

SENATE COMMITTEE ON GENERAL GOVERNMENT

February 24, 2005
3:10 P.M.

Hearing Room B
Tapes 22 - 23

MEMBERS PRESENT: Sen. Frank Shields, Chair
Sen. Gary George, Vice-Chair
Sen. Joanne Verger
Sen. Vicki Walker

MEMBER EXCUSED: Sen. Bruce Starr

STAFF PRESENT: Judith Callens, Committee Administrator
Gary Roulier, Committee Assistant

MEASURES/ISSUES HEARD:
SB 468 – Public Hearing and Work Session
SB 498 – Public Hearing

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
TAPE 22, A		
003	Chair Shields	Opens the meeting at 3:14 p.m. and opens a public hearing on SB 468.
<u>SB 468 – PUBLIC HEARING</u>		
013	Tom Gallagher	Professional Land Surveyors of Oregon. Testifies in support of SB 368.
019	R. Charles Pearson	Clackamas County Surveyor. Presents written testimony (EXHIBIT A) and testifies in support of SB 468.
030	Gallagher	Summarizes the professional groups that have reviewed the bill.
038	Chair Shields	Closes the public hearing on SB 468 and opens a work session on SB 468.
<u>SB 468 – WORK SESSION</u>		
040	Sen. Walker	MOTION: Moves SB 468 to the floor with a DO PASS recommendation.
		VOTE: 4-0-1
		AYE: In a roll call vote, all members present vote Aye.
		EXCUSED: 1 - B. Starr
	Chair Shields	The motion CARRIES.
		SEN. GEORGE will lead discussion on the floor.
051	Chair Shields	Closes the work session on SB 468.
055	Sen. Walker	Provides some information on SAIF policies from 1990-91 regarding employee awards.
082	Chair Shields	Opens a public hearing on SB 498.
<u>SB 498 – PUBLIC HEARING</u>		
086	Judith Callens	Administrator. Explains the provisions of the bill.
097	Chair Shields	Reviews the intent of the hearings and notes that the concept behind this bill is something that has previously been considered.
112	Sen. Charlie Ringo	Senate District 17. Testifies in support of SB 498. Explains that

		fifteen percent is a reasonable rate of return for lottery compensation.
151	Rep. Diane Rosenbaum	House District 42. Presents written testimony (EXHIBIT B) and testifies in support of SB 498.
194	Rep. Rosenbaum	Discusses a study of lottery compensation rates.
229	Chair Shields	Asks if she has had conversations with tavern owners in her district regarding the size of lottery compensation rates.
238	Rep. Rosenbaum	Answers that she has talked to owners in her district, and emphasizes the lottery should not be subsidizing their businesses.
257	Sen. George	Asks what the cost would be for the state to remove the taverns as operators and operate the machines directly.
262	Rep. Rosenbaum	Responds that she is not aware of what it would cost. Adds that the tavern owners should expect to be fairly compensated.
272	Sen. George	Asks if she is willing to ask teachers, for example, to accept a decrease in their compensation.
287	Rep. Rosenbaum	Answers that there is a process that determines teacher compensation through labor negotiations.
298	Dale Penn	Director, Oregon Lottery. Discusses the history of lottery compensation with the chair.
345	Penn	Continues a summary of the history of the Oregon Lottery. Adds that the original relatively high compensation rates were due to the need to establish a customer base.
404	Penn	Reviews recent actions by the Lottery Commission.
TAPE 23, A		
005	Penn	Discusses the effect of commission rates on restaurant business decisions.
033	Penn	Summarizes the small number of retailers that have been in violation of the dominant use statute.
057	Penn	States that the priority should be to protect the revenue stream now in place with lottery retailers.
066	Chair Shields	Asks how Oregon rates compare to other states.
077	Penn	Answers that Oregon pays the lowest commissions, but notes that in most other states, the retailer owns the machine and has more overhead.
103	Sen. George	Asks for the total amount of dollars that flow through the lottery retailers.
119	Penn	Responds that the figure is in the billions.
133	Steve Novick	Portland, Oregon. Testifies in support of SB 498. Reviews a study done by ECONorthwest on lottery compensation rates.
176	Novick	Summarizes recent actions by the Lottery Commission and a history of rates.
218	Novick	Continues a discussion of rates of return for lottery retailers.
247	Novick	Comments on recent decisions on "dominant use."
287	Novick	Notes that the primary goal of the lottery should not be to maintain its distributor network.
293	Sen. Walker	Asks if a lawsuit has ever been filed to challenge the court decision on dominant use. Discusses who would have standing to file the suit and asks for a summary from the witness on how many lottery retailers are in Oregon.
321	Novick	Responds that he will provide a summary and adds that there are approximately 2,000 lottery retailers in the state.
331	Andi Jordon	Oregon Parents Teachers Association. Testifies in support of SB 498.
366	Bill Perry	Director of Government Relations, Oregon Restaurant

		Association. Presents written testimony (EXHIBIT C) and testifies in opposition to SB 498.
TAPE 22, B		
007	Perry	Notes that restaurants are the largest producers of lottery revenue. Adds that many retailers use the lottery to expand their business base.
051	Perry	Stresses that a fifty percent reduction in rates would be drastic.
097	Steve Moor	Restaurant Owner, Southeast Portland. Discusses labor costs on video poker.
137	Moor	Notes that his profit per square foot on his lottery machines is almost equal to his profit per square foot for his food service operations.
169	Moor	Questions the issue of “subsidized taverns,” and notes that you have to examine gross sales.
188	Sen. Walker	Thanks the witness for his viewpoint.
198	Perry	Reviews some data from other states’ compensation rates, page 3 to 5 (EXHIBIT C)
220	Tricia Smith	Oregon School Employees Association. Submits written testimony (EXHIBIT D) and testifies in support of SB 498.
276	Smith	Reviews the origin of the Oregon Lottery.
300	Chair Shields	Asks if the rate of return today would meet the original intent of legislation to enact the lottery.
320	Smith	Responds that the intent was to raise revenue for the state rather than as a business boon to retailers.
370	Smith	States that the recent rates are excessive.
403	Chair Shields	Asks how involved they were in the six months preceding the recent rate determination.
407	Smith	Reviews association involvement.
002	Richard Burke	Libertarian Party of Oregon. Testifies in opposition to SB 498 and notes that putting a cap into statute is bad policy.
051	Burke	Emphasizes that lower commission rates will also affect income tax revenues.
066	Judy Wiser	Portland, Oregon. Testifies in support of SB 498. Describes some of the restaurants as primarily “gambling houses.”
107	Wiser	Recounts experiences in taverns with lottery games.
043	Wiser	Discounts the arguments that decreasing lottery commissions would force retailers to drop health insurance on their employees.
076	Petra Berger	Salem/Keizer Stand for Children. Submits written testimony (EXHIBIT E) and testifies in support of SB 498.
127	Berger	Notes that a fifteen percent return is reasonable.
177	Berger	Emphasizes the importance of investment in education.
230	Sen. Verger	Expresses her appreciation for teachers, and notes that most people don’t understand the challenges facing teachers today.
252	Grover Simmons	Oregon State Elks Association. Summarizes charitable contributions by the organization throughout the state.
294	Simmons	Reviews income figures at present rates versus the proposed rates.
340	Simmons	Adds that the reduced amount would affect the level of charitable contributions.
	Mary Anne Gest	Director of Public Affairs, Wild Salmon Center. Submits written testimony in support of SB 498 (EXHIBIT F).
353	Chair Shields	Closes the public hearing on SB 498 and adjourns the meeting at

5:02 p.m.

EXHIBIT SUMMARY

- A. **SB 468, written testimony, R. Charles Pearson, 2 pp**
- B. **SB 498, written testimony, Rep. Diane Rosenbaum, 1 p**
- C. **SB 498, written testimony, Bill Perry, 5 pp**
- D. **SB 498, written testimony, Tricia Smith, 4 pp**
- E. **SB 498, written testimony, Petra Berger, 2 pp**
- F. **SB 498, written testimony, Mari Anne Gest, 1 p**