

Charles A. Kuffner, Jr.
Justice of the Supreme Court State of New York Retired
283 N. Hayden Bay Drive
Portland OR 97217
503-577-6267
Email: cakjscr@comcast.net

April 1st, 2015

Representative Alissa Keny-Guyer, Chair
House Human Services & Housing Committee
136 State Capitol Building
900 Court Street, NE
Salem, Oregon 97310

Re: Public Hearing, HB 3316,

Dear Representative Keny-Guyer and Committee Members:

This is a formal statement of testimony I intend to offer at your hearing on this piece of proposed legislation.

I support the testimony by Mr. Martin Slapikas of the Board of HINooN and my concern is that what happened on Hayden Island with the outrageous expansion of licensed video gambling/lottery should not be inflicted on any other small community in the State.

Historically, the Oregon Lottery Commission (OLC) exercised real oversight and management of this emerging industry. In November 1997 the OLC reviewed some 22 contracts held by Oregon Restaurant Supply Inc. (ORSI) relying on the Oregon Constitution Article XV (4), OSL Act, Sec 461 and OSL Administrative Rule 177.

Based on ORSI's accounting practice of complimentary food and beverages being given retail value, the Constitutional maximum for lottery income was not exceeded. However, OSL did an internal review of the required business records and determined that ORSI was out of compliance with the Constitution and were directed to develop and implement a plan to bring ORSI's establishments to comply. ***See ORSI vs. OSL & OLC 112 P.3^d 398, 199 Or. App. 545.***

What we have experienced since 1997, especially on Hayden Island is a pervasive "selective non-enforcement" of the current OAR 177-040-0061 (5)(d) which basically is the same grant of authority to "review" licensees, book, records, etc. that existed in 1997. As a result the Constitution has been ignored.

If this committee has the time to review the antidotal evidence we have collected, such as the opinion of a leading Economist quoted in the local Portland newspaper that " *if it wasn't for the lottery, there would be not Dotty's.....and that they lose money on food and beverages... Dotty's is a casino business*".

Portland Tribune 3/28/2012.

In a letter to Rep. Tina Kotek, Mr. Dan Fischer, President of ORSI baldly states, "*we rely on gambling profits*"

Lastly, since we have no authority to request or examine lottery/video gambling book and records, we did receive from Rep. Kotek financial information that as of reporting date 9/23/2011, Doty's #24 reported \$3,571,317 in non-lottery sales. Compared to the average food and non-alcoholic beverages SOLD in a MacDonald's is approximately \$2 million; Dotty's #24 considering the size of that establishment \$3+ million in non-lottery sales defies belief.

Certainly, HINooN is very concerned about the future of HB 3316 – which hopefully gains support so that there is a tightening up of the "no Casino" rule and puts it into statute, 50% of net revenue must come from non-lottery sources.

When you consider that the predominately cash lottery/video industry is held to an income reporting standard that defies any principle of good business practice, "***self-reporting***" of non and lottery income and is not sworn to or affirmed to be true and correct under the penalty of perjury, to what the citizens of this state must wonder is how reliable are these lottery/video revenues?

How can OLC manage, oversee or regulate this industry without random and regular "reviews" as was accomplished by OLC in 1997? Please review the OLC "*self-reporting*" provided form by OLC and ask yourselves, is this "*self-reporting*" in the best interests of the industry or does it serve the mandate of the constitution limitation on the non-lottery income? Please study the official OLC "self-reporting" form supplied by Mr. Martin Slapikas of HInoon.

Moreover, we would urge this committee and the legislature collectively to enforce the mandate given to the OLC to manage, oversee and insure constitutional compliance with the limitation of lottery income. In the final analysis OLC is still a creature of the legislature and responsible to be held to good business practices.

Respectfully submitted,

