

SENATE COMMITTEE ON RULES

May 08, 2003
3:00 pm

Hearing Room 343
Tapes 48 - 49

MEMBERS PRESENT: **Sen. Kate Brown, Co-chair**
 Sen. Bev Clarno, Co-chair
 Sen. Jason Atkinson Vice-chair
 Sen. Ginny Burdick Vice-chair
 Sen. Roger Beyer
 Sen. Tony Corcoran

STAFF PRESENT: **Jim Stembridge, Committee Administrator**
 Patricia Nielsen, Committee Assistant

MEASURE/ISSUES HEARD: **SB 706 – Work Session**
 SB 678 – Work Session
 SB 279 – 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.

<u>TAPE#</u>	<u>Speaker</u>	<u>Comments</u>
TAPE 48, A		
005	Chair Brown	Calls the meeting to order at 3:05 p.m. and opens the work session on SB 706.
<u>SB 706 – WORK SESSION</u>		
010	Jim Stembridge	Committee Administrator. Presents overview of SB 706 which prohibits person other than person signing petition from writing information about person signing petition on signature sheet of state initiative or referendum petition or recall petition. Discusses proposed -1 amendments dated 4-7-03 (EXHIBIT A), which provides an exemption for person with disability who requests assistance.
015	Chair Brown	Acknowledges written testimony from Kappy Eaton (EXHIBIT B).
030	Sen. Atkinson	MOTION: Moves to ADOPT SB 706-1 amendments dated 4/7/03.
040	Sen. Burdick	Expresses approval of SB 706 and -1 amendments as a way to curb abuse of the initiative system while making provision for disabled voters.
045	Sen. Beyer	Comments the -1 amendments make the bill less restrictive.
050		VOTE: 6-0
	Chair Brown	Hearing no objection, declares the motion CARRIED.
053	Sen. Atkinson`	MOTION: Moves SB 706 to the floor with a DO PASS AS AMENDED recommendation.
055		VOTE: 5-1
		AYE: 5 - Atkinson, Burdick, Corcoran, Brown, Clarno
		NAY: 1 - Beyer

	Chair Brown	The motion CARRIES.
060	Chair Brown	SEN. ATKINSON will lead discussion on the floor. Closes work session on SB 706. Opens the work session on SB 678.
	<u>SB 678 – WORK SESSION</u>	
062	Chair Brown	Acknowledges written testimony of Kappy Eaton (EXHIBIT B).
065	Jim Stemberge	Presents overview of SB 678, which directs circulator of election petitions, including initiative, referendum and recall petitions, to certify that circulator witnessed the signing of the petition signature sheet by each individual whose name appears on the signature sheet.
070	Sen. Atkinson	MOTION: Moves SB 678 to the floor with a DO PASS recommendation.
075	Sen. Atkinson	VOTE: 5-1
		AYE: 5 - Atkinson, Burdick, Corcoran, Brown, Clarno
		NAY: 1 – Beyer
	Chair Brown	The motion CARRIES.
		SEN. DEVLIN will lead discussion on the floor.
085	Chair Brown	Closes work session on SB 678. Opens public hearing on SB 279.
	<u>SB 279 – PUBLIC HEARING</u>	
090	Jim Stemberge	Presents overview of SB 279, which limits compensation of video lottery game retailers to 15 percent of net receipts.
095	Rep. Diane Rosenbaum	House District 42. Appears and testifies in support of SB 279. Submits written testimony (EXHIBIT C).
185	Sen. Corcoran	Senate District 4. As sponsor of bill, comments that retailer profits are too high. Advises the across-the-board 15 percent figure is negotiable. Reminds members there is revenue of \$140 million per year which should be made available to medically needy, corrections and educational programs.
235	Joseph Cortright	Consulting economist. Testifies in support of SB 279. Submits written testimony (EXHIBIT D). Discusses background of video lottery programs and work of Task Force On Lottery Oversight.
380	Steve Novick	Legislative Coordinator, Department of Education. Testifies in support of SB 279. Submits written testimony (EXHIBIT E).
	TAPE 49, A	
005	Novick	Continues, discusses studies analyzing profits from video poker machines. Suggests SB 279 maximizes revenue to the state while allowing reasonable rate of return for retailers.
025	Sen. Burdick	Asks if there is any justification for putting current contracts aside.
030	Novick	Recommends Attorney General (AG) opinion.
040	Cortright	Recalls the Lottery Commission was to continue to review and adjust the rates, but has not done so.
045	Sen. Burdick	Asks whether lowering commissions will result in less demand for the machines.
050	Novick	Responds the evidence shows the profits would still be high enough to make it profitable.
055	Cortright	Explains Keno retailers are compensated at one-third the profit and games are still thriving. Video lottery retailers with low volume are still making money and would continue to do so at

lower profit levels.

070 Sen. Beyer Asks how he knows the low-volume retailers are making a profit.
080 Cortright Answers if \$5000 volume were too low, the games would be turned back in, but they are still in demand, so profits must be high enough.

085 Sen. Beyer Suggests profits also come from other retail activities at establishments with video poker.

095 Cortright Acknowledges lottery games do attract customers. Points out the studies only consider the profits from the games themselves, so the other benefits are above that.

110 Chair Brown Comments cutting all commissions the same amount does not seem fair and asks for another approach.

115 Novick Suggests structuring the profits by volume. Reiterates the retailers keep the games so they must be making a profit.

120 Sen. Atkinson Inquires whether some retailers would be unreasonably penalized under a tiered structure.

125 Novick Acknowledges, but recommends exploring what is fair in the context of maximizing revenue to the state.

140 Sen. Atkinson Asks about cost to begin using the machine.
145 Cortright Describes application fee and fee for telecommunication services, but no cost for the machine itself.

160 Bill Perry Director of Government Relations, Oregon Restaurant Association. Testifies in opposition to SB 279. Submits written testimony (**EXHIBIT F**). Discusses requirement for a reasonable rate of return.

220 Chair Brown Clarifies lottery sales in restaurant and tavern businesses subsidize other business activities in the industry.

225 Perry Confirms the sales money all goes toward the total income to support the entire business.

240 Sen. Burdick Asks what a reasonable rate of return is.
245 Perry Asserts it depends completely on the individual business.
255 Sen. Burdick Points out the statutory requirement is to maximize revenue and provide a reasonable rate of return but there is no specific information to define a reasonable rate of return.

270 Perry Responds the market dictates and Oregon is the lowest in the country.

280 Sen. Atkinson Asks what would happen to the lowest volume businesses if the payout is changed to 15 percent.

285 Perry Predicts businesses would make cuts to make up the revenue. Asks if opinion of the legislature would change if the profit was half as much.

305 Connie Hunt Restaurant Owner, Portland. Testifies in opposition to SB 279. Submits written testimony (**EXHIBIT G**). Describes disposition of lottery profits, such as, investing in the business and community.

TAPE 48, B

005 Michael Mills Attorney. Testifies in opposition to SB 279. Submits written testimony (**EXHIBIT H**). Discusses legislative history of lottery statutes. Describes efforts to provide input to the Lottery Commission regarding reasonable rate of return for lottery games.

060 Chair Brown Asks about creating a public bidding process for lottery games.
070 Mills Suggests the statutory mandate would not support a public

		bidding process.
090	Sen. Burdick	Refers back to the requirement for reasonable rate of return.
110	Mills	Suggests formula for percentage of sales to determine the rate. Responds the Lottery Commission was charged to create the determination of reasonable rate of return.
120	Perry	Explains that 35 percent has been determined a reasonable rate and higher performers are only receiving 20 percent.
130	Sen. Burdick	Comments 35 percent is a very high rate of return for a business.
140	Mills	Responds the 35 percent is out of gross and costs come out of that. Asserts that video poker players do not spend much on food and beverages.
155	Perry	Clarifies that of the money put into the machine, including payouts, the lottery and the retailers split 3.2 percent; the 35 percent is of the total profit.
170	Jacqueline Zimmer	Director, Oregon Association of Area Agencies on Aging and Disabilities. Testifies in support of SB 279. Asks simply that the deck be evenly stacked. Points out that the Department of Human Services (DHS) has been asked to give up 10, 20 and 30 percent of program costs and other programs have not taken similar reductions.
230	Marcia Kelley	Women's Rights Coalition. Testifies in support of SB 279. Submits written testimony (EXHIBIT I). Urges more adequate funding for schools. Recommends a more reasonable rate of commission.
310	Martin Taylor	Human Services Coalition of Oregon (HSCO); Oregon Nurses Association; Community Providers Association of Oregon; Oregon Law Center. Points out it is a new situation to recommend taking money from one state program and putting it into another but that is what is happening. Stresses the medically needy need the money more than retailers, though it is a tough choice. Points out that 100 percent of lottery revenue is the state's money and it is no different cutting this supply of money than cutting human services funding.
TAPE 49, B		
005	Ginny Van Loo	Oregon City Elks Lodge. Testifies in opposition to SB 279. Submits written testimony and material (EXHIBIT J). Discusses community services provided by Elks, a charitable non-profit organization. Explains Lottery Commission removed her Keno machines because profits were too low.
075	Brown	Asks about minimum Keno requirements.
080	Van Loo	Explains minimum sales required for Keno.
090	Sen. Burdick	Expresses approval of investing in community by retailers. Comments it is a difficult time for everyone and everyone must take reductions.
110	Grover Simmons	Oregon State Elks Association. Testifies in opposition to SB 249. Submits written materials describing the Elks organization (EXHIBIT K). Provides figures for committee consideration: <ul style="list-style-type: none"> • 58 lodges in Oregon; 45 with video poker machines • Total sales for 45 lodges for one year were \$3,672,667 • Total commissions for 45 lodges were \$1,271,655 • Average commissions were \$28,259. Only three lodges earn \$75,000 or more

Disputes Oregonian newspapers articles which said the average is \$75,000, with 32 percent average commissions.

Discusses reduction in commissions to 15 percent as a 53 percent reduction:

- Average income would be reduced to \$13,248 per year (\$255 per week)
- Not a reasonable rate of return

Refers to contributions made by Elks:

- \$1,725,531 in cash to charitable programs
- Non-cash of \$729,000 (fire trucks, medical equipment)
- Contributions have outweighed the commission income by \$453,876

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Chair Brown

Closes the public hearing on SB 279 and adjourns committee at 4:45 p.m.

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EXHIBIT SUMMARY

- A – SB 706, -1 amendment (4-7-03), staff, 1 p**
- B – SB 706 and SB 678, written testimony, Kappy Eaton, 1 p**
- C – SB 279, written testimony, Rep. Diane Rosenbaum, 1 p**
- D – SB 279, written testimony, Joseph Cortright, 4 pp**
- E – SB 279, written testimony, Steve Novick, 4 pp**
- F – SB 279, written testimony, Bill Perry, 5 pp**
- G – SB 279, written testimony, Connie Hunt, 2 pp**
- H – SB 279, written testimony, Michael Mills, 3 pp**
- I – SB 279, written testimony, Marcia Kelley, 2 pp**
- J – SB 279, written testimony, Ginny Van Loo, 13 pp**
- K – SB 279, written materials, Grover Simmons, 30 pp**