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Ballot Measure 82 And Ballot Measure 83

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A City Club Report on

BALLOT MEASURE 82 and BALLOT MEASURE 83



City Club *of* Portland

Supplement to the City Club of Portland Bulletin, Vol. 95, No. 20, October 19, 2012

City Club *of* Portland

The mission of City Club is to inform its members and the community in public matters and to arouse in them a realization of the obligations of citizenship.

Copies of this report are available online at www.pdxcityclub.org.

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STATE OF OREGON MEASURE 82:

Amends the Oregon Constitution to permit privately-owned casinos; a percentage of revenue payable to dedicated state funds is mandated.

STATE OF OREGON MEASURE 83:

Authorizes a privately-owned casino in Wood Village, Oregon; a percentage of revenue payable to dedicated state funds is mandated.

In Measure 82, Oregon voters are being asked to change the state constitution to allow privately-owned casinos. Measure 83 would authorize a specific privately-owned casino in Wood Village, sixteen miles from Portland. The casino in Wood Village can proceed only if both measures are approved. As an additional requirement, City of Wood Village voters must approve Measure 83 authorizing the construction of a casino in their community.¹

Similar measures were attempted by the same sponsors in 2010. The constitutional measure did not obtain enough signatures to be on the ballot and the Wood Village casino measure failed by a 2 to 1 margin.

Measure 82 requires a casino authorized under the Oregon Constitution to pay 25 percent of its annual adjusted gross gaming revenues to the State through the State Lottery. Proponents of both measures state that the proposed Wood Village casino, would generate \$107.2 million to \$141 million in annual revenue to the state. However, due to a decline in lottery revenue resulting from competition with the casino, state officials project net annual contributions to the state of \$32 million to \$54 million.* A reduction in lottery revenue may jeopardize the viability of lottery bonds which are used to pay for various state infrastructure projects, such as roads and schools.

Proponents note that Wood Village is an economically depressed city of less than 4,000 residents sharing borders with Gresham, Fairview and Troutdale. It has been unsuccessful at attracting economic development projects. The town and the surrounding area would benefit financially from thousands of construction jobs and permanent casino jobs.

Opponents reply that a private casino sixteen miles from downtown Portland will jeopardize the small businesses that depend on revenue from State Lottery machines, as well as the Spirit Mountain Casino in Grande Ronde, sixty miles from Portland. Spirit Mountain is one of nine Oregon tribal casinos allowed by federal law superseding the Oregon Constitution. Often the largest regional employer of both tribal members and local residents, these casinos are economic development engines for rural communities and provide public services, including health and welfare, to tribal members.

The majority recommends a “NO” vote on Measure 82 and a “NO” vote on Measure 83.

The minority recommends a “YES” vote on Measure 82 and a “YES” vote on Measure 83.

City Club members will vote on this report on Friday, October 19, 2012. Until the membership vote, City Club of Portland does not have an official position on this report. The outcome of this vote will be reported in the City Club Bulletin dated October 26, 2012 and online at www.pdxcityclub.org.

¹ Office of the Oregon Secretary of State, Elections Division

* State officials estimate that revenue to the state from the casino would be \$82 million to \$94 million and that lottery revenue would decline by \$40 million to \$51 million.



INTRODUCTION

Ballot Measure 82 will appear on the ballot as follows:

Amends Constitution: Authorizes Establishment of Privately-Owned Casinos; Dedicates Percentage of Adjusted Gross Revenues to Special Fund

Result of “Yes” vote:

“Yes” vote amends state constitution to authorize privately-owned casinos; requires such casinos to give percentage of monthly revenue to State Lottery for specified purposes.

Result of “No” vote:

“No” vote maintains the current state of the law, which does not authorize any privately-owned casino or casinos anywhere in the State of Oregon.

Summary of Measure 82

Amends constitution. Currently, Oregon Constitution prohibits the operation of any casino within the state. Under measure, State Lottery shall permit the operation of privately-owned casinos within the state, provided that the particular operation is approved through an initiative law. If the privately-owned casino is to be located within an incorporated city, city electors must also approve casino location. The privately-owned casino shall pay 25% of adjusted gross revenues each month to a fund created by law for the purposes of fostering job growth, educational achievement, vibrant local communities, protecting and improving natural environment, and supporting all federally recognized Indian tribes in Oregon. Amendment prohibits operation of a privately-owned casino within 60-mile radius of existing tribal casino operating on reservation land.

Estimate of financial impact

This measure has an indeterminate financial impact. Currently the Constitution prohibits casinos in Oregon, and this measure amends the Constitution to allow casinos. However, if the measure is adopted, there may be a financial impact to certain local government entities that receive revenue derived from tribal gaming operations, because tribal gaming revenues may decline.

Ballot Measure 83 will appear on the ballot as follows:

Authorizes Privately-Owned Wood Village Casino; Mandates Percentage of Revenues Payable to Dedicated State Fund

Result of “Yes” vote:

“Yes” vote authorizes a single privately-owned casino in Wood Village; requires casino to give percentage of monthly revenue to State Lottery for specified purposes.

Result of “No” vote:

“No” vote maintains current state of the law, which does not authorize any privately-owned casino within state; tribal casinos authorized pursuant to gaming compacts.

Summary of Measure 83

Currently, Oregon Constitution prohibits privately-owned casinos within state. Under measure, State Lottery shall issue renewable 15-year lease permitting owner of former Multnomah Kennel Club in Wood Village to operate gaming devices, table games, keno, and other games of chance at that site. Measure would become operative only if constitution is amended to permit privately-owned casinos within state. Casino operator shall pay 25% of adjusted gross revenues monthly to State Lottery. Lottery shall deposit 20% of adjusted gross revenues monthly to State Lottery. Lottery shall deposit 20% of adjusted gross revenues into Job Growth, Education and Communities Fund (separate from general fund) and 80% in State Lottery Fund. Moneys in the Job Growth fund are apportioned to the incorporated cities adjoining casino, Indian tribes, law enforcement, and gambling treatment services.

Estimate of financial impact

The financial impact of the measure is indeterminate. This measure authorizes a single privately owned casino in Multnomah County. The measure requires a minimum investment of \$250 million in the casino property. The measure sets limits on the number of slot machines and table games at 3,500 and 150, respectively.

If the casino is built, the following direct financial impacts on state and local government will result (millions of dollars):

| | Low estimate of impact | High estimate of impact |
|---|------------------------|-------------------------|
| 25% Casino revenue transferred to State and local governments | \$83 | \$94 |
| Reduction in State Video Lottery earnings | -\$51 | -\$40 |
| Net Revenue to State and local governments | \$32 | \$54 |

The impacts listed above depend on initial assumptions, including a \$300 million investment in the casino property, as well as 2,200 slot machines and 100 table games. To the extent that actual investment and build differ significantly from these assumptions, the impact to state and local governments would also vary. Thus the overall impact of this measure on state and local government revenue is indeterminate.

BACKGROUND

The expansion of gaming in the U.S.

Legalized gambling in America gained momentum in 1979 when the Seminole Tribe opened a high-stakes bingo hall on its reservation in Hollywood, Florida.¹ A series of court battles followed, leading to the 1987 United States Supreme Court ruling that federally recognized tribes can operate casinos outside state jurisdiction. Tribes are recognized as sovereign entities by the United States; therefore, states may not prohibit tribal gaming operations.²

Over the past two decades, legalized gambling has become common and continues to grow. Today, Utah and Hawaii are the only states without some form of legalized gambling.³ Tribal casinos operate in every region of the country,⁴ forty-three states operate lotteries, and 15 allow commercial casinos.⁵

Gaming in Oregon

The Oregon Constitution has not always banned private casinos. In 1984, Oregon voters responded to the need to produce state revenue for economic development and job creation and to reduce the loss of Oregon gambling dollars to Washington's new lottery by amending the constitution to approve the State Lottery. To address public concerns over state-sponsored gambling, the measure also banned private casinos.⁶

Oregon was ranked eighth in the country in gambling revenue as a percentage of personal income, while our neighbors, Washington, Idaho, and California were ranked 42nd, 35th and 36th respectively.⁷ Oregon had the 12th highest per capita lottery spending in fiscal year 2011. Today there are more than 12,000 video lottery terminals operated by the Oregon Lottery.

The lottery and the tribal casinos have major economic impact. In 2009 Oregonians spent more than \$1.4 billion on gaming, an average of \$368.76 per capita.



History of City Club votes on gaming and gambling

The Club has published two information reports and recommended “yes” or “no” votes on eight different ballot measures related to gaming and gambling since 1938. From 1938 to 1956, the Club consistently recommended “no” votes on measures proposing lotteries, bookmaking, pari-mutuel betting and certain petty games of chance such as pinball machines and slot machines.⁸ In 1976 the Club recommended a “yes” vote on a statewide measure to allow bingo games at charitable, fraternal and religious organizations, but in 1984 the Club recommended against the creation of a state lottery. In 1988 the Club recommended that some lottery funds go to parks, watersheds, and beaches.

1 Seminole Tribe of Florida v. Butterworth, US Supreme Court, 1979, www.500nations.com

2 California v. Cabazon Band of Mission Indians, US Supreme Court, 1987, www.500nations.com

3 Ibid.

4 National Gambling Impact Study Commission, June 18, 1999, page 11

5 Ibid.

6 Voters pamphlet State of Oregon General Election November 6, 1984

7 The Nelson A. Rockefeller Institute of Government, Fiscal Studies, “Back in the Black: States’ Gambling Revenues Rose in 2010”, Lucy Dadayan and Robert B. Ward, June 23, 2011

8 City Club of Portland archives

ARGUMENTS PRO AND CON

Proponents of Measure 82 and Measure 83 have made the following arguments in support:

- More than \$100 million in annual revenue will go to Oregon's K-12 schools.
- The Wood Village casino will bring 3,000 temporary construction jobs and 2,000 permanent jobs once it is fully operational.
- Taxpaying casinos will pay 25 percent of adjusted gross revenue to the state, estimated to be \$107.2 million to \$141 million annually from the proposed Wood Village casino.
- Wood Village is an economically depressed area with high unemployment. The injection of \$300 million in capital would benefit the state and the town's residents.
- A casino in Wood Village will draw tourists, and stem travel dollars now leaving the state.
- The Cowlitz Tribe in Washington has plans for a casino in Clark County which will attract Oregonians. Money will leave the state if Oregon is not competitive.
- Measure 82 requires statewide approval for each additional casino as well as local approval.

Opponents of Measure 82 and Measure 83 have made the following arguments in opposition:

- Oregon's initiative system should not be used to propose changes in the state's constitution for private profit.
- Using gambling profits to fund essential state services is not a desirable or sustainable model.
- Lottery revenue will decline by \$40 million to \$51 million annually. Counties, schools, and economic development projects receive 65 percent of the lottery's net revenue. Only 25 percent of the proposed casino's adjusted gross revenue (comparable to the lottery's net revenue) would go to the state. The casino's net profits would go to private investors through a Canadian company.
- Loss of lottery revenue will negatively impact lottery bonds. State infrastructure projects such as schools and universities will go unfunded by as much as \$100 million if lottery bonds cannot be sold.
- The projected revenue stream for the casino is uncertain.
- Rural communities and tribes will suffer.
- Private casinos threaten the state's agreements with the tribes and are an affront to their tribes' sovereignty.
- Tribes give Oregon nonprofits approximately \$7 million annually, benefitting communities all over the state. These funds are contractually at risk if a private casino is permitted in Oregon.

DISCUSSION

Your committee heard oral testimony from more than twenty witnesses and received written testimony from others. We read numerous reports on casinos and gambling from nationally recognized think tanks and organizations. We read reports from economists on both sides of the issue. To paraphrase the comments from one study, it would be easier to settle the ongoing debate if the benefits and costs of gaming were clear. What most Americans think they know about gambling is often exaggerated or taken out of context.¹

Your committee discussed the following areas of concern in depth.

City Club's policies on proper use of the initiative process

Previous City Club study committee reports on the proper use of the initiative process for constitutional amendments have been adopted as Club policy. These policies oppose the use of the initiative process for constitutional amendments unless they are limited to matters involving the structure or powers of government or the rights of the people with respect to their government. Measure 82 does not meet that test. If adopted along with Measure 83, the primary immediate result will be to advance the private economic interests of Clairvest, a Canadian corporation, by expanding gambling in Oregon.

Currently, Oregon's Constitution provides that "The Legislative Assembly has no power to authorize and shall prohibit casinos from operation in the State of Oregon."* Under City Club policies, an initiative that simply amends the Constitution from prohibiting to permitting casinos would be appropriate because it would allow voters to debate that basic governmental structural issue. Measure 82 goes much further. If passed, the state must give a fifteen-year renewable permit to any private casino operator which mounts a successful initiative campaign and induces any incorporated city, not within sixty miles of an Indian casino, to vote to host it. These procedures preclude any prior legislative scrutiny or debate.

**UNDER CITY CLUB POLICIES,
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ALLOW VOTERS TO DEBATE
THAT BASIC GOVERNMENTAL
STRUCTURAL ISSUE. MEASURE 82
GOES MUCH FURTHER.**

* Tribal casinos are permitted on tribal land due to superseding federal law.

Economic impact

Both proponents and opponents claim that the passage of the measures would impact the economy. These impacts can be divided into five categories: the City of Wood Village, lottery vendors, tribes, rural Oregon and nonprofit organizations.

1. Impact on the City of Wood Village

Wood Village is an incorporated city of nearly 4,000 people² in eastern Multnomah County. The population is diverse, per capita income is low, and unemployment is high.³ Wood Village contracts with Gresham for fire protection and with the Multnomah County Sheriff for police protection. The mayor and city council members are unpaid volunteers.

Clairvest, the measures' primary proponent, hopes to build a casino at the abandoned Multnomah Kennel Club property and would invest more than \$300 million in land and buildings. It estimates that the project will bring 3,000 construction jobs during the 18-24 month build-out period and 2,000 permanent jobs to run the casino when it is fully operational. Between construction contracts, design, engineering, and all other vendors and services, more than 6,000 jobs will be created during the development phase.⁴ Proponents estimate that the project will create nearly \$237 million in local wage payroll for direct, indirect, and induced jobs created during the development period.⁵

2. Lottery impact

While the potential financial benefits for Wood Village are considerable, these benefits may be offset by jobs lost at small businesses dependent on revenue from lottery machines. More than 2.6 million people live within a sixty-minute drive of the Wood Village casino site. Data from one report indicates that people closer to a casino gamble less at video lottery retailers.⁶ A fifteen-mile radius around Wood Village includes 29 percent of the total Oregon Lottery base, 33 percent of the total Oregon Lottery sales, and 50 percent of the top Lottery retailers. Lottery revenue is what keeps many of these small bars, restaurants, and convenience stores alive.

WHILE THE POTENTIAL FINANCIAL BENEFITS FOR WOOD VILLAGE ARE CONSIDERABLE, THESE BENEFITS MAY BE OFFSET BY JOBS LOST AT SMALL BUSINESSES DEPENDENT ON REVENUE FROM LOTTERY MACHINES.



3. Tribal impact

In 2009, the last year for which your committee has detailed data, tribal gaming directly contributed \$588.2 million in economic output in Oregon and provided another \$123.6 million for support of tribal government services.⁷ This revenue pays for health care, education, roads, public safety, and other services for 45,000 members of the tribes. Additionally, Oregon tribes pay for nearly three-quarters of all state gaming regulation, even though their casinos account for less than 35 percent of the gaming activity in the state.

During 2009, tribes spent nearly \$34 million on construction at their casinos and resort properties. Since 1992, tribal members spent \$682 million on construction, all of it in rural parts of the state. The tribes accounted for 20 percent of all spending on building hotels, leisure, and recreation facilities in Oregon over the past eighteen years.⁸ When measured in the aggregate, nearly \$1.5 billion in economic output in Oregon can be traced back to tribal gaming operations.

4. Rural impact

Today there are nine federally recognized tribal governments based in Oregon and each has one casino. Seven of the casinos also have hotels. Six tribes operate recreational vehicle parks. In 2009, the tribal casinos had 1,340 hotel rooms and 603 dedicated RV sites.⁹

In most of the communities where tribal casinos operate, the casinos are the largest employer.¹⁰ In 2009, tribal casinos supported 14,415 jobs statewide with a payroll of nearly \$514 million.¹¹ At Spirit Mountain Casino only 12 percent of the employees are tribal members. The rest come from the surrounding community.

5. Impact on nonprofit organizations

Since 1997, the tribal casinos have given more than \$106.5 million in grants to state nonprofit organizations.¹² Since

IN 2009, TRIBAL CASINOS SUPPORTED 14,415 JOBS STATEWIDE WITH A PAYROLL OF NEARLY \$514 MILLION. AT SPIRIT MOUNTAIN CASINO ONLY 12 PERCENT OF THE EMPLOYEES ARE TRIBAL MEMBERS. THE REST COME FROM THE SURROUNDING COMMUNITY.

the beginning of 2011, more than 140 Oregon nonprofit organizations received grants from the tribes. If private casinos are authorized, these funds are threatened. Six of the nine gaming agreements with Oregon provide that the tribe must contribute a percentage of net casino revenue to a Community Benefit Fund, and that the contributions may be discontinued if the Oregon Constitution is amended to allow the operation of non-tribal casinos.¹³ The loss or reduction of these grants would impact many nonprofit organizations and the communities they serve.

Effects on state revenue

Your committee has reviewed considerable data from proponents, opponents, and state experts. Economists agree there will be a substitution effect between private games and the State Lottery but disagree as to how much. Proponents state that the proposed casino would generate \$107 million to \$141 million in annual state revenue and that any negative effect on the lottery will be minimal and short-term, citing studies that show that in other states, private casinos have increased lottery revenue.¹⁴

Opponents claim that people closer to a casino gamble less at video lottery retailers,¹⁵ and state officials project much lower gains due to competition with the casino. They estimate an increase in revenue of \$82 million to \$94 million from the casino, but a loss of lottery revenue in the range of \$40 million to \$51 million. The result is a net annual increase of \$32 million to \$54 million.

State Lottery funds account for \$1.06 billion or 7.2 percent of the 2011-2013 combined general and lottery fund budget.¹⁶ Currently, the State Lottery has licensed about 2,300 retail restaurants, bars, nonprofits and other establishments, with up to six video lottery terminals each. In 2010, the State received an average of 65 percent of the gaming revenues from these devices and distributed the money to counties, school districts, parks, economic development projects and other governmental purposes.¹⁷ If the measures pass, the Wood Village casino would pay only 25 percent of its annual adjusted gross revenue to the state.¹⁸

Additionally, Oregon has more than \$1 billion in outstanding bonds backed by lottery revenue. In 2011, the state increased its much-needed bonding capacity in part by issuing longer-term lottery bonds. If the Wood Village casino has a negative impact on lottery revenue, the state's ability to issue lottery-backed bonds may be limited, affecting economic development projects and school construction. The state's attorney general has not yet issued an opinion on whether private casino-generated funds administered by the lottery qualify as lottery revenue for bonding purposes.

Competition from out of state

The proposed Wood Village casino, at 130,000 square feet, will be comparable in size to the MGM Grand and the Bellagio, famous Las Vegas Strip casinos. Measure 83 allows up to 3,500 video lottery terminals, more than the Wynn Resort in Las Vegas.¹⁹

Projected Wood Village casino annual adjusted gross revenue is \$411 million. This amount can be realized if the following four conditions are met: (1) out-of-state tourism increases by 35 to 50 percent, (2) 25 to 40 percent of Oregonians now traveling out of Oregon to gamble change their destination to Wood Village, (3) Oregonians increase their disposable income spending on gambling by 1.35 to 1.5 percent, and (4) 10 to 15 percent of current spending on lottery gaming shifts to the privately-owned casino.²⁰ Based on witness testimony and research, your committee has varying levels of concern about the other

projected activity and is particularly skeptical about a dramatic increase in tourists coming from out of state to gamble in Wood Village.

Another argument advanced by proponents is that the Cowlitz Tribe in Washington has plans for a casino in Clark County, a half hour north of downtown Portland across the Columbia River. The proponents of the Wood Village casino believe that a private casino will keep Oregon competitive.

It is unlikely that this threat is imminent. The decision to allow the Cowlitz Tribe to build a casino in Clark County is in litigation.²¹ A decision by the U.S. Department of Interior to take into trust twenty acres of land owned by a tribal member has been challenged by Clark County, the City of Vancouver, the Confederated Tribes of Grand Ronde and individual plaintiffs.²²

The creation of a private gaming regulatory regime

Measure 83 gives the Oregon Lottery Commission regulatory oversight over private casinos. Under the proposed structure, the Lottery is required to submit to the people, the Governor, and the Legislature an annual report and obtain independent audits of financial records of the casino operator and of the payments it makes. The regulatory oversight costs must be taken out of the revenues paid into the lottery fund by the casino operator.

While lottery officials have pledged to follow national best practices in overseeing private nontribal casinos and have a conceptual framework for managing them, there are many unknown costs. Agencies facing budget cuts and layoffs will be further stretched to support a resource-intensive oversight effort. There are no provisions to cover these expenses if revenue projections do not meet expectations.

It is probable that the model that Oregon now uses for overseeing tribal casinos will be used for private nontribal casinos. Your committee was told that, "this is the model that is used in many jurisdictions that have private casinos, and it will assure proper and consistent regulation across the casino industry in Oregon."²³ Under this model, casino operators would assume primary responsibility for regulation, with the state providing secondary oversight.

Although the tribes are sovereign nations, the State of Oregon exercises considerable control over tribal

casinos. The state regulates the size and location, the types of games, and other important features of the nine tribal casinos. To build and run a casino, a tribe must negotiate an agreement known as a Class III Gaming Compact with the Governor and have it approved by the United States Department of the Interior. These compacts determine the key features of the casino, limit tribes to one casino each, and provide for casino regulation by the tribal gaming commissions and the Oregon State Police. The National Indian Gaming Commission, an independent agency of the federal government, also regulates gaming on Indian lands within the United States.²⁴

Under contract with the Lottery, the Oregon State Police would play the same role with nontribal casinos as they do with tribal casinos, providing background checks, and oversight of security and surveillance. Startup costs for the Oregon State Police are projected to be \$27,000 and operating costs are estimated to be \$600,000 annually. Annual operating costs to the Lottery are estimated to be \$275,000. In light of this, the Director of the State Lottery said, "it is unknown if sufficient revenue will be generated at the casino to allow the Lottery to fully cover these costs."²⁵

In testimony before your committee, senior representatives from the Lottery and Oregon State Police affirmed that, while many regulatory details remain unresolved, the frameworks for managing additional responsibility are in place. Both witnesses said all current and future regulations are based on best practices from across the country. They expressed confidence in their ability to regulate the proposed casino, while remaining neutral about the merits of the ballot measures.

Potential growth of gambling addiction

Your committee seriously considered the weight that the morality of gambling should be given in studying these measures. While recognizing that many individuals, religious communities, and others believe gambling is wrong in principle, the majority of your committee agreed that the determination of gambling morality or immorality was beyond the scope of this study, and it did not play a role in witness selection, debate, or literature reviewed. By approving the State Lottery, the majority of Oregon voters has made clear its support of gambling in principle. However, your committee did consider the impact that gambling addiction has on society.



Most Americans either gamble recreationally and experience no measurable side effects, or do not gamble at all.²⁶ However, more than 70,000 adult Oregonians are problem or pathological gamblers. Each year more than 2,000 enroll in treatment.²⁷ About half of those treated reported not gambling during the 12 months following treatment.²⁸ In addition to adult problem gamblers, 4,000 adolescents report severe gambling difficulties. These pathologies severely impact families, children, and communities. Pathological and problem gamblers have high rates of suicide, bankruptcy, theft, embezzlement, divorce, and problems at work.²⁹ The Oregon Council on Problem Gambling estimates the economic cost associated with problem and pathological gambling to Oregon is about \$469 million annually.³⁰

Potential increase in neighborhood and organized crime

Your committee found no reliable studies establishing a link between legalized gambling and street crime. One study found that more jurisdictions in large casino markets reported decreases than increases in arrests.³¹ Another study found little documentation of a causal relationship between casinos and crime.³² As one expert observed, “The story of the relationship between legalized casino gambling and street crime is far from written.”³³

- ¹ National Gambling Impact Study Commission, June 18, 1999
- ² July, 2011 population. Source: U.S. Census Bureau
- ³ Oral testimony to City Club of Portland Ballot Measure Study Committee by Mayor Patricia Smith, Wood Village, Oregon
- ⁴ “2012 Economics of Wood Village Project”, by Johnson Reid, LLC, August 2012
- ⁵ Ibid.
- ⁶ ECONorthwest, Robert B. Whelan, “Fiscal Effects of Measures 75, 76 and 77 on State and Local Governments” April 6, 2010
- ⁷ ECONorthwest, “The Contributions of Indian Gaming to Oregon’s Economy in 2009” by Robert B. Whelan & Alec Josephson, June 24, 2011
- ⁸ Ibid.
- ⁹ Ibid.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² Oral testimony to the Citizens Initiative Referendum by Justin Martin, Perseverance Strategies, Inc. August 21, 2010
- ¹³ ECONorthwest, “The Contributions of Indian Gaming to Oregon’s Economy in 2009” by Robert B. Whelan & Alec Josephson, June 24, 2011
- ¹⁴ Oral testimony to City Club of Portland Ballot Measure Study Committee, Robert B. Whelan, August 15, 2012.
- ¹⁵ ECONorthwest, Robert B. Whelan, “Fiscal Effects of Measures 75, 76 and 77 on State and Local Governments” April 6, 2010
- ¹⁶ <http://www.oregon.gov/transparency/pages/lab.aspx>
- ¹⁷ Written and oral testimony to City Club of Portland Ballot Measure Study Committee, Director, Oregon State Lottery, Larry Niswender
- ¹⁸ Office of Secretary of State, Text of Measure # 83
- ¹⁹ Nevada Gaming Control Board, <http://gaming.nv.gov>
- ²⁰ Written and oral testimony to City Club of Portland Ballot Measure Study Committee by Mazen Malik, Senior Economist, Legislative Revenue Office, State of Oregon
- ²¹ Willamette Week, “Trying to Beat the Odds” by Nigel Jaquiss, May 16, 2012
- ²² Oregon Public Broadcasting “Non-Tribal Casinos in Washington Renew Push for Video Slot Machines”, by Austin Jenkins, March 17, 2011
- ²³ Written and oral testimony to City Club of Portland Ballot Measure Study Committee, Director, Oregon State Lottery, Larry Niswender
- ²⁴ Ibid. and http://www.oregon.gov/osp/gaming/Pages/tgaming_faqs.aspx
- ²⁵ Written and oral testimony to City Club of Portland Ballot Measure Study Committee by Mazen Malik, Senior Economist, Legislative Revenue Office, State of Oregon
- ²⁶ National Gambling Impact Study Commission, June 18, 1999
- ²⁷ Brochure supplied by Tom Moore entitled, “1-877-MY-LIMIT”
- ²⁸ Ibid.
- ²⁹ Ibid.
- ³⁰ Written and oral testimony to City Club of Portland Ballot Measure Study Committee, Thomas Moore, August 13, 2012; “Oregon Council on Problem Gambling Fact Sheet, February 2012”
- ³¹ National Gambling Impact Study Commission, June 18, 1999
- ³² Ibid.
- ³³ Ibid.

MAJORITY CONCLUSIONS

Your committee believes the data supports the following conclusions.

Any economic gain comes at a price.

The potential financial benefits for Wood Village are considerable. However, these benefits may be offset by jobs lost at small businesses dependent on revenue from lottery machines and by tribal casino losses.

The measures violate City Club policies on the initiative process.

City Club policy opposes the use of the initiative process for constitutional amendments unless they are limited to matters involving the structure or powers of government or the rights of the people with respect to their government. Measure 82, with Measure 83, advances the private economic interests of a Canadian corporation, and does not meet that test.

Costs of oversight and regulation are uncertain.

While lottery officials have a conceptual framework for managing private casinos, there are many unknown costs. Agencies facing budget cuts and layoffs will be further stretched to support a resource-intensive oversight effort. There are no provisions for how these expenses will be covered if revenue projections do not meet expectations.

The Cowlitz Tribe casino in Clark County is uncertain.

The proponents of the Wood Village casino believe that a private casino will keep Oregon competitive. It is unlikely that this threat is imminent. The decision to allow the Cowlitz Tribe to build a casino in Clark County is in litigation.

Rural communities and small businesses may be negatively affected.

The tribal casinos are often the largest employer in remote areas of the state. They are expected to lose revenue and jobs if these two measures pass.¹

Lottery revenues will decline if Measure 83 passes.

State officials project that state and local government revenue from the lottery will decline \$40 million to \$51

million annually.² This decline will be offset by projected revenue from the casino, resulting in an estimated net increase between \$32 and \$54 million annually. This is less than half of what proponents say governments will gain from a private casino.³

Loss of lottery revenue will weaken lottery bonds.

If the Wood Village casino has a negative impact on lottery revenue, the state's ability to issue lottery-backed bonds may be limited, affecting economic development projects, school construction, etc.

Nonprofit grants from tribes are vulnerable.

While the language of gaming agreements leaves open the option of grants to nonprofit organizations, this source of philanthropic funds is at risk if private casinos are authorized.⁴ The loss of these grants will impact many nonprofit organizations and the communities they serve.

MAJORITY RECOMMENDATION

The majority recommends a NO vote on both Measures 82 and 83.

Respectfully submitted,

Ben Buhayer

Kimberlin Butler

John Hartner

Chelsey Hice

Tom Karwaki

Paul Meyer

Nikola Vucinic

Jean Hart, lead writer

Michael Crean, vice-chair

Clifford Droke, chair

¹ Written and oral testimony to Citizens Initiative Referendum, Justin Martin, Perserverance Strategies, Inc. August 23, 2010

² Oregon Legislative Revenue Office "Financial Explanatory Statement" prepared for Secretary of State, State Treasurer, Department of Administrative Services, Department of Revenue, for November 6, 2012 General Election

³ Ibid.

⁴ Oregon State Constitution, Subsection B

MINORITY CONCLUSIONS

Jobs

The minority found nothing in Measures 82 and 83 that outweighed the benefit of the thousands of jobs created by allowing taxable casinos in Oregon. Employed Oregonians not only pay taxes but cost less in terms of public assistance and intervention by the criminal justice system. Jobs keep families together and give children a better chance at life.

Oregon was hit hard by the crash of 2008, and our unemployment rate is still slightly higher than the national average.¹ As our poverty rate continues to rise, we are in no position to refuse economic development.² Wood Village has waited years to develop the abandoned Multnomah Kennel Club property (which presently abuts an attractive mall in the city's center), and the casino resort is the only offer it has had.³ Surrounding businesses await the increased trade this development will bring.

The Wood Village casino resort alone would generate the following:

- 3,000 jobs during the construction phase with actual construction performed by union labor.
- 2,000 permanent jobs with an average annual wage of \$35,000 plus health insurance. An additional 1,965 jobs result from ripple effects.^{4, 5}

Education

Oregon, with its dismal public education outcomes,⁶ does not easily attract entrepreneurs who require an educated work force and good schools for their children. Lacking higher wage technical and manufacturing jobs,⁷ we must seize the opportunity that casinos offer to improve our public schools. Teachers fired in our struggling timber counties could be rehired, classroom hours extended, and curricula expanded. Millions of dollars of revenue will flow to state and local governments, to the lottery fund, and to K-12 education as a result of Measures 82 and 83.⁸

Tourism

The Wood Village casino resort could become part of an enhanced tourist experience for visitors to Multnomah Falls and the Columbia River Gorge. Multnomah Falls attracts three million visitors a year, many of whom are

international⁹ and most passing by Wood Village on their way to the falls. The casino development would fulfill a need for upscale lodging and restaurants for tourists.

Competition

Measure 82 was carefully crafted to avoid direct competition with tribal casinos by prohibiting construction of taxable casinos within a sixty-mile radius of them. On the other hand, a proposed Cowlitz tribal casino in La Center, Washington,¹⁰ a short drive from Portland, would drain dollars from the Portland metropolitan area. The Wood Village casino and others will keep more dollars in Oregon.

Measure 83 mitigates competition with video lottery terminals by requiring large payments from the proposed Wood Village casino directly into the Oregon Lottery Fund. Should competition from taxable casinos occur, the Oregon Lottery Commission plans to "expedite upgrades to its Video Lottery system, terminals and network; introduce a Video Lottery player loyalty program; and increase advertising expenditures."¹¹

Preserving Oregon

Since no one wants an uncontrolled proliferation of casinos, Measure 82 requires that new casinos be located within an incorporated city and that they must be approved not only by the voters in the city but by voters statewide. They will not be located around every bend in the road. Casinos, from palaces to dives, exist around the world as an entertainment option and as part of a diversified economy. France is full of casinos, but it is still known for art. Montana with "a casino on every corner" is still Big Sky Country. Oregon with more casinos will still be the most beautiful place on earth.

MINORITY RECOMMENDATION

The minority recommends a YES vote on both Measures 82 and 83.

Respectfully submitted,

Robert Palmer



- ¹ Oregon Dept. of Labor.
- ² "A Graphic View of Poverty in Oregon", Oregon Center for Public Policy, Nov. 9, 2011
- ³ "Crumbling Dog Track Property Eyed for Development" by Margaret Haberman, The Oregonian, Aug. 18, 2009.,
- ⁴ Johnson Reid, "2012 Economics of Wood Village Project"
- ⁵ Recorded testimony from proponents of measures 82 and 83 to casino study committee,
- ⁶ 10 Year Plan for Oregon Project: Oregon Policy Vision. April 2012 www.oregon.gov/COO/TEN/docs/EducationOutcome.pdf
- ⁷ 2010: A Check-up on the Portland Region's Economic Health. ECONorthwest. Commissioned by the Portland Business Alliance, Associated Oregon Industries, Oregon Business Association, Oregon Business Council and Port of Portland. www.valueofjobs.com/pdfs/vob_report_final.pdf
- ⁸ Johnson Reid, "2012 Economics of Wood Village Project"
- ⁹ Multnomah Falls Visitor Center.
- ¹⁰ Cowlitz Casino Resort website <http://www.cowlitzcasino.com/>
- ¹¹ Oregon State Lottery Director's Testimony (to the Secretary of State), July 23, 2012

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