



October 6, 2021

Dear Governor Brown, Senate President Courtney, Senator Girod, Speaker Kotek, and Representative Drazan:

As you know, we have been concerned about the trajectory of state-regulated gaming in Oregon. It has been 25 years since the last comprehensive review of state gaming. Gaming technology has advanced dramatically over these 25 years. The state's regulatory framework has not evolved to reflect new technology or its impacts on the public. We are at a critical moment where the state is about to approve the largest expansion of state-regulated gambling in decades without public or legislative input.

Others share our concerns. A coalition of problem gambling organizations, tribal governments, and the Oregon Restaurant and Lodging Association advocated for legislation to create a Task Force on Gambling last session. It had bipartisan support. The purpose was to better understand the current landscape of gaming in a digital age and ensure Oregon has the right policies and regulatory oversight to balance economic development, entertainment, tribal sovereignty, and addiction prevention. Last month, the same coalition requested the legislature establish a special joint committee to do the work described in the task force bill. We have not heard from legislative leaders on this request.

We know the demands on your time are great and there are many pressing issues. We face the same challenges. This issue, however, is too important to ignore. The Governor's direction to the Lottery to cease any expansions to mobile and handheld devices was a positive development and we appreciate such leadership on lottery policy. However, lottery expansion is just one part of a larger puzzle where technological advances are fundamentally transforming the gambling industry in ways no one in Oregon state government seems to fully appreciate.

Gaming equipment companies are taking steps to introduce a new generation of historic racing machines (HHRs) in Oregon, possibly this fall. In light of this, we could not continue waiting for the state to initiate a gaming study. In an attempt to understand more about an industry that is trying to expand in Oregon with very little transparency and regulatory oversight, we commissioned two studies so that our governments, the state government, and the public have accurate information about what is being proposed as it relates to HHRs.



The two studies examine the evolution of HHRs, the kind of games, functionality, and speed of the newest generation of HHRs, and their impacts in states that allow them. The studies also evaluate the impacts on the live horse race industry, on tribes, and the state lottery. Key findings include:

- HHR machines are not pari-mutuel.
- HHR machines are nothing other than slot machines from a player perspective.
- There is no evidence HHR machines expand live horse racing.
- Oregon's effective tax rate on HHRs is the lowest in the United States and no revenue goes to the General Fund.
- The impact of 250 machines installed in Grants Pass will reduce lottery revenues for schools, economic development and parks by \$13 million in the first year and reduce tribal gaming revenues by \$6 million.
- If HHR machines are expanded to all tracks, these figures grow to \$64 million reduction to lottery and \$31 million to tribes.

We have attached the studies and a summary for your review.

In addition to these findings, now that we better understand what these machines are and how they operate, a secondary series of questions should be directed at whether the current State regulatory bodies are adequately equipped and qualified to regulate this new industry. The reports do not evaluate the impacts on problem gambling, which is another critical part of this discussion that must be addressed before any new expansions should be approved.

If something isn't done, HHRs will arrive in Oregon without any serious discussion of their impacts on the state, on tribes, and the citizens of both. Our purpose in commissioning and sharing these studies with you as state policy leaders is to jump start this discussion. Our hope is that with these studies we can have a public and informed dialogue about whether this path is aligned with the public's values and the state's commitment to treat Indian Country fairly.

We know how important economic development is for rural Oregon. The Tribes are among the largest employers in our communities. They collectively provide more than 11,000 jobs across rural Oregon, which translates to more than \$550 million in wages and benefits. That is why before the state approves any new gaming expansions, a thorough analysis should be completed to understand if one new development comes at the detriment of existing jobs in rural parts of our state.



We hope you will agree that these studies demonstrate the urgency for a pause on any new expansions or approvals from the state until a thorough study is completed and recommendations made to the legislature on these issues that are critical to Oregon's future.

We look forward to continuing this work with you in a collaborative government-to-government relationship.

Sincerely,

Debbie Bossley, Chairwoman
Confederated Tribes of Coos,
Lower Umpqua and Siuslaw

Chris Mercier, Vice Chair
Confederated Tribes of
Grand Ronde

Delores Pigsley, Tribal Chairman
Confederated Tribes of
Siletz Indians

N. Kathryn Brigham, Chair
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Umatilla Indian Reservation

Dan Courtney, Chairman
Cow Creek Band of
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Donald C. Gentry, Tribal Chair
The Klamath Tribes

Cc: Oregon Secretary of State
Oregon State Treasurer
Oregon Attorney General
Oregon Racing Commission
Oregon Lottery Commission