

PUBLIC HEARING & WORK SESSION:

HB 3466

WORK SESSION: HB 2237, 2868

TAPES 143-144 A-B

HOUSE REVENUE COMMITTEE

MAY 4, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Rep. Kevin Cameron, District 19
- Drew Mahalic, Oregon Sports Authority
- Bill Perry, Oregon Restaurant Association
- Jerry Watson, Portland
- Katy Coba, Oregon Tourism Commission

Jim Sterup, Marion County

Kristina McNitt, Oregon Small Woodlands Association

Norm Miller, Oregon Dept. of Revenue

Dennis Day, Polk County Assessor

Staff Present: Paul Warner, Legislative Revenue Officer

Mazen Malik, Economist

Mary Ayala, Economist

Barbara Guardino, Committee Assistant

TAPE 143, SIDE A

005 Chair Butler Calls meeting to order at 1:02 p.m. Opens public hearing as a subcommittee on HB 3466, pertaining to sports lottery.

PUBLIC HEARING, HB 3466

013 Mazen Malik Gives overview of HB 3466 (**EXHIBIT 1**). Repeals authority to establish electronic lottery games based on results of sporting events. The repeal is accompanied by dedicating 1% of net lottery proceeds to an intercollegiate athletic fund. Three things will come into play in regard to transfers and lottery revenues:

1. 1) Stop the two games in existence today, and decrease the lottery fund
2. 2) Decrease the amounts transferred to other funds
3. 3) Reduce the amounts available for the legislature to allocate

062 Malik Directs members' attention to revenue impact statement (**EXHIBIT 2**). \$12.5 million less will be available. However, the new sport

account would receive \$4 million per biennium. Oregon is among only four states with these sports games. A repeal is permanent.

- 078 Chair Butler Reopens House Revenue Committee with a quorum.
- 092 Rep. Kevin Cameron This bill would allow Oregon to be one of 46 other states that are allowed to bring in an NCAA tournament. Oregon has not been part of this for 22 years. As we hear the short-term revenue impacts, this is a great time to do this for the long-term. They can bring in \$30-35 million in revenue. That money over 15 years could be as high as \$130 million from businesses and people out of state. That's just one benefit.
- 122 Rep. Cameron The biggest thing is that Oregon would be known by the NCAA as a state where they could come. The only professional sport Oregon has is the Portland Trail Blazers. Asks committee to consider this bill.
- 147 Drew Mahalic Testifies in support of HB 3466 on behalf of Oregon Sports Authority which is a private nonprofit organization whose goal is to promote economic development. Reads written testimony (**EXHIBIT 3**). Gives background of the game "Sports Action." Notes, Sports Action Lottery limits tourism and economic development. Funding for athletic programs has been inconsistent. Sports Action limits tourism and economic development.
- 178 Chair Butler Asks, what are events worth in net tax dollars to the state? Follow-up questions on dollars brought into Oregon by tournaments.
- 186 Mahalic Does not have that figure. The Sports Authority wants to bring in huge events every few years, perhaps 10-12 tournaments over 15 years. In 1984 Oregon approved lottery for the purpose of economic

development. That expanded to include other things such as school funding. HB 3466 provides more stable funding for higher education athletic programs.

- 231 Bill Perry Oregon Restaurant Association supports HB 3466. See written testimony (**EXHIBIT 4**). Showing these events on television provides valuable advertising for all of Oregon. This bill doesn't take money away from other activities if passed this biennium. Now is the time when nobody can be hurt by this action.
- 270 Chair Butler What other states have this Sports Action?
- 274 Perry Montana, Delaware and Nevada.
- 284 Chair Butler Calculates roughly what men's and women's sports events would generate over a two-year period into the general fund – perhaps \$2 million.
- 301 Perry That is true except for local taxes. Events will bring other events, as in the recent case of figure skating.
- 320 Rep. Cameron Half of the money dedicated today goes to women's athletics in the state of Oregon. It strengthens programs and increases scholarships. 75% is dedicated to non-revenue-generating sports. Women's and non-revenue programs benefit more from this dedicated funding.
- 340 Rep. Riley Asks what Mahalic means when he says regional or sub-regional tournaments would be expected periodically.

- 348 Mahalic Tournaments would rotate among a number of regions. Over a 15-year period, perhaps four men's regionals, three to four women's and five to six sub-regionals.
- 370 Rep. Boquist Asks questions concerning the decreasing revenue impact (exhibit 2). What consideration was given to a game that is going down in revenue impact? How many people playing this game will switch over to line games, or elsewhere? Will there be an increase somewhere in the gambling community?
- 394 Chair Butler "I wouldn't bet on it."
- 408 Malik There are various ways of looking at the importance of the numbers. In addition to Sports Action there is another game, Scoreboard, that brings in money. Sports games are seasonal. The forecast is based on a forecast of the Department of Administrative Services. It seems like people who enjoy betting on line games remain loyal to them. In that sense there will probably not be a migration from other games.
- 450 Rep. Boquist Does that mean these people will not be betting anymore?
- 455 Malik Cannot make that judgment.

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- 030 Rep. Cameron The lottery could offer other sports-related games as long as they are not tied to the outcome of a sporting event.
- 044 Rep. Galizio

Three questions: Does Higher Education support or oppose this? Also, what is the process for choosing where regional tournaments will be? With whom would Oregon be competing?

- 051 Perry Higher education has a statutory lock on Sports Action funding, and wants to make sure that they have the same on whatever replaces it. They probably won't take a position on allocating money.
- 065 Mahalic The tournament is secured by a bidding process through universities, often in partnership with the Oregon Sports Authority. There are not a lot of eligible venues. Competing cities include Albuquerque, Boise, Spokane and Seattle. Events in Oregon tend to do better than in other places. Records are set and people's experiences are gratifying. Expects Oregon will prove itself to the NCAA.
- 086 Chair Butler Might this encourage more gaming outside the Oregon Lottery?
- 089 Mahalic These are nationwide games. They may be located in Oregon but teams come from other places. Whatever pool or organization that's engaged in offline betting would be through the Internet or some larger city.
- 101 Chair Butler Will Oregon's university programs need to be enhanced in order to attract these events?
- 108 Mahalic Revenues from these events would enhance athletic programs.
- 116 Perry In response to Chair Butler's concerns about outside gambling elements, Oregon has a better ability to deal with those because of the size of its lottery. A section of Oregon's state police polices gaming in bars and taverns. Other states don't have that.

- 132 Rep. Hass Expresses confusion in regard to the \$4.43 million figure on the revenue impact statement, and how much goes to athletic departments.
- 141 Malik Responds, the \$4.43 million would be the total outcome of the bill, or 1%.
- 150 Perry The amount of money going to colleges has been declining. This will create revenue that is more consistent, a 4- to 4.5% increase over time. This speaks to the inconsistency and difficulty for schools to budget.
- 167 Rep. Hass Would support this bill, and agrees with higher education's concerns that replacement money would be locked in. The lottery has done good things for Oregon's sports programs and the economy.
- 180 Rep. Boquist Hypothetically, if this passes, what happens next? How long will it be before the first tournament comes to Oregon?
- 191 Mahalic Oregon is eligible to bid this year for 2008-09 games.
- 210 Jerry Watson Opposes the lottery and even more-so opposes transferring public funds over to nonpublic controlled sources so the public doesn't have a choice how those funds are allocated. If getting rid of the sports lottery is going to be replaced by another lottery, he does not see any replacement funds coming in.
- 223 Chair Butler Explains, the bill is to propose a 1% appropriation from the Oregon Lottery Fund and take away Sports Action. It moves funds around.

- 226 Watson Sees a tradeoff because of that and does not see the benefit to the public. Sees corporations benefiting off of unpaid workers, which is slave labor (the players). The lottery generates the largest percentage of its income off lower income people. This is like a regressive tax. Bringing in NCAA goes from regressive tax of low income to a regressive use of slave labor. The bigger issue is we are in a global knowledge economy that depends heavily on highly educated knowledge workers. China has tripled the number of college graduates in the last 10 years. The U.S. and Oregon have not kept up or put their energies into the knowledge economy. Jobs are going overseas and there is a reason for that.
- 299 Watson A large percentage of revenue comes from Multnomah County and very little of it returns to Portland for education and economic development. People used to move to Portland to stay. Now they move to the suburbs because of school closures. It's a nightmare situation. Does not see any serious effort by the legislature to address the crisis.
- 317 Chair Butler The great state of Eastern Oregon is unable to support its own schools and appreciates the funds generated from Portland. The education crisis won't be solved here today. Asks Malik whether the money that will go away is currently part of what's collected through the Lottery program. Asks why revenues from the two sports games are sporadic.
- 333 Malik Responds, these figures coincide with introduction of Scoreboard. Total transfers didn't decline as much as indicated.
- 361 Katy Coba Refers to a letter from Todd Davidson (**EXHIBIT 5**). She is a former athlete with two athletic daughters who could benefit from these opportunities. From a tourism perspective there are opportunities. It will also help agriculture in marrying up with tourism (ex: wineries, farmers markets). The media attention provides great potential.

416 Rep. Boquist Asks, from the perspective of agriculture economic development programs, would it be a better tradeoff to trade that \$2 million for these tournaments?

427 Coba Yes, it's a better tradeoff.

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025 Vice Chair Berger Agrees with Coba's desire to strengthen Oregon's athletics in higher education and keep our children in Oregon.

033 Jim Sterup Reads written testimony (**EXHIBIT 6**). Sports Action and Scoreboard have been extremely bad ideas from the beginning. Oregon is perceived by many including the NCAA as having sports betting. This has caused a reluctance to do business here. In reality, Sports Action is a very Mickey Mouse form of sports betting. Urges committee to go forward with HB 3466.

063 Sterup Another negative consequence: Sports Action is the best thing that has ever happened to the illegal bookmaker. People introduced to bookmaking by Sports Action will find those illegal bookmakers. House Revenue Committee should be called House Integrity Committee. Gambling is in the fast lane in our state. House Revenue's challenge is to give it as much integrity as possible. Urges passage of HB 3466.

097 Malik The way Sports Action is divided among different programs does not change under this bill. 88% of revenue still go to programs and 12% to scholarships. 70% will go to sports that generate no revenue. The Board of Higher Education is encouraged to look at the various programs and their costs.

WORK SESSION, HB 3466

- 120 Vice Chair Berger **MOTION: MOVES HB 3466 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 124 Chair Butler Asks for any discussion or objection. Hearing none, asks for a roll call vote.
- ROLL CALL VOTE: 7-0-2**
- MEMBERS VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, BUTLER**
- MEMBERS EXCUSED: OLSON, HASS**
- 142 Chair Butler Closes work session on HB 3466. Opens work session on HB 2237.

WORK SESSION, HB 2237

- 150 Malik Gives overview of HB 2237 (**EXHIBIT 7**). Requires Oregon State Lottery Commission to adopt alternate dispute resolution process for contract disputes with lottery game retailers. Moves the process from a choice into a requirement.
- 177 Chair Butler Alternative dispute resolution is in keeping with other state agencies.
- 192 Rep. Komp **MOTION: MOVES HB 2237 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**
- 199 Chair Butler Asks for any discussion or objection. Hearing none, asks for a roll call vote.

ROLL CALL VOTE: 7-0-2

MEMBERS VOTING AYE: ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER

MEMBERS EXCUSED: BOQUIST, OLSON

210 Chair Butler Closes work session on HB 2237. Opens work session on HB 2868.

WORK SESSION, HB 2868

219 Ayala Presents the original bill and three amendments to HB 2868. They all simplify the time requirements for filing an application for a continued qualification of property as small tract farmland (**EXHIBIT 8**). There are currently no late filing fees. Issues clarified in the amendments came up during the public hearing. They include confusion about filing dates and change in late filing fee language.

230 Ayala Introduces HB 2868-1 (**EXHIBIT 9**) and HB 2868-2 (**EXHIBIT 10**) amendments; revenue impact for HB 2868-1&2 (**EXHIBIT 11**); and Staff Measure Summary for HB 2868-1&2 (**EXHIBIT 12**).

245 Chair Butler Requests testimony from Kristina McNitt and others from Oregon Dept. of Revenue on these two amendments.

255 Kristina McNitt Prefers to discuss HB 2868-3 amendment (**EXHIBIT 13**), since it combines the other two amendments and tightens the bill. Believes this is a good bill.

257 Norm Miller Has not seen the amendments. (Receives them now.)

- 267 Chair Butler Asks question concerning p. 2 of HB 2868-3 amendment, “sale or transfer of a small tract forestland based upon disqualification ...” Is the notice of intent in writing? Follow-up questions.
- 286 Miller Responds, that is correct. The intent was to treat this like a disqualification.
- 322 Miller This amendment does three things. First, it gives an opportunity for people to get into the forestland program, and for the assessor to reply within 30 days.
- 335 Chair Butler Asks, what has been done to expand that 30-day window? Follow-up questions.
- 348 Miller Put the burden on the assessors instead of the new landowner and left it at 30 days for a reply. The fee is intended to recover the county’s costs. It’s only for people who fail to act within 30 days, they will notice an increase in taxes and can go to the county about it.
- 384 Chair Butler Summarizes, there are three opt outs: 1) When the transaction takes place; 2) that failing, when they get their property tax notice; and 3) 30 days after filing, p. 5 subsection 8, lines 11-15.
- 424 Chair Butler Inquires about the \$200 fee. When would it be paid?
- 430 Dennis Day At the time of application until the tax bill is received until Dec. 15, a \$200 processing fee is required in order to re-qualify. This is because the law says if an individual is taken out of the program he cannot re-enter for five years.

- 433 Miller Adds comments concerning the \$200 fee. It helps recover that cost.
- 439 Chair Butler Asks about the intent of changes on page 7.
- 448 Miller Responds, property must meet qualifications to get into STF. Because of Measure 50 you have to disqualify from one special assessment program in order to qualify in another one. Going up from STF to forestland program is an 80% increase. The value on small tract forestland is 20% of the value that is put on for the regular forestland program.

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- 023 Day Adds, the 30 days from date of recording wasn't realistic to anybody, so the burden was put back onto the assessor's office. Also, if a landowner doesn't elect to stay on the STF program, on page 2, it says the land will automatically return to the 100% program. The penalty to property owners is that they'd have to pay the difference between the two programs. If a property owner failed to notify them in 30 days it would be disqualified from STF and revert back to the designated forestland program.
- 042 Miller Continues discussion of the second thing that HB 2868-3 amendment accomplishes: it deals with the collection of additional tax. It's the difference between tax paid at special assessment and real market value. It could be a 5-10 year period. The original bill last session was structured to collect a portion of the additional tax twice. This amendment corrects this.
- 070 Miller Third, this amendment was set up that one couldn't get out of the STF program unless the property was sold or transferred. Page 1, line 17, says a landowner can move into another special assessment program but can't avoid paying the severance tax. "The bottom line is, we have a stronger program for these changes."

- 104 Ayala Has created a separate Staff Measure Summary for HB 2868-3 (EXHIBIT 14). Asks, on page 8, lines 22-25, did they intend to drop this?
- 110 Dennis Yes, it is already in statute and was unnecessary repetition.
- 127 Rep. Boquist **MOTION: MOVES ADOPTION OF HB 2868-3 AMENDMENT.**
- 130 Chair Butler Asks for any discussion or objections.
ORDER: THERE BEING NO OBJECTIONS THE CHAIR SO ORDERS. VOTE: 8-0-1
VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER
EXCUSED: OLSON
- 134 Rep. Boquist **MOTION: MOVES HB 2868 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 137 Chair Butler Asks for a roll call vote.
- 140 Chair Butler **VOTE: 8-0-1**
VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, RILEY, BERGER, HASS, BUTLER
EXCUSED: OLSON

- 149 Chair Butler Closes work session on HB 2868.
- 155 Chair Butler Notes that Friday is the deadline to hear new bills. Expresses concern that the committee is running out of time. Has asked Rep. Boquist to gather up a number of veterans bills to consolidate to pass through committee. Rep. Galizio has HB 2995 with amendments and is anxious to get back to that one.
- 173 Paul Warner Discusses Friday's agenda. The committee has added a number of bills for work session. Reminds the committee that next Friday, May 13 at 8:30 a.m. the May forecast will be released. House Revenue will be guests of the Senate Revenue Committee.
- 195 Chair Butler Adjourns at 2:37 p.m.

Tape Log Submitted by:

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. HB 3466, Staff Measure Summary, 5/4/05, Malik, 1 pp.
2. HB 3466, Revenue Impact of Proposed Legislation, 5/4/05, Malik, 1 pp.
3. HB 3466, testimony of Drew Mahalic, Oregon Sports Authority, 5/4/05, 2 pp.

4. HB 3466, testimony of Bill Perry, Oregon Restaurant Association, 2 pp.
5. HB 3466, letter of support from Travel Oregon, 5/2/05, Coba, 1 pp.
6. HB 3466, testimony of Jim Sterup, 5/4/05, 1 pp.
7. HB 2237, Staff Measure Summary, 5/4/05, Malik, 2 pp.
8. HB 2868, Revenue Impact of Proposed Legislation for HB 2868-1, 4/21/05, Ayala, 1 pp.
9. HB 2868, Amendment 2868-1, 4/14/05, Ayala, 10 pp.
10. HB 2868, Amendment 2868-2, 4/26/05, Ayala, 11 pp.
11. HB 2868, Revenue Impact of Proposed Legislation for HB 2868-1 and -2, 5/4/05, Ayala, 1 pp.
12. HB 2868, Staff Measure Summary, 5/3/05, Ayala, 2 pp.
13. HB 2868, Amendment 2868-3, 5/4/05, Ayala, 10 pp.
14. HB 2868, Staff Measure Summary, 5/4/05, Ayala, 2 pp.