

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

January 24, 2005 Hearing Room 343

8:30 A.M. Tapes 10 - 12

(Corrected 8/10/05)

MEMBERS PRESENT: **Rep. John Lim, Chair**

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Donna Nelson

Rep. Chuck Riley

STAFF PRESENT: **Jim Stembridge, Committee Administrator**

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

The Oregon Lottery - Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 10, A

001	Chair Lim	Opens the meeting at 8:34 a.m. Opens an informational meeting on The Oregon Lottery.
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THE OREGON LOTTERY - INFORMATIONAL MEETING

010	Dale Penn	Director, Oregon Lottery Commission (OLC). Submits copies of Oregon Lottery PowerPoint presentation (EXHIBIT A) . Submits copies of Oregon Lottery Strategic and Business Plan report (EXHIBIT B) . Discusses the purpose and business plan of the lottery.
033	Penn	Reviews the organizational structure, history and Constitutional authority of the OLC (EXHIBIT A, Pages 4 - 5) .
066	Penn	Explains the sources of lottery funds, how the legislature distributes lottery monies and the OLC budge process (EXHIBIT A, Page 6) .
129	Penn	Describes the different types of lottery games and the administrative costs of each game, specifically addressing the amount of short term and long term revenues generated (EXHIBIT A, Pages 8 – 11) .
185	Penn	Explains how OLC is a self-supporting agency that requires the maintenance of a reserve fund to meet administrative, capital, and operational costs (EXHIBIT A, Pages 12 – 13) .
255	Penn	Discusses the audit conducted by the Secretary of State and the continuous internal audits administered by OLC (EXHIBIT A, Page 14) .
280	Penn	Reviews The Governor's recommended budget for 2005-07 (EXHIBIT A, Pages 15 – 17) .
339	Penn	Addresses a survey conducted by the OLC that indicates that Oregonians support the addition of line games.
366	Penn	Estimates how much the increase will be after line games are introduced.
382	Rep. Riley	Asks for demographic information on the OLC polling process.

386	Penn	Profiles the average Oregonian who plays lottery games and non-lottery players.
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TAPE 11, A

062	Rep. Bruun	Questions how the OLC defines problem gambling and what is the status of problem gambling in Oregon.
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066	Penn	Explains the efforts of the OLC to fund gambling treatment programs. Acknowledges that when OLC expands the number of lottery games there will be an increase in problem gambling,
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151	MardiLyn Saathoff	General Counsel, Office of Governor Kulongoski. Speaks to the Governors' views on the lottery, particularly with regards to line games. Verifies that: The Governor has requested that OLC expand to line games.
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201	Saathoff	Addresses whether The Governor has the legal authority to let the OLC to add line games.
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208	Rep. Nelson	Asks if The Governor wants to make permanent the 15 percent lottery fund appropriation for the Oregon State Patrol.
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216	Saathoff	Affirms that the Governor would like the 15 percent to be on going, but that is a manner for the legislature to decide.
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234	Saathoff	Discusses Indian gaming and the status of the negotiations with The Confederated Tribes of the Warm Springs Tribe over building a casino in Cascade Locks.
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291	Rep. Merkley	Questions the constitutionality of designating 15 percent of the lottery revenue to the Oregon State Patrol.
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298	Saathoff	Explains why funding the Oregon State Patrol is considered to be a vital component of economic development.
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364	Saathoff	States that The Confederated Tribes of the Warm Springs Tribe will move to Hood River and build a casino if the negotiations over Cascade Locks location and subsequent regulatory issues cannot be resolved.
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TAPE 10, B

006	Saathoff	Verifies that The Governor has initiated studies on the social cost of gambling, which indicate that Oregon has a high addiction recovery rate.
062	Rep. Merkley	Comments on the social costs of gambling and repercussions for the entire state.
065	Rep. Nelson	Asks if the OLC has considered offering more \$1 million dollar lottery awards.
072	Penn	Explains why increasing the number of \$1 million dollar lottery drawings would not expand economic recovery in Oregon.
127	Penn	Speaks to the possibility of lowering the commission rates that retailers receive for line games.
250	Rep. Merkley	Asks whether the OLC has made an effort to minimize “teasers” on the line games.
270	Penn	Speaks to why “teasers” and other manipulative factors are an issue that the OLC has identified and has been actively working to prevent such manipulations.
330	Chair Lim	Asks what the administrative costs are for the OLC.
341	Penn	Addresses the administrative costs associated with the OLC, in particular the costs of “payouts” and retailer compensation.
375	Rep. Nelson	Questions why the OLC has the lottery tickets produced in Texas.
400	Penn	Explains that the manufacturing of Oregon Lottery scratch-it tickets is outsourced to a facility in Texas for security reasons and lack of cost effectiveness.

TAPE 11, B

029	Sarah Castner	
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Assistant Attorney General, Oregon Department of Justice. Explains why the OLC does have the constitutional authority to offer line games without violating the Oregon Constitution.

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| 055 | Castner | States “based on our offices review of the Constitution and based on ORS 215, ORS 217, and the decisions by the Oregon Supreme Court in Ecumenical Ministries v. Oregon State Lottery Commission....concluded that the type of game offered does not constitute a casino.” |
| 129 | Castner | Identifies what the Constitutional test is for what constitutes the establishment of a casino, as determined by the Oregon Supreme Court. |
| 201 | Castner | Explains the Constitutional define of casino and the assessment criteria for determining whether a casino exists. |
| 300 | Paul Richey | Citizen, Multnomah County. Submits and summarizes written testimony regarding how to maximize lottery revenue and prioritizing fund allocations (EXHIBIT C) . |
| 377 | Dawn Bonder | Senior Policy Analyst, Oregon Business Association (OBA). Submits and summarizes written testimony regarding the decision of the OLC to lower lottery retailers’ commission for the purpose of funding schools (EXHIBIT D) . |

TAPE 12, A

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| 022 | Jody Wiser | Member, Tax Fairness Oregon. Submits and summarizes written testimony on why the lottery retailer commission rate should be lowered (EXHIBIT E) . |
| 137 | Barbara Glancy | Citizen, Multnomah County. Submits and summarizes written testimony on reexamining tax credits, creating a rainy day fund, and strengthening school systems to attract businesses (EXHIBIT F) . |

The written testimony is submitted for he record without public testimony:

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| Mari Anne Gest | Director of Governmental Affairs, Wild Salmon Center. Submits written testimony on the reduction of lottery retailers commission rates (EXHIBIT G) . |
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EXHIBIT SUMMARY

- A. The Oregon Lottery, Oregon Lottery PowerPoint Presentation, Dale Penn, 17 pp
- B. The Oregon Lottery, Oregon Lottery Strategic and Business Plan Report, Dale Penn, 51 pp
- C. The Oregon Lottery, written testimony, Paul Richey, 2 pp
- D. The Oregon Lottery, written testimony, Dawn Bonder, 1 p
- E. The Oregon Lottery, written testimony, Jody Wiser, 2 pp
- F. The Oregon Lottery, written testimony, Barbara Glancy, 1 p

The following written testimony is submitted for the record without public testimony:

G. the Oregon Lottery, written testimony, Mari Anne Gest, 1 p