

Chair:

Rep. John Lively
Sen. Sara Gelsler Blouin

Members:

Rep. Andrea Valderrama
Rep. Kim Wallan
Rep. Boomer Wright
Sen. Dick Anderson
Sen. Lynn Findley
Sen. Chris Gorsek

Staff:

Leslie Porter, LPRO Analyst
Michael Lantz, LPRO Analyst
Sarah Clampitt, Committee Assistant



81st LEGISLATIVE ASSEMBLY
JOINT COMMITTEE ON GAMBLING REGULATIONS

State Capitol
900 Court St. NE, Rm. 453
Salem, OR 97301
503-986-1813
FAX 503-986-1814

Dear Speaker Rayfield and President Courtney,

Thank you for giving us the opportunity to co-chair the Interim Joint Committee on Gambling Regulation. We have enjoyed this opportunity and believe it has been a worthy endeavor with the potential for much more exploration and possible policy recommendations. In addition to the formal report regarding the work of the committee, we wanted to share our own observations and recommendations. These come from our experience on the committee as well as from our meetings (some jointly, some separately) with many stakeholders in this policy area. We hope these observations and recommendations will be helpful to you as you weigh how the Legislature might most effectively manage this complex policy area.

Key Observations from the Co-Chairs

General

- Gambling is a complex policy area that touches a wide variety of stakeholders—from Tribal Nations to local lottery retailers to for profit entrepreneurs from out of state. Despite this, our review of regulation in Oregon suggests that the state has lacked a coordinated strategy for considering these issues. As a result, we have a series of “one off” decisions that can be confusing and/or costly. For instance, the lack of understanding of emerging technology and the impact of that technology on Tribal nations led to honest mistakes that were costly and controversial with the Flying Lark project.
- Each of the federally recognized tribes in Oregon has an interest in Tribal gaming, but these issues are not always aligned. It is critical to recognize there are different needs and priorities driving the actions and positions of each Tribe and sometimes these needs and priorities create competition and even acrimony between Tribes. It is critical when exploring these issues to have distinct conversations with each Tribe.
- Although we may engage in significant discussions about tribal gaming and the process of siting new casinos is very political, the Oregon Legislature does not have authority to

regulate Tribal Gaming. Further, we could find no evidence that any “One Tribe, One Casino” policy by the Federal Government or State of Oregon has been formally adopted or exists in any written form.

- For tribal communities, gambling revenue is not just about market share and profitable business. Gambling revenue is key to funding essential services for tribal communities including health care, education, and public safety. When outside competition encroaches on the revenues of tribal casinos, this translates into reduced essential services for the people of Oregon’s indigenous communities.
- The history of treaties, land acquisition and loss and destruction of natural resources that supported tribal economies are directly relevant to discussions of Tribal gaming and the potential impacts of expansion of state or private efforts to increase revenues from gambling.

Technology and Games

- Technology has outpaced regulation in Oregon and most policy makers are not aware of how this technology has changed the gambling experience. This is relevant to issues such as addiction and problem gambling, which non-tribal gambling activities impact Tribal casinos and the ability for lottery retailers to maintain a customer base with their existing technology.
- Prior to modern advances in technology, a player could generally see a distinct difference between a slot machine, a bingo game, and a historic horse racing terminal. Today, technology is deployed in a way that allows both Bingo and Historic Horse Racing to present as traditional slot machines. Although the mechanism by which the player’s “luck” is determined varies across these categories, the player experience is often indistinguishable.
- Technology may have the capacity to work around many existing gambling regulations.

Horse Racing

- Despite what appears to be a relatively small presence of horse racing activities in Oregon, millions of dollars from other states flow through the Oregon Racing Commission from races that are run in other states.
- A few County fairs in Oregon support horse racing as one of the activities available to local citizens who attend the fairs, however they are struggling with revenue needed to support horse racing at the local level.
- For some, horse racing is about betting and business. For others, it’s about a way of life and a sport. When considering issues related to racing it’s important to recognize these distinct interests.
- Betting on historic horse racing is not connected to live horse racing, but has been offered in several different formats over the years in Oregon.

Poker

- Though this committee did not explore poker, we did receive many inquiries from those interested in poker. This ranged from individuals concerned that Oregon's current social poker statutes are contradictory and could put some honest players or hosts at risk of prosecution to out of state organizations that would like to expand Texas style poker rooms into Oregon.

Mobile Sports Betting

- There is significant interest from a variety of proprietors in the expansion of mobile sports betting in Oregon. Sport Oregon is also a significant and vocal proponent of this expansion.
- Other states have seen significant increased revenue from expanded sports betting. Along with the increased revenue has come increased addiction and problem gambling.
- Oregon's structure for taxing sports betting is different than most states. It is unclear how Oregon would recognize public revenue under this structure for endeavors outside the Oregon lottery system.
- Tribes, lottery retailers and advocates for treatment of problem gambling express significant concerns about the expansion of this product.
- Increasing interest in this area comes from many different groups and game providers urging expansion often based on "lost revenue" and/or illegal betting already taking place.

Lottery

- The Oregon Legislature has much more authority to regulate Oregon Lottery operations than previously understood. While the Oregon Lottery is identified in the Oregon State Constitution, significant regulatory control was actually placed into statute. This is contrary to what we believe was the common understanding of the Legislature's potential authority to create policies under which the Oregon Lottery Commission must operate.
- Oregon's system of leasing lottery terminals to lottery retailers creates unique challenges related to technology. An individual retailer is not able to upgrade their machines. Instead, machine upgrades and replacements must be done equitably on a statewide basis. This makes it very difficult to move Oregon away from antiquated machines that have fewer options for play and to implement technology used in many other markets to address problem gambling.
- Oregon has a significant commitment to Oregon lottery bonds and any changes in lottery regulation could affect Oregon's bond rating or require the use of general fund to meet lottery bond debt obligations.
- Expansion of handheld/remote lottery games raises concerns for both lottery retailers and Tribes. Both express concerns about loss of revenue should such games be expanded. Such expansion also raises significant concerns for those in the treatment

and problem gambling community, as such games increase the risk for problem gamblers.

Treatment and problem gambling

- Despite some dedicated funding for problem gambling treatment, Oregon's capacity to meet the needs of problem gamblers is not sufficient.
- There is a neurobiological basis for gambling addiction and problem gambling that is not well understood. High quality, evidence-based treatment is essential to helping those trying to address problem gambling.
- Treatment for problem gambling is frequently overlooked in other discussions related to treatment and recovery. Yet, problem gambling can be as destructive as substance or alcohol misuse.

Recommendations

- Gambling is a complex policy area with profound economic impacts on Tribal nations, small business owners, gambling consumers, out of state organizations and individuals. There are also substantial impacts on health, well-being and culture across the state. It is important that moving forward, any policy proposals related to gambling regulation consider these issues. It would be most ideal to have a dedicated policy committee for all related bills to flow to.
- This committee has just scratched the surface of these issues. Perhaps with the exception of an expansion of treatment services, it may be wise to put a "pause" on any expansion of non-tribal gambling in Oregon or implementation of new policies until the Legislature is able to complete a comprehensive study.
- The Legislature should pay careful attention to the upcoming release of the Secretary of State's audit of the Oregon Racing Commission.
- Although not required by statute, we believe it is essential that any future consideration of non-tribal gaming expansion includes exhaustive examination of the potential impacts on Tribal economies and services as well as to the impact on addiction and problem gambling.
- We need further examination of whether there are policies or practices that contribute to the negative impacts of gambling on BIPOC and rural communities.
- The Legislature should embrace its statutory authority to create parameters under which the Oregon Lottery Commission should operate.
- The Legislature should examine whether current policies are sufficient to regulate non-tribal gaming in Oregon given advances in technology.

Finally, we respectfully recommend that the presiding officers appoint a Joint Committee on Gambling Regulation for the 2023 session that would meet intermittently. This committee would be able to consider any policy proposals that do come forward related to gambling, including the Oregon Lottery, sports betting, racing, poker and problem gambling treatment and prevention. It would also be able to continue its study of these issues so that Oregon can

be better prepared to create a thoughtful regulatory framework moving forward. We do not anticipate this committee would need to meet regularly, but rather simply at the call of the Chairs as time allows and as policies are referred to the committee. We also recommend the Joint Committee continue in the interim to continue building a long-term framework for handling these issues with the time and focus the interim will allow.

Thank you again for allowing us the opportunity to explore this fascinating policy area. We look forward to answering any questions you might have and watching this work continue to evolve in the months and years ahead.

Sincerely,

Sara A. Gelsner Blouin

Senator Sara Gelsner Blouin, Co-Chair

John Lively

Representative John Lively, Co-Chair