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Testimony in Support of House Bill 2007  
House Committee on Business and Labor

State Representative Tina Kotek  
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When voters approved a change to the Oregon Constitution to permit lottery games, they were not voting to support the creation of casinos in their own neighborhoods. However, today, some lottery retailers operate as de-facto casinos because they are allowed to generate more than half of their net income from lottery profits while keeping their reported lottery sales under 50% of their gross revenue. The Oregon Lottery Commission monitors retailers through administrative rule, but I believe a stronger directive from the Legislature is needed to clarify the definition of a "casino." The administrative rule only addresses gross revenue, and consequently, some retailers have been able to concentrate most of their business on lottery sales with impunity. House Bill 2007 seeks to establish a definition of "casino" for lottery retailers.

I introduced House Bill 2007 on behalf of my constituents on Hayden Island. In my district in North Portland, there is an area on Hayden Island that has a concentration of 12 liquor-licensed lottery establishments in a strip mall that is commonly called "Lottery Row." This area has experienced a growth in crime that has grown proportionally to the proliferation of these establishments over the past five years. I have heard many proposals to address the issue of "Lottery Row" and have worked closely with the Oregon Lottery Commission to address this problem administratively. While we have made some progress, more still needs to be done.

Some of my constituents would like to see us limit the number of liquor licenses and hence lottery retailers by setting concentration limits. The challenge I see with this approach is that there is no consensus on the parameters of what might constitute saturation. How do we determine which retail contracts would be preferred over others in the event that saturation affects an area? Another problem I see with this approach is that businesses who are good actors and don't appear to be casinos may be negatively affected. I believe House Bill 2007 addresses problems like those we see at "Lottery Row" at a more intrinsic level by requiring entities with lottery contracts to establish viable, community-enriching businesses that are supported by more than lottery sales and the sale of inexpensive cigarettes and liquor.

To honor voter intent, House Bill 2007 would define a "casino" as a retailer who makes more than half of its profits from lottery sales. Lottery retailers who have been operating as "casinos" would need to alter their business model to be a real restaurant or bar with other amenities in order to continue to operate. I think this honors voter intent and levels the playing field for real restaurants and bars who also offer lottery games in their establishments.

I encourage your support and thank you for your attention.