amounts available to pay those Bonds in their corresponding Debt Service Subaccounts. The Trustee shall then transfer the amount of the allocated deficiency from each subaccount in the Reserve Account that secures a Series of Bonds with payments due on that Payment Date to the corresponding Debt Service Subaccount. The amounts so transferred shall be applied solely to pay Bonds that are secured by that subaccount.

1. If the subaccount from which the transfer will be made is funded with cash or Investment Securities this transfer shall be made fifteen calendar days prior to that Payment Date, or, if that Payment Date is not a Business Day, on the next Business Day.
2. If the subaccount from which the transfer will be made is funded with Reserve Credit Facilities the transfer shall be made as soon as the Reserve Credit Facility permits amounts to be withdrawn under it, but not earlier than fifteen calendar days prior to that Payment Date and not later than that Payment Date.

Unless the provisions in a Supplemental Indenture creating a subaccount in the Reserve Account provide to the contrary, if a subaccount in the Reserve Account holds more than one kind of asset, withdrawals from the subaccount shall be made in the following order of priority:

1. *First*, from any cash on deposit in that subaccount in the Reserve Account;
2. *Second*, from the liquidation proceeds of any Investment Securities on deposit in that subaccount of the Reserve Account; and
3. *Third*, pro rata from any Reserve Credit Facilities credited to that subaccount.

The Trustee shall liquidate investments held in the Reserve Account to the extent necessary to meet any deficiencies in the Debt Service Account.

In addition to payment of the Bonds that are secured by a subaccount in the Reserve Account:

1. Amounts that are transferred to a subaccount of the Reserve Account may be applied to pay amounts due in connection with Reserve Credit Facilities to the extent that those payments are necessary to restore the balance in the subaccount to its Reserve Requirement.
2. Amounts other than Reserve Credit Facilities that are credited to a subaccount of the Reserve Account may be applied to the final payment of Bonds that are secured by that subaccount.

3. If amounts that are credited to a subaccount of the Reserve Account exceed the Reserve Requirement for that subaccount, cash and Investment Securities in an amount equal to the excess in that subaccount may be transferred at the direction of the Director:

First, to restore the balance in any subaccount of the Reserve Account to the Reserve Requirement for that subaccount, but only if the State files with the Trustee an opinion of Bond Counsel to the effect that this use will not cause interest on any Tax-Exempt Bonds to become includable in gross income under the Code;

Second, for any of the following:

(A) To the Debt Service Subaccount that corresponds to the subaccount in the Reserve Account from which the transfer is made.

(B) To the Rebate Fund to be used to make payments to the United States of the type described in the Master Indenture only for one or more Series of Tax-Exempt Bonds.

(C) To the State or any other account or subaccount held by the Trustee under this Master Indenture for any use as permitted by law, but only if the State covenants not to use those funds in a way that would cause interest on any Bonds to become includable in gross income, and the State files with the Trustee an opinion of Bond Counsel to the effect that this use will not cause interest on any Tax-Exempt Bonds to become includable in gross income under the Code.

The Trustee shall notify the Department and all Insurers whenever the balance in the Reserve Account falls below the Reserve Requirement for that subaccount.

#### ***The “Moral Obligation”***

If amounts in the Reserve Account are transferred to the Debt Service Account pursuant to the Master Indenture, the Trustee shall value the Reserve Credit Facilities, Investment Securities and cash credited to each subaccount of the Reserve Account on the Business Day following the withdrawal. If, after any such transfer, the balance remaining in any subaccount of the Reserve Account on that Business Day is less than the Reserve Requirement for that subaccount, the Director of the Oregon Department of Administrative Services shall:

1. promptly notify the Governor of the State of Oregon that Appropriated Funds are required to allow the Bonds to be timely paid; and,
2. certify to the Legislative Assembly or, if the Legislative Assembly is not then in session, to the Emergency Board, the amount needed to restore the balance in all subaccounts of the Reserve Account to their required levels, and that the Legislative Assembly or the Emergency Board must provide Appropriated Funds to allow the Bonds to be timely paid.

The Legislative Assembly or the Emergency Board may provide Appropriated Funds in the amount certified by the Director. Any Appropriated Funds so provided shall immediately be transferred to the Trustee and used to restore the balances in the Reserve Account.

Unless the provisions describing a subaccount in the Reserve Account provide to the contrary, transfers to subaccounts in the Reserve Account pursuant to the Master Indenture shall be applied:

1. First, to pay all amounts due in connection with Reserve Credit Facilities to the extent necessary to restore the amount that is available to be withdrawn from that subaccount to the lesser of: the Reserve Requirement for that subaccount, or the maximum amount that is available to be drawn under the Reserve Credit Facilities;
2. Second, to replenish the balance in the Reserve Account with cash or Investment Securities.

#### **The Prior Bonds Reserve Subaccount**

The Trustee created and maintains the Prior Bonds Reserve Subaccount so long as any Bonds secured by the Prior Bonds Reserve Subaccount are Outstanding. On the date the Prior Bonds Reserve Subaccount was created the

Trustee transferred all amounts in the Reserve Account to the Prior Bonds Reserve Subaccount. Except as provided in the Master Indenture, the State shall maintain a balance in the Prior Bonds Reserve Subaccount that is equal to its Reserve Requirement, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

Except as provided in the Master Indenture, amounts credited to the Prior Bonds Reserve Subaccount shall be used only to pay Prior Bonds and each Series of Additional Bonds the State subsequently elects to secure with the Prior Bonds Reserve Subaccount, and only if amounts in the Debt Service Account are insufficient.

If a transfer described in the Master Indenture is required, the Trustee shall transfer from the Prior Bonds Reserve Subaccount to the Prior Bonds Debt Service Subaccount an amount equal to the deficiency allocated to the Prior Bonds Reserve Subaccount and apply the amount so transferred solely to pay the Prior Bonds and all other Series of Bonds that are secured by the Prior Bonds Reserve Subaccount.

If the State elects to secure other Series of Additional Bonds with the Prior Bonds Reserve Subaccount, the Supplemental Indenture for each of those Series of Additional Bonds shall state that the Series will be secured by the Prior Bonds Reserve Subaccount, and shall require that a deposit be made into the Prior Bonds Reserve Subaccount at closing of the Series of Additional Bonds that is sufficient to make the balance in Prior Bonds Reserve Subaccount at least equal to the Prior Bonds Reserve Requirement, calculated as if the Series of Additional Bonds is Outstanding.

The State may, by Supplemental Indenture, release the claim of any Series of Prior Bonds on the Prior Bonds Reserve Subaccount and secure that Series of Prior Bonds (the "Transferred Series") with another subaccount in the Reserve Account, but only if the conditions stated in this section are satisfied.

1. The Transferred Series is secured by another subaccount in the Reserve Account that is, at the time of the release, funded at the Reserve Requirement for that subaccount, calculated based on all Series of Bonds that are secured by that subaccount, including the Transferred Series.
2. The State shall retain a balance in the Prior Bonds Reserve Subaccount that is equal to its Reserve Requirement.

### **The 2007 Reserve Subaccount**

In connection with the issuance of the 2007 Series A Bonds, the Trustee created and maintains the 2007 Reserve Subaccount as long as any Bonds secured by the 2007 Reserve Subaccount are Outstanding. Except as provided in Master Indenture, the State shall maintain a balance in the 2007 Reserve Subaccount that is equal to its Reserve Requirement, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

Except as provided in the Master Indenture, amounts credited to the 2007 Reserve Subaccount shall be used only to pay any Series of Bonds the State elects to secure with the 2007 Reserve Subaccount, and only if amounts in the Debt Service Account are insufficient.

If a transfer described in the Master Indenture is required, the Trustee shall transfer an amount equal to the deficiency allocated to the 2007 Reserve Subaccount from the 2007 Reserve Subaccount to the 2007 Bonds Debt Service Subaccount and apply the amount so transferred solely to pay any Series of Bonds that are then secured by the 2007 Reserve Subaccount.

If the State elects to secure any Series of Additional Bonds it subsequently issues with the 2007 Reserve Subaccount, the Supplemental Indenture for that Series of Additional Bonds shall state that the Series will be secured by the 2007 Reserve Subaccount, and shall require that a deposit be made into the 2007 Reserve Subaccount at closing of the Series of Additional Bonds that is sufficient to make the balance in 2007 Reserve Subaccount at least equal to its Reserve Requirement, calculated as if the Series of Additional Bonds is Outstanding.

*2007 Reserve Credit Facility.* The Issuer shall repay any draws under the 2007 Reserve Credit Facility and pay all related reasonable expenses incurred by the 2007 Reserve Credit Facility Provider. Interest shall accrue and be

payable on such draws and expenses from the date of payment by the 2007 Reserve Credit Facility Provider at the 2007 Reserve Credit Facility Provider's late payment rate.

Amounts in respect of the repayment of draws and payment of expenses and accrued interest thereon at the late payment rate (collectively, the "Policy Costs") paid to the 2007 Reserve Credit Facility Provider shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2007 Reserve Credit Facility Provider on account of principal due, the coverage under the 2007 Reserve Credit Facility will be increased by a like amount, subject to the terms of the 2007 Reserve Credit Facility.

Payment of any Policy Costs shall be made prior to replenishment of any cash amounts. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Credit Facilities in the 2007 Reserve Subaccount shall be made on a pro rata basis prior to replenishment of any cash drawn from the 2007 Reserve Subaccount.

If the Issuer shall fail to pay any Policy Costs in accordance with the Master Indenture, the 2007 Reserve Credit Facility Provider shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Master Indenture other than (i) acceleration of maturity of any Series of Bonds secured by the 2007 Reserve Credit Facility, or (ii) remedies which would adversely affect owners of any Series of Bonds secured by the 2007 Reserve Credit Facility.

The Master Indenture shall not be discharged until all Policy Costs owing to the 2007 Reserve Credit Facility Provider shall have been paid in full. The Issuer's obligation to pay such amounts shall survive payment in full of any Series of Bonds secured by the 2007 Reserve Credit Facility.

#### **2009 A&B Reserve Subaccount**

In connection with the issuance of the 2009 Series A Bonds, the Trustee created and maintains the 2009 A&B Reserve Subaccount as long as any Bonds secured by the 2009 A&B Reserve Subaccount are Outstanding. Except as provided in Master Indenture, the State shall maintain a balance in the 2009 A&B Reserve Subaccount that is equal to its Reserve Requirement, but solely from the Pledged Revenues and any Appropriated Funds as provided in the Master Indenture.

Except as provided in the Master Indenture, amounts credited to the 2009 A&B Reserve Subaccount shall be used only to pay any Series of Bonds the State elects to secure with the 2009 A&B Reserve Subaccount, and only if amounts in the 2009 A&B Debt Service Subaccount are insufficient.

If a transfer described in the Master Indenture is required, the Trustee shall transfer an amount equal to the deficiency in the 2009 A&B Debt Service Subaccount from the 2009 A&B Reserve Subaccount to the 2009 Series A&B Bonds Debt Service Subaccount and apply the amount so transferred solely to pay any Series of Bonds that are then secured by the 2009 A&B Reserve Subaccount.

#### **The Administrative Fund**

Amounts deposited in the Administrative Fund shall be held by the State and used for Bond-related Costs.

#### **The Rebate Fund.**

The Rebate Fund shall be held and administered by the Trustee in accordance with the Master Indenture. The Trustee shall deposit in the Rebate Fund the amounts described in Indenture and any other funds transferred by the State to the Trustee for deposit in the Rebate Fund. Amounts in the Rebate Fund shall be applied by the Trustee at the direction of the Department only:

1. To pay rebates, interest, penalties, yield reduction payments and similar charges owed to the United States under Section 148 of the Code or any similar or replacement provisions of law; and,
2. For transfer to the State for any use as permitted by law, but only if the State covenants not to use those funds in a way that would cause interest on any Bonds to become includable in gross income, and the State files with the Trustee an opinion of Bond Counsel to the effect that this use will not cause interest on any Tax-Exempt Bonds to become includable in gross income under the Code.

The Trustee may create separate accounts in the Rebate Fund at the direction of the Department to hold amounts in the Rebate Fund that are dedicated to payment of charges owed in connection with particular Series of Bonds.

## **Investments; Valuations**

Amounts in the Bond Fund shall be invested at the direction of the State only in Investment Securities, which mature not later than the dates on which it is estimated that such moneys will be required to make the transfers and deposits required by the Master Indenture. Amounts in the Reserve Account other than Reserve Credit Facilities shall be invested either in Investment Securities, which have an average aggregate weighted term to maturity of not more than five years, or Investment Securities that are approved in advance and in writing by each Insurer. Investment Securities credited to the Reserve Account are treated as having a term of less than five years if they permit amounts to be withdrawn on reasonable notice to pay debt service.

Investment Securities and Reserve Credit Facilities shall be valued on each Valuation Date; Investment Securities in the Reserve Account that are not GICs shall be valued by the Trustee at the Trustee's reasonable estimate of their market value on each Valuation Date; Each GIC: (a) shall be valued at the amount available to be drawn on it unless a Credit Event has occurred and is continuing for all GIC Obligors for that GIC; (b) shall be valued at the value of any collateral held to secure the obligations of the GIC Obligor under the GIC, as reasonably estimated by the Trustee, if a Credit Event has occurred and is continuing for all GIC Obligors for that GIC; (c) shall have no value if a Credit Event has occurred and is continuing for all GIC Obligors for that GIC and the GIC is not collateralized.

Each Reserve Credit Facility shall be valued at the amount available to be drawn under it unless a Credit Event has occurred and is continuing for all Reserve Obligors for that Reserve Credit Facility. If a Credit Event has occurred and is continuing for all Reserve Obligors for a Reserve Credit Facility the affected Reserve Credit Facility shall be deemed to have no value. Amounts in the Administrative Fund shall be invested at the direction of the State, and may be invested in any securities, which are legal investments for the State of Oregon.

Earnings on the Debt Service Account shall be credited to the Debt Service Account. Whenever the balance in the Reserve Account is less than the Reserve Requirement, earnings on the Reserve Account shall be credited to the Reserve Account. If the balance in the Reserve Account equals or exceeds the Reserve Requirement, earnings on the Reserve Account shall be credited to the Debt Service Account. Earnings on the Administrative Fund shall be credited to the Administrative Fund.

The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities. The Trustee shall exercise its best efforts to sell through a process approved by the Department at the best price obtainable, or present for redemption, any Investment Securities to the credit of any fund or account created under the Master Indenture, whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from such fund or account, and the Trustee shall not be liable for any loss resulting from such a sale.

## **General Covenants**

The State of Oregon makes the following covenants for the benefit of Owners:

### ***Payment of Bonds***

The Department, acting on behalf of the Issuer, shall cause the principal and Redemption Price of, and interest on every Bond to be paid as provided in the Master Indenture, but solely from the Unobligated Net Lottery Proceeds and any Appropriated Funds.

Except for any Appropriated Funds which may be made available, the Bonds shall not be payable from the general funds of the Issuer, the State or the Department and shall not constitute a legal or equitable pledge of, or lien or encumbrance upon, any of the assets or property of the Issuer, the State or the Department or upon any of their income, receipts or revenues, except as provided in the Master Indenture. The full faith and credit of the State are not pledged, either expressly or by implication, to the payment of the Bonds. No Owner shall ever have the right to compel any exercise of the taxing power of the State to pay any Bonds or the interest thereon, nor to enforce payment thereof against any property of the State except any moneys in the Pledged Revenues as provided in the Master Indenture.

### ***Covenant to Budget and Appropriate Unobligated Net Lottery Proceeds***

The Legislative Assembly has made continuing appropriations of Unobligated Net Lottery Proceeds to pay the Bonds. If these continuing appropriations are ever altered, the State covenants that it shall, subject only to the availability of Unobligated Net Lottery Proceeds, budget and appropriate in each Fiscal Year an amount of Unobligated Net Lottery Proceeds that, when added to other funds lawfully budgeted and appropriated and available

for such purpose, shall be sufficient to pay in full the principal, premium and interest due and to become due in such Fiscal Year on all Outstanding Bonds which are then due, to maintain the balance in each subaccount of the Reserve Account at the Reserve Requirement for that subaccount, and to pay all amounts due to the providers of Credit Facilities.

***Covenant to Continue to Operate Lottery***

The State covenants with the Owners that it shall continue to operate the Oregon State Lottery until all Bonds are paid or defeased.

***Authorization and Validity Covenants***

The State represents and covenants that: (i) it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Bonds of each Series and to pledge the Pledged Revenues in the manner and to the extent set forth in the Master Indenture and as shall be set forth in any Supplemental Indenture; (ii) all action on its part for the issuance of the Bonds of each Series will be duly and effectively taken; and (iii) the Bonds of each Series in the hands of the Owners thereof will be valid and binding special obligations of the Issuer according to their terms except to the extent enforceability may be subject to bankruptcy, moratorium, insolvency, similar laws affecting creditors' rights, and subject to the availability of equitable relief.

***Liens and Pledges***

The State covenants not to grant or create any lien on the Pledged Revenues or to issue any obligations which have a lien on the Pledged Revenues which is superior to the lien of the Bonds. The State covenants to issue obligations which have a lien on the Pledged Revenues, which is equal or subordinate to the Bonds only in accordance with the Master Indenture.

***Books and Accounts***

The Department shall keep accurate records of the Pledged Revenues and the amounts held under the Master Indenture in accordance with generally accepted accounting principles applicable to governments, and such records (at reasonable hours and subject to the reasonable rules and regulations of the Department) shall be subject to the inspection of the Trustee, any Owner of any Bonds or their agents or representatives duly authorized in writing.

***Additional Bonds***

All Additional Bonds issued in accordance with the Master Indenture shall have a lien on the Pledged Revenues, which is equal to the lien of all other Outstanding Bonds.

***General Requirements***

The State may issue Additional Bonds for any lawful purpose, but only if:

1. No Event of Default under the Master Indenture has occurred and is continuing;
2. At the time of the issuance of the Additional Bonds there is no deficiency in the Debt Service Account;
3. The State identifies the subaccount in the Reserve Account that will secure the Additional Bonds, and the balances in all subaccounts of the Reserve Account, including the subaccount that secures the Additional Bonds, are at least equal to the Reserve Requirement for those subaccounts, with the Additional Bonds treated as Outstanding;
4. The sum of the Unobligated Net Lottery Proceeds for any twelve consecutive month period selected by the Department from the eighteen complete months preceding the issuance of the Series of Additional Bonds, plus the amount of any Guaranteed Reserve Earnings for that period, are at least four hundred percent (400%) of the Maximum Annual Debt Service on all Outstanding Bonds (with the Additional Bonds treated as Outstanding);
5. The Director certifies that the State's most recent, formal forecast of lottery revenues (which shall have been prepared within the six month period preceding issuance of the Additional Bonds) indicates that forecasted Unobligated Net Lottery Proceeds, plus the amount of any Guaranteed Reserve Earnings for the twelve month period selected in the preceding paragraph, for each Fiscal Year in the forecast period will at least equal four hundred percent (400%) of the Maximum Annual Debt Service on all Outstanding Bonds (with the Additional Bonds treated as Outstanding); and,

6. The Director certifies that there has been no change in the Constitution of the State of Oregon, Oregon statutes, or the practices of the Oregon Lottery since the date of the forecast described in the preceding paragraph which would reasonably be expected to reduce the Unobligated Net Lottery Proceeds below four hundred percent (400%) of the Maximum Annual Debt Service on all Outstanding Bonds (with the Additional Bonds treated as Outstanding) in any Fiscal Year in which Outstanding Bonds (including the Additional Bonds) are scheduled to be paid.

The State shall not issue Variable Rate Obligations that may bear interest at a rate in excess of twelve percent per annum. The documents authorizing any Variable Rate Obligations shall prescribe the maximum interest rate per annum, which the Variable Rate Obligations may bear. In determining whether the State has complied with this provision, the State may take into account the effect of any Parity Derivative Product.

### ***Refunding Bonds***

The State may issue Additional Bonds to refund Outstanding Bonds without meeting the general requirements of the Master Indenture with respect to Additional Bonds but only if the debt service on the refunding Additional Bonds does not, in any Fiscal Year, exceed the debt service on the refunded Bonds by more than \$5,000.

### ***Subordinate Obligations***

The State may issue Subordinate Obligations only if:

1. The Subordinate Obligations are payable solely from the Unobligated Net Lottery Proceeds which are available in any Fiscal Year after all transfers and deposits have been made to the Bond Fund and the Administrative Fund which are required by the Master Indenture; and,
2. The Subordinate Obligations are not subject to acceleration; and,
3. The Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Pledged Revenues, which is subordinate to the lien on, and pledge of, the Pledged Revenues for the Bonds.

### **Parity Derivative Products**

A Derivative Product may be a Parity Derivative Product which is secured on a parity with Additional Bonds if the obligation to make State Payments under the Derivative Product qualifies as an Additional Bond under the Master Indenture, after the Reciprocal Payments under the Derivative Product are applied to reduce Annual Debt Service. Any Parity Derivative Product shall clearly state that it is a Parity Derivative Product and has qualified as an Additional Bond under the Master Indenture.

### **Events of Default And Remedies**

#### ***Events of Default***

If any of the following events occurs, it is defined as and declared to be and to constitute an “Event of Default” for all Bonds:

1. Default in the due and punctual payment of principal, interest or premium on any Bond; or
2. The filing of a petition in bankruptcy or the seeking of a composition of indebtedness by the Issuer or the Department under the federal bankruptcy laws or under other applicable law of the United States or of the State, or the filing of any such petition against the Issuer or the Department that is not dismissed within a period of sixty (60) days from such filing; or
3. The Issuer or the Department shall default in the performance or observance of any other of the duties, covenants, obligations, agreements or conditions on the part of the Issuer or the Department to be performed or observed under the Master Indenture or the Act, but only if the default shall continue for ninety (90) days after written notice specifying such default and requiring the same to be remedied shall be given by the Trustee, or the Owners in accordance with the Master Indenture, and the State shall fail to take reasonable steps to remedy the default within that ninety-day period.

#### ***Remedies***

Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies with respect to each Series of Bonds (but shall exercise such rights with respect to a Series of Bonds only with the consent of each Insurer of that Series of Bonds):

1. the Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the Bonds of each such Series then Outstanding (however, the Bonds shall not be subject to acceleration);
2. the Trustee by action or suit in equity may require the Issuer and the Department to account as if they were the trustee of an express trust for the Owners of Bonds;
3. upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Owners of Bonds of each such Series under the Master Indenture, the Trustee will be entitled, as a matter of right to the appointment of a receiver or receivers of the Pledged Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

If an Event of Default occurs with respect to any Bonds the Trustee is obligated to exercise one or more of the rights, remedies and powers conferred in the Master Indenture as the Trustee deems most expedient in the interest of the Owners of such Bonds, but only if the Trustee is so requested by the Owners of a majority in principal amount of the Bonds then Outstanding and if the Trustee is indemnified to its reasonable satisfaction.

No right or remedy by the terms of the Master Indenture conferred upon or reserved to the Trustee (or to the Owners of Bonds) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative. No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default. No waiver of any Event of Default, whether by the Trustee, or by the Owners of Bonds, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Notwithstanding anything to the contrary contained in the Master Indenture, neither the State, the Issuer nor the Department shall be liable for, or required to advance any moneys derived from any source other than the Pledged Revenues, the Bond proceeds and any Appropriated Funds for any of the purposes in the Master Indenture, whether for the payment of the principal or Redemption Price of, or interest on, the Bond or for any other purpose of, or liability recognized under, the Master Indenture.

#### ***Right of Owners of a Series of Bonds to Direct Proceedings***

The Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right but only with the consent of the Insurer of their Bonds, if any, at any time during the continuance of an Event of Default of such Bonds, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, or for the appointment of a receiver or any other proceedings under the Master Indenture in accordance with the Master Indenture.

#### ***Application of Moneys***

All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of the Master Indenture shall be applied first, to pay Bond interest which is then overdue, next to pay interest then due, next to pay principal which is then overdue, and finally to pay principal which is then due. If insufficient Pledged Revenues are available to pay all claimants within a category, payments shall be made ratably, based on amounts due, to all claimants within a category.

#### ***Rights and Remedies of Owners of Bonds***

No Owner then Outstanding shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Master Indenture or for the execution of any trust of the Master Indenture or for the appointment of a receiver or any other remedy under the Master Indenture, unless (a) an Event of Default shall have occurred, (b) the Owners of not less than 50% in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the remedies granted in the Master Indenture or to institute such action, suit or proceeding in its own name, (c) the Owners of Bonds then Outstanding shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused, or for sixty (60) days after receipt of such request and offer of indemnification shall have failed to exercise the remedies granted in the Master Indenture, or to institute such action, suit or proceeding in its own name, and such request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture, and to any action or cause of action for the enforcement of the



Master Indenture, or for the appointment of a receiver or for any other remedy under the Master Indenture, it being understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Indenture by his or their action or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal and ratable benefit of the Owners of all Bonds then Outstanding; provided, however, that nothing contained in the Master Indenture shall affect or impair the right of the Owner of any Bond to enforce the payment of the principal or Redemption Price of and interest on such Bond at and after the maturity thereof, or the obligation of the Issuer or the Department to pay the principal or Redemption Price of and interest on each of the Bonds issued under the Master Indenture to the respective Owners thereof at the time and place, from the source and in the manner expressed in the Bonds and in the Master Indenture and any Supplemental Indenture.

### ***Termination of Proceedings***

In case the Trustee or an Owner of a Bond shall have proceeded to enforce any right under the Master Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Owner, then and in every such case the Issuer, the Department, the Trustee, and the Owners of Bonds shall be restored to their former positions and rights under the Master Indenture, respectively, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

### ***Waivers of Events of Default***

With the consent of each Insurer, the Trustee may and, upon the written request of the Owners of 50% in aggregate principal amount of all Bonds then Outstanding, shall waive any Event of Default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under the Master Indenture; but no such waiver shall extend to any subsequent or other Event of Default, or impair any rights consequent thereon.

### ***Notice of Certain Defaults; Opportunity of the Issuer to Cure Defaults***

Anything in the Master Indenture to the contrary notwithstanding, no Default described in paragraph 3 under "Events of Default" above shall constitute an Event of Default until actual notice of such Default shall be given to the Issuer and the Department by registered or certified mail by the Trustee or by the Owners of not less than 50% in aggregate principal amount of all Bonds then Outstanding and the Issuer or the Department shall not have corrected the Default or caused the Default to be corrected within thirty (30) days following the giving of such notice; provided, however, that if the Default be such that it is correctable but cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Department within the applicable period and diligently pursued until the Default is corrected; provided, however, that in the event the Default is not correctable within ninety (90) days from the date following the giving of such notice, such Default shall constitute an Event of Default.

The Trustee shall promptly mail written notice of any Event of Default to each Owner of a Bond at the address shown in the Bond register maintained by the Paying Agent.

### **The Trustee**

The Trustee makes no representation as to the validity or sufficiency of the Master Indenture other than its own authority to execute and deliver the same and to perform its trusts thereunder or of any Bonds issued thereunder or as to the security afforded by the Master Indenture, and the Trustee shall not incur any liability in respect thereof. The Trustee shall not be under any responsibility or duty with respect to the application of any moneys paid to the Issuer, the Department or the Paying Agent. The Trustee shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Except as provided in the next paragraph, the Trustee shall not be liable in connection with the observance and performance of its duties and obligations under the Master Indenture except for its own negligence, misconduct or breach of fiduciary duty.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and obligations and only such duties and obligations as are specifically set forth in the Master Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers invested in it by the Master Indenture, and use the same

degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall be protected in acting upon any instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Issuer or the Department, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Master Indenture in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Master Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer or the Department.

The Department shall pay the Trustee from time to time reasonable compensation for its services rendered under the Master Indenture. The Trustee shall have no lien on amounts held under the Master Indenture.

The Trustee may become the Owner of any Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Master Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

#### ***Resignation of Trustee***

The Trustee may at any time resign and be discharged of the duties and obligations created by the Master Indenture by giving not less than sixty (60) days' written notice to the Issuer and the Department, and mailing notice thereof to the Owners of the Bonds then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Issuer or the Owners, in which event such resignation shall take effect immediately on the appointment of such successor, or unless a successor shall not have been appointed by the Issuer or the Owners on that date, in which event such resignation shall not take effect until a successor is appointed.

#### ***Removal of Trustee***

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Issuer. So long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, an Authorized Officer of the Issuer may remove the Trustee at any time for just cause by notifying the Trustee in writing.

#### ***Appointment of Successor Trustee***

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, an Authorized Officer of the Issuer may appoint a successor in writing, but if the Issuer does not appoint a successor Trustee within forty-five (45) days then a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding. After such appointment of a successor Trustee, the Issuer shall mail notice of any such appointment made by it or the Owners to the Owners of the Bonds then Outstanding.

If no appointment of a successor Trustee is made, the Trustee or the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

Any successor Trustee shall be a bank or trust company having the powers of a trust company and having capital stock and surplus aggregating at least \$50,000,000, if there be such a bank or trust company willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Master Indenture. The long-term obligations of any successor Trustee or its bank holding company shall be rated "Baa1" or better, and its short-term obligations shall be rated "P-2" or better, unless the rating agencies then rating the Bonds consent in writing to the use of another successor Trustee. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining

authority, then the combined capital and surplus or such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

## **Amendments**

### ***Supplemental Indentures Not Requiring Consent of Owners***

The Issuer, the Department and the Trustee may, without the consent of, or notice to, the Owners, enter into a Supplemental Indenture (which Supplemental Indenture shall thereafter form a part of the Master Indenture) for any one or more of the following purposes and at any time or from time to time:

To close the Master Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Master Indenture on, the authentication and delivery of Bonds;

To add to the duties, covenants, obligations and agreements of the Issuer or the Department in the Master Indenture, other duties, covenants, obligations and agreements to be observed and performed by the Issuer or the Department which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;

To add to the limitations and restrictions in the Master Indenture, other limitations and restrictions to be observed by the Issuer or the Department which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;

To add to the Events of Default in the Master Indenture additional Events of Default;

To authorize Additional Bonds;

To confirm, as further assurance, any security interest, pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Master Indenture or the Pledged Revenues or of any other moneys, securities or funds;

To provide a Credit Facility for any Series of Bonds and to provide the extent to which the rights, responsibilities, obligations and benefits granted by the Master Indenture to the Owners of such series of Bonds may be transferred to any Credit Provider;

To modify any of the provisions of the Master Indenture in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding;

To modify any of the provisions of the Master Indenture in any respect provided that the modifications affect only Bonds issued subsequent to the date of such modifications;

To comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended, or to comply with Section 103 or Sections 141 through 150 of the Code, as amended, replaced or substituted;

To appoint a successor Trustee or additional paying agents;

To merge the Bond Fund so that all Bonds are payable from a single Debt Service Account and a single Reserve Account, to merge the Administrative Fund and to make related changes to the Master Indenture.

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in the Master Indenture;

To insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable and are not contrary to or inconsistent with the Master Indenture as theretofore in effect; and

To make any other modification or amendment of the Master Indenture which the Issuer reasonably determines will not have a material adverse effect on the interests of Owners.

### ***Supplemental Indentures Effective with Consent of Owners***

The Master Indenture may be amended for any other purpose only upon consent of each Insurer of affected Bonds, and the Owners of not less than fifty-one percent in aggregate principal amount of all affected Bonds Outstanding

for which there are no Insurers; provided, however, that no amendment shall be valid without the consent of Owners of one-hundred percent of the aggregate principal amount of the affected Bonds outstanding which:

1. Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Owner; or
2. Reduces the percent of Owners required to approve Supplemental Indentures.

### ***Consent of Owners***

If Owner consent is required for a Supplemental Indenture, a copy of the Supplemental Indenture or brief summary, together with a request for consent shall be mailed to the Owners of Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as provided in the Indenture).

### ***Notice of Amendments***

Promptly after the adoption of any Supplemental Indenture, the Trustee shall mail a notice, setting forth in general terms the substance thereof, to the Owners of each Series of Bonds affected by such amendment. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

### ***Opinion of Bond Counsel***

No Supplemental Indenture shall take effect until there is filed with the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Master Indenture, will comply with the Master Indenture and the Act, and will not adversely affect any exclusion from gross income for federal income tax purposes of interest paid on any Bonds.

### **Payment and Defeasance**

#### ***Payment***

The Issuer in any of the following ways may pay Bonds provided that the Issuer also pays or causes to be paid any other sums payable under the Master Indenture by the Issuer:

1. by paying or causing to be paid the principal of and premium, if any, and interest on the Bonds Outstanding, as and when the same become due and payable;
2. by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or
3. by delivering to the Trustee, for cancellation by it, Bonds Outstanding.

Upon payment of a Bond in accordance with the preceding paragraph then all liability of the Issuer in respect of that Bond shall cease, terminate and be completely discharged, except only that thereafter the Owner thereof shall be entitled to payment of the principal of and interest on such Bond by the Issuer, and the Issuer shall remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment.

#### ***Defeasance***

The State may defease and deem all or any portion of the Outstanding Bonds to be paid by:

1. irrevocably depositing money or noncallable Defeasance Obligations in escrow with an independent escrow agent which are calculated to be sufficient for the payment of Bonds which are to be defeased;
2. filing with the escrow agent an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Defeasance Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and,
3. filing with the escrow agent an opinion of nationally recognized bond counsel to the effect that all conditions to defeasing the Bonds have been satisfied and that such defeasance will not cause interest on the Bonds to cease to be excludable from gross income under the Code.

If Bonds are defeased, all obligations of the State with respect to those defeased Bonds shall cease and terminate, except for the obligation of the State and the escrow agent to pay the defeased Bonds from the amounts deposited in escrow, and the obligation of the Trustee to continue to transfer Bonds as provided in the Master Indenture.

## **Unclaimed Funds**

Subject to applicable escheat laws, any moneys held by the Paying Agent in trust for the payment of the principal of or premium, if any, or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds become due and payable shall be repaid to the Department free from the trusts created by the Master Indenture, and all liability of the Paying Agent with respect to such moneys shall thereupon cease.

## **Miscellaneous**

### ***Liability of the Issuer and the Department Limited to Pledged Revenues***

Notwithstanding anything contained in the Master Indenture or in the Bonds, the Issuer and the Department shall not be required to advance any moneys derived from any source other than the Pledged Revenues, the Bond proceeds and any Appropriated Funds for any of the purposes in the Master Indenture, whether for the payment of the principal or Redemption Price of, or interest on, the Bonds or for any other purpose of the Master Indenture.

### ***No Personal Liability***

No member, officer, agent or employee of the Issuer, the Trustee, or the Department shall be individually or personally liable for the payment of the principal or Redemption Price of, or interest on, the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof, all such liability, if any, being expressly waived and released by each Owner by the acceptance of such Bonds.

### ***The Issuer and Department Protected in Acting in Good Faith***

In the exercise of the powers of the Issuer and the Department and their members, officers, employees and agents under the Master Indenture, or any other document executed in connection with the Bonds, the Issuer and the Department shall not be accountable to any Insurer, the Trustee or any Owner for any action taken or omitted by it or its members, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred.

### ***Governing Law***

The Master Indenture shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and the State of Oregon. If any action, claim, suit or other proceeding is brought to interpret or enforce the provisions of the Master Indenture, such claims shall be brought exclusively in the Circuit Court for the State of Oregon in Marion County, Oregon.

### ***The Thirty-Third Supplemental Indenture***

The Issuer, the Department and the Trustee execute the Thirty-Third Supplemental Indenture to authorize the issuance of the 2024 Bonds under the Master Indenture. The Thirty-Third Supplemental Indenture describes the maturity schedule, redemption provisions and other terms specific to the 2024 Bonds.

### **The 2024 Series A Bonds Secured by the Prior Bonds Reserve Subaccount**

The 2024 Series A Bonds shall be secured by the Prior Bonds Reserve Subaccount. At closing of the 2024 Series A Bonds, the balance in the Prior Bonds Reserve Subaccount will be at least equal to the Prior Bond Reserve Requirement for the Prior Bonds Reserve Subaccount, calculated as if the 2024 Series A Bonds and the 2024 Series B Bonds are Outstanding and the 2014 Series A Bonds are defeased pursuant to the Master Indenture and the 2021 Series B Bonds that are refunded, redeemed, or purchased through tender are no longer Outstanding.

### **The 2024 Series B Bonds Secured by the Prior Bonds Reserve Subaccount**

The 2024 Series B Bonds shall be secured by the Prior Bonds Reserve Subaccount. At closing of the 2024 Series B Bonds, the balance in the Prior Bonds Reserve Subaccount will be at least equal to the Prior Bond Reserve Requirement for the Prior Bonds Reserve Subaccount, calculated as if the 2024 Series A Bonds and the 2024 Series B Bonds are Outstanding and the 2014 Series A Bonds are defeased pursuant to the Master Indenture and the 2021 Series B Bonds that are refunded, redeemed, or purchased through tender are no longer Outstanding.

### **The 2024 Series C Bonds Secured by the 2007 Reserve Subaccount**

The 2024 Series C Bonds shall be secured by the 2007 Reserve Subaccount. In connection with the issuance of the 2007 Series A Bonds, the Trustee created and has maintained the 2007 Reserve Subaccount. The 2014 Series B Bonds refunded a portion of the 2007 Series A Bonds and, at that time, the Issuer elected to secure the 2014 Series B Bonds with the 2007 Reserve Subaccount and extend the 2007 Reserve Credit Facility to the 2014 Series B Bonds. Additionally, the 2007 Reserve Credit Facility shall extend to the 2024 Series C Bonds. No additional deposit shall be made to the 2007 Reserve Subaccount at closing of the 2024 Series C Bonds because the balance in the 2007 Reserve Subaccount (based on the 2007 Reserve Credit Facility) is equal to the Reserve Requirement for the 2007 Reserve Subaccount, calculated as if the 2024 Series C Bonds are Outstanding and any 2014 Series B Bonds refunded by the 2024 Series C Bonds are legally defeased under the Master Indenture.

### **The 2024 Series D Bonds Secured by the 2009 A&B Reserve Subaccount**

The 2024 Series D Bonds shall be secured by the 2009 A&B Reserve Subaccount. In connection with the issuance of the 2009 Series A Bonds, the Trustee created and has maintained the 2009 A&B Reserve Subaccount. The 2014 Series C Bonds refunded certain of the 2009 Series A Bonds and, at that time, the Issuer elected to secure the 2014 Series C Bonds with the 2009 A&B Reserve Subaccount. At closing of the 2024 Series D Bonds, the balance in the 2009 A&B Reserve Subaccount will be at least equal to the 2009 A&B Reserve Requirement for the 2009 A&B Reserve Subaccount, calculated as if the 2024 Series D Bonds are Outstanding and the 2014 Series C Bonds are legally defeased under the Master Indenture.

### **Tax Matters**

The Issuer and the Department covenant with respect to the 2024 Tax-Exempt Bonds:

The Issuer and the Department shall comply with each requirement of the Code necessary to maintain the excludability of interest on the 2024 Tax-Exempt Bonds from gross income for Federal income tax purposes.

The Department shall make any and all payments required to be made to the United States Department of the Treasury in connection with the 2024 Tax-Exempt Bonds pursuant to Section 148(f) of the Code. Such payments shall not be made from amounts deposited in the Debt Service Account or the Reserve Account, but shall be made from the Rebate Fund.

Notwithstanding any other provision of the Master Indenture to the contrary, so long as necessary to maintain the exclusion from gross income of interest on the 2024 Tax-Exempt Bonds for federal income tax purposes, the tax covenants contained in the Thirty-Third Supplemental Indenture shall survive the payment of the 2024 Tax-Exempt Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Master Indenture.

Neither the Issuer nor the Department shall take or permit any action or fail to take any action the taking or omission of which would cause the 2024 Tax-Exempt Bonds to constitute private activity bonds within the meaning of Section 141(a) of the Code, and the Issuer and the Department shall not take or permit any action or fail to take any action which would cause the 2024 Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

### **Proposed Amendments**

By purchasing any of the 2024 Bonds, Owners of the 2024 Bonds are deemed to have irrevocably consented to the proposed amendments. The State may put an amendment described in this section into effect only if the State receives consent of each Insurer of Bonds that is affected by the amendments and has reserved the right to consent to amendments, and the consent of Owners of not less than fifty-one percent in aggregate principal amount of all Outstanding affected Bonds for which there are no Insurers, either because Owners are deemed to have consented to the amendment or the State has obtained consent as provided in the Master Indenture of Trust.

All Owners of Bonds issued on or after April 2, 2009 have been deemed to consent to the following amendments:

1. If the provider of a GIC and all guarantors are bankrupt or insolvent and the GIC is not fully collateralized the State shall replace the uncollateralized amount of the GIC by depositing Unobligated Net Lottery Proceeds into the Reserve Account pursuant to the Master Indenture over a period of five years in substantially equal annual amounts.

The following limitation is placed on the consent given by the Owners of the 2024 Bonds to the proposed amendment described in this section 4 of the General Amendments. The State shall not implement this amendment in a way that would reduce the amount that the State would otherwise be required to request from the Legislative Assembly or the Emergency Board under the Master Indenture below an amount sufficient to restore the balance in each subaccount of the Reserve Account to an amount that is at least equal to the amount of the next scheduled withdrawal from the Debt Service Account to pay principal, interest and any premium on the Bonds that are secured by that subaccount.

2. If a Reserve Credit Facility Provider and any reinsurer or guarantor of the obligations of that Reserve Credit Facility Provider under a Reserve Credit Facility are bankrupt or insolvent, the Reserve Credit Facility shall be deemed to have no value and the State shall replace the affected Reserve Credit Facility by depositing Unobligated Net Lottery Proceeds into the Reserve Account pursuant to the Master Indenture over a period of five years in substantially equal annual amounts.

3. The State may issue Additional Bonds if all required deposits to all subaccounts of the Reserve Account have been made, notwithstanding that one or more subaccounts may contain less than their Reserve Requirements.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



**APPENDIX D**

**PROPOSED FORM OF BOND COUNSEL OPINION**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

[\_\_\_\_\_, 2024]

Oregon State Treasury  
867 Hawthorne Ave. S.E.  
Salem, Oregon 97301

Oregon Department of Administrative Services  
155 Cottage St. N.E.  
Salem, Oregon 97301

Subject: State of Oregon Department of Administrative Services  
Oregon State Lottery Revenue Bonds  
\$[2024A Principal] 2024 Series A (Tax-Exempt Projects & Refunding)  
\$[2024B Principal] 2024 Series B (Federally Taxable Projects)  
\$[2024C Principal] 2024 Series C (Tax-Exempt Refunding)  
\$[2024D Principal] 2024 Series D (Tax-Exempt Refunding)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the State of Oregon (the “State”), of its Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series A (Tax-Exempt Projects & Refunding) (the “2024 Series A Bonds”), its Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series B (Federally Taxable Projects) (the “2024 Series B Bonds”), its Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series C (Tax-Exempt Refunding) (the “2024 Series C Bonds”), and its Department of Administrative Services Oregon State Lottery Revenue Bonds, 2024 Series D (Tax-Exempt Refunding) (the “2024 Series D Bonds”), and together with the 2024 Series A Bonds, the 2024 Series B Bonds and the 2024 Series C Bonds, the “2024 Bonds.” The 2024 Series A Bonds, the 2024 Series C Bonds, and the 2024 Series D Bonds are collectively referred to herein as the “Tax-Exempt Bonds.”

The 2024 Bonds are issued pursuant to a Fifth Amended and Restated Master Indenture of Trust dated as of April 5, 2017, as amended and supplemented (the “Master Indenture”) between the State and MUFJ Union Bank, N.A., as the prior trustee, including by a Thirty-Third Supplemental Indenture of Trust dated as of [\_\_\_\_\_, 2024] (the “Thirty-Third Supplemental Indenture” and collectively with the Master Indenture, the “Indenture”), between the State and U.S. Bank Trust Company, National Association (the “Trustee”). Capitalized terms used but not defined herein have the meanings defined for such terms in the Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the 2024 Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the State in the Indenture and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2024 Bonds are legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Indenture, and constitute valid and legally binding obligations of the State that are enforceable in accordance with their terms.
2. The 2024 Bonds are special obligations of the State, payable solely from the Unobligated Net Lottery Proceeds of the Oregon State Lottery and the other Pledged Revenues specified in the Indenture, and

from any Appropriated Funds the State may provide. The State has no legal obligation to provide Appropriated Funds.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however, interest on the Tax-Exempt Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. [Bond counsel further is of the opinion that, for any Tax-Exempt Bond having original issue discount (a “Discount Bond”), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.] In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the State, the State Department of Administrative Services (the “Department”) and others in connection with the Tax-Exempt Bonds, and we have assumed compliance by the State, the Department and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that, for federal income tax purposes, interest on the Tax-Exempt Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Tax-Exempt Bonds, restrictions on the investment of proceeds of the Tax-Exempt Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Tax-Exempt Bonds, the Department will execute a Tax Certificate (the “Tax Certificate”) containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Department covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Tax-Exempt Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Tax-Exempt Bonds, and (ii) compliance by the Department with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the 2024 Series B Bonds is not excludable from gross income for federal income tax purposes.

5. Interest on the 2024 Bonds is exempt from Oregon personal income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the 2024 Bonds or the ownership or disposition thereof, except as stated in paragraphs 3, 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

The portion of this opinion that is set forth in paragraph 1 above is qualified only to the extent that enforceability of the 2024 Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the State.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the State in connection with the 2024 Bonds and have not represented and are not representing any other party in connection with the 2024 Bonds. This opinion is given solely for the benefit of the State in connection with the 2024 Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the State, the owners of the 2024 Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



## CONTINUING DISCLOSURE CERTIFICATE

**State of Oregon**  
**Department of Administrative Services**  
**Oregon State Lottery Revenue Bonds**  
**[\$[2024A Principal] 2024 Series A (Tax-Exempt Projects & Refunding)**  
**[\$[2024B Principal] 2024 Series B (Federally Taxable Projects)**  
**[\$[2024C Principal] 2024 Series C (Tax-Exempt Refunding)**  
**[\$[2024D Principal] 2024 Series D (Tax-Exempt Refunding)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the State of Oregon, acting by and through its State Treasurer (the “State”), and its Department of Administrative Services (the “Department” and together with the State, the “Issuer”) in connection with the issuance of the above-captioned bonds (collectively, the “Securities”). The Securities are being issued pursuant to a Fifth Amended and Restated Master Indenture of Trust dated as of April 5, 2017, as amended and supplemented (the “Master Indenture”), including by a Thirty-Third Supplemental Indenture of Trust dated as of [\_\_\_\_\_, 2024] (the “Thirty-Third Supplemental Indenture”). The Master Indenture and the Thirty-Third Supplemental Indenture are executed by and between the State, the Department, and U.S. Bank Trust Company, National Association, as Trustee. The Master Indenture and the Thirty-Third Supplemental Indenture are collectively referred to herein as the “Indenture.” The Issuer covenants as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the State for the benefit of registered and beneficial holders of the Securities and to assist the underwriters of the Securities in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”).

Section 2. Annual Financial Information. The State, as the “obligated person” for purposes of the Rule, hereby agrees to provide or cause to be provided at least annually to the Municipal Securities Rulemaking Board (the “MSRB”), the financial information regarding the State of the type set forth in (i) Tables 8 through 12, 14, 16 through 19, and 23 through 27, which are presented in Appendix A “General Information Relating to the State of Oregon” of the official statement for the Securities that is dated [\_\_\_\_], 2024, as may thereafter be amended and supplemented (the “Official Statement”), and (ii) the audited “Basic Financial Statements of the Oregon State Lottery for the Fiscal Year Ended June 30, 2023” which are presented in Appendix B of the Official Statement.

The annual financial information described above will be available no later than nine months after the end of the preceding fiscal year, beginning with the State’s fiscal year ending June 30, 2024. Such information will include audited financial statements prepared in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board as in effect from time to time; provided, however, that if audited financial statements are not available within nine months after the end of the preceding fiscal year, unaudited financial statements will be provided with audited financial statements to follow when available.

Certain items of annual financial information may be provided by way of cross reference to other documents previously provided to the MSRB.

Section 3. Material Events. The State agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
- (g) Modifications to the rights of Security holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o) Incurrence of a financial obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect Security holders, if material. For the purposes of this paragraph (o) and paragraph (p) below, “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); the term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule;

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the State, any of which reflect financial difficulties.

The State may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the State, such other event is material with respect to the Securities, but the State does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. Failure to File Annual Financial Information. The State agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the State to provide the annual financial information described in Section 2 above on or prior to the time set forth in Section 2.

Section 5. Dissemination Agent. The State may, from time to time, engage or appoint an agent to assist the State in disseminating information hereunder (the “Dissemination Agent”). The State may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 6. Termination of Obligations. Pursuant to paragraph (b)(5)(iii) of the Rule, the State’s obligation to provide annual financial information and notice of material events, as set forth above, shall terminate if and when the State no longer remains an obligated person with respect to the Securities or upon either the prepayment in full of the Securities or the legal defeasance of the Securities. In addition, and notwithstanding the provisions of Section 8 below, the State may rescind its obligations under this Certificate, in whole or in part, if (i) the State obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Securities, and (ii) the State notifies and provides the MSRB a copy of such legal opinion.

Section 7. Enforceability and Remedies. The State agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Securities and shall be enforceable by or on behalf of any such holder; provided that, the right of any Security holder to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders representing at least twenty-five percent (25%) of the aggregate outstanding principal amount represented by the Securities. Any failure by the State to comply with the provisions of this Certificate shall not be an event of default under the Indenture, or any other

documents executed in relation to the Securities. This Certificate confers no rights on any person or entity other than the State, holders of the Securities, and any Dissemination Agent.

Section 8. Amendment. The State may amend this Certificate without the consent of holders of the Securities under the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interest of holders of the Securities, as determined either by parties unaffiliated with the State (such as nationally recognized bond counsel), or by approving vote of holders representing at least sixty percent (60%) of the aggregate outstanding principal amount represented by the Securities, as applicable.

The State shall provide to the MSRB notice of any amendment that changes the accounting principles followed by the State in preparation of its annual financial information. The initial annual financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

Section 9. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access (“EMMA”) continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is [emma.msrb.org](http://emma.msrb.org).

Section 11. Choice of Law. This Certificate shall be governed by and construed and enforced in accordance with the laws of the State of Oregon without regard to principles of conflicts of laws, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 12. Counterparts. This Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

*[signatures follow]*

Dated as of [\_\_\_\_\_, 2024].

**State of Oregon**

---

Authorized Officer  
Debt Management Division  
Office of the State Treasurer

**Oregon Department of Administrative Services**

---

Authorized Officer

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## APPENDIX F

### DESCRIPTION OF DTC AND ITS BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the 2024 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the 2024 Bonds. For example, Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the State or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, the State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE STATE BELIEVES TO BE RELIABLE, BUT THE STATE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE STATE NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES OR BENEFICIAL OWNERS WITH RESPECT TO DTC'S RECORD KEEPING, PAYMENTS BY DTC OR PARTICIPANTS, NOTICES TO BE DELIVERED BY DTC, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2024 BONDS.



So long as Cede & Co. is the registered owner of the 2024 Bonds, as nominee for DTC, references herein to the holders or registered owners of the 2024 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2024 Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given the State or the Fiscal Agent shall send them to DTC only.

For every transfer and exchange of the 2024 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

