

## House Committee On Business and Labor

### SB 1537

#### Testimony of Lee Shannon, Attorney for the Klamath Tribes, 503-242-1745

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Chair Doherty, members of the Committee, my name is Lee Shannon. I am an attorney for the Klamath Tribes, one of the federal recognized Indian Tribes in Oregon. The Klamath Tribes are located in Klamath Falls, Oregon. I live in Portland. Thank you for the opportunity to testify in opposition to SB 1537 as drafted.

I am providing in writing some of the Klamath Tribes' concern with Senate Bill 1537. Senate Bill 1537, which we understand has been presented as merely implementing technical changes to prior attempts at creating private gaming (contained in in House Bill 2613). House Bill 2613 was of some concern in that it created private gaming, but the machines that could be used could not run afoul of Oregon's prohibition on slot machines. The interaction of Senate Bill 1537 (as drafted) and the prior House Bill 2613 raises significant concerns to the Klamath Tribes about wide-spread private casinos or racinos (combined race tracks and casinos) in Oregon.

**Proposed Senate Bill 1537.** Senate Bill 1537 in this legislative session, like House Bill 2613 previously, amends ORS Chapter 462 Racing and it provides for modification of the term "mutuel" used throughout the ORS Chapter 462 Racing which allows amounts from a mutuel pool to be carried forward and included in a later pool. Senate Bill 1537 also provides for a delegation of authority for the Oregon Racing Commission to adopt rules to identify the forms of mutuel wagering that the race meet licensees are allowed to offer; and provides that any machine that is used for the purpose of for the purpose of mutuel wagering in accordance with Oregon Racing Commission rules shall not be a slot machine or gray machine for purposes of ORS Chapter 167.108-167.164 (Gambling Offenses).

On its face, the Senate Bill 1537 concerns raised here are that it:

- (i) Sections (i) and (iii) specifically provide for the use of machines that would otherwise constitute slot machines or gray machines.
- (ii) Section (ii) above delegates to the Oregon Racing Commission overly broad additional authority to identify further forms of mutuel wagering that may be offered.

Senate Bill 1537 creates a whole new form of private gaming using machines that would otherwise constitute slot machines and specifically exempts their use from Oregon criminal laws pertaining to slot machines without providing for a strict regulatory regime in place to

protect public safety. The lack of a strict regulatory regime in this bill and the prior bill leaves this newly created private gaming vulnerable to organized crime.

These gaming devices being authorized are slot machines. These are not devices that serve as a sports classic channel that allows a fan to relive exciting sports history. These types of devices display traditional slot machine displays that align in a line game display, i.e., three sevens, three cherries, three mega winner symbols, etc. In a small corner of the display they possess a small window that briefly momentarily shows the end of a race. These types of devices may use random number generators to select amongst tens of thousands of outcomes of old races, and may use random number generators to select horses in those races.

The player experience is the experience of a slot machine and is not the experience of the sport of kings.

**Combining the House Bill 2613 and Senate Bill 1537 yields:**

- (i) no geographical limits as to license holders (may have one wherever one may have or could obtain a license);**
- (ii) no limits on the number or type of machines (a venue could have hundreds or thousands of machines);**
- (iii) no limits on the hours of operation (venue may operate 24 hours a day, 365 days per year);**
- (iv) no strict regulatory scheme in place (venue vulnerable to organized crime);**
- (v) authorizes private gaming in Oregon (legitimizes private casinos);**
- (vi) use of gaming machines that would violate current law relative to mutuel wagering;**
- (vii) exemption of gaming machines that would be used from Oregon criminal laws related to slot machines; and**
- (viii) broad delegation of authority to the Oregon Racing Commission regarding identifying forms of such mutuel wagering allowed to be offered.**

The legislation doesn't contain a geographic restriction or a numerical restriction on the number or type of machines. It also doesn't provide for a strict regulatory regime to safeguard the public.

The Klamath Tribes are concerned about the creation of private gaming in Oregon. However, such legislation would be of less concern if the language of the legislation: (i) was specifically

and explicitly limited to Portland Meadows; (ii) implemented a strict regulatory regime; (iii) provided for an explicit limited number of machines that displayed the full race in real time; (iv) provided that the outcome of the game played was not displayed until the race was completed; (v) provided that the device displaying the race (and all related equipment) complied with the best industry standards to preserve the integrity of the game; (vi) provided that an independent testing laboratory approved by the Commission certifies that each device complies with the best industry standards and with minimum internal controls and other rules established by the Commission; and (vii) provided that the manufacturers and vendors of all equipment used in determining the amount of winnings and/or display of the race be duly licensed by the Commission after a thorough background investigation was conducted by the Commission and after a determination by the Commission that the manufacturer or vendor is suitable for conducting business.

The Klamath Tribes request that the Committee delay voting on this legislation until there is an evaluation as to whether sufficient regulatory oversight will be in place for this significant expansion of private gaming in Oregon and that an analysis of the effect of this legislation on the gaming compact negotiated with the Klamath Tribes.

Thank you for giving me an opportunity to testify today. I am happy to answer any questions.