

**Testimony to Human Services and Housing Committee  
February 8, 2013**

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Oregon State Police  
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Chair Tomei, Vice Chairs Gomberg and Olson and members of the Committee, my name is Craig Durbin. I currently serve as a Major with the Oregon State Police and in this capacity I am the Assistant Director for Security at the Oregon State Lottery. I am here today to provide information to you regarding the history of gray machines in Oregon and gaming as a whole. The Department is taking a neutral position on this bill.

During the 1989 Legislative Session, the Oregon Legislature passed a bill that would have authorized the Oregon Lottery Commission to operate video poker machines in Oregon as part of the games that were already being offered by the Lottery. However, in that bill there was an opt-out clause for those Oregon counties that did not want video poker in their local jurisdiction. At that time, 35 of Oregon's 36 counties opted out, citing that they already had too many enforcement issues with the gray games that privately owned companies were supplying to local bars, taverns, and restaurants. The gray games were commonly used for illegal gambling. This was because the establishment owners were unlawfully paying players for their winnings on the games. With 35 of the 36 counties opting out, the legislation was essentially dead.

In the 1991 session, legislation was again introduced to authorize the Oregon Lottery Commission to run video poker machines. But in this version of the bill (HB 3151), there was a prohibition against the gray machines.

Before the implementation of the Lottery's operation of video lottery several steps were taken to assure the Governor's request of, "her desire to have the most tightly controlled security-conscious video lottery system in the country." Two of these steps were; public hearings and a review of the Lottery's preliminary plans by then Major Dean Renfrow of the Oregon State Police in consultation with the Department of Justice (DOJ).

The Oregon Lottery Commission held seven public hearings around the state; it was widely-known by law enforcement that retailers were using gray machines for unlawful gambling activities and using the profits to enhance their revenue. News articles (see attached) associated with the public hearings held by the Lottery Commission quoted retailers as saying that they relied on the gray machines for as much as 40% of their business profits. One tavern owner was quoted in the Eugene Register-Guard (November 8, 1991) as saying, "No tavern owners are willing to publicly admit that they break the law by making payoffs on video poker machines. But speaking off the record, many concede that the practice is commonplace. You can take one look at these machines and tell they're not just for amusement."

The review of the Lottery's video lottery system plan produced a report to the Oregon Lottery Commission (see attached).

This report led to the foundational regulatory framework that exists today in the Oregon Lottery's video lottery system and addressed the concerns of cities and counties across the state, in addressing the gray machine concerns initially raised following the 1989 Legislative Session.

The regulatory concerns raised in here in Oregon in 1989 do exist today across the East Coast with gray machines that allow for casino style games, which are found in internet sweepstake cafes. I have included a published report by the American Gaming Association (see attached) that provides additional information on this topic.

This concludes my testimony I will be happy to take any questions.