

SENATE COMMITTEE ON INFORMATION MANAGEMENT & TECHNOLOGY

March 09, 2001 Hearing Room 357
1:00 PM Tapes 14 - 16

MEMBERS PRESENT: **Sen. Verne Duncan, Chair**
 Sen. Peter Courtney, Vice-Chair
 Sen. Jason Atkinson
 Sen. Rick Metsger
 Sen. David Nelson

STAFF PRESENT: **Marjorie Taylor, Administrator**
 Pamela Johansen, Committee Assistant

MEASURE/ISSUES HEARD: **Informational Meeting:**
 Overview of Ways and Means Subcommittee on
 Advancing E-Government
 Overview of Department of Administrative Services
 Information Resource Management Division
 HB 2040 Public Hearing
 SB 229 Public Hearing and Possible Work Session
 SB 755 Public Hearing and Possible Work Session

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 14, A		
005	Chair Duncan	Calls meeting to order at 1:05 p.m. and opens informational meeting.
<u>INFORMATIONAL MEETING on ADVANCING E-GOVERNMENT</u>		
009	Rep. Hill	House - District 5. States through Ways and Means they have hired an IT consultant to assist the legislature in answering questions and developing a baseline of information. Comments an estimated \$44 million is spent per biennium by the state to procure desktop computer systems.
039	Chair Duncan	Asks to clarify dollar amount.
043	Rep. Hill	Discusses the STREP program. States they want to work with DAS to come up with policies that will be beneficial to the state and to help define greater efficiencies on how we purchase computer systems.
062	Chair Duncan	Asks if through current analysis does he feel we are on the right track.
070	Rep. Hill	Responds there are efficiencies we can gain by stepping back and reviewing the current process.
092	Chair Duncan	Comments that this may pull some of the agencies together to help them become more efficient.
099	Rep. Hill	In terms of efficiency we can do a better job if we invest in

technology for the future.

INFORMATIONAL MEETING ON IRMD

- 126 Ann Terry State of Oregon Chief Information Officer (CIO). Presents and refers to written testimony (**EXHIBIT A**). States they are an organization that supplies computer programming and design, systems analysis, project management, and database administration for state and local governments.
- 220 Sen. Nelson Asks how are you coordinating with SB 622 process.
- 228 Phil Krug Deputy CIO Technology. States current top priority initiatives for IRMD are:
1. Direct and administer the Oregon Enterprise Information Technology Strategy developed by the Information Resources Management Council and Implemented by Governor Kitzhaber in Executive Order 99-05 (signed 02/26/99).
 2. Establish a State of Oregon Unified Messaging System (SOUMS)
 3. Provide high bandwidth statewide State of Oregon Enterprise Network (SOEN).
 4. Implement the State of Oregon E-Government Program.
- 300 Chair Duncan Asks to clarify in simpler terms.
- 310 Krug Responds they can maintain the existing network of 5800 connections currently used statewide and to help engage other technologies that were not available before.
- 329 Chair Duncan Asks is it safe to assume that by the end of that time, all areas of the state be covered.
- 334 Krug Responds that is a safe assumption. Addresses Sen. Nelson's question on SB 622. States the build out with SB 622 through the economic development process will enhance the availability of the circuits that we have today based on some redundancy around the state and the self-healing rings.
- 377 Steve Caputo Operations Director IRMD. States through Oregon's E-Government initiative, a fourth channel will become available for citizens and agencies to transact business. Explains that a fourth delivery channel will allow citizens to access government at all times and increase efficiency in government operations through automated processing. States that by taking an enterprise approach it will be:
1. Easier for the citizen to use- common look and feel across agencies.
 2. Easy to locate desired products and services.
 3. Economies of scale – leverage centralized investments.
 4. More efficient use of IT staff.
 5. Easier to grow as E-Government transaction volume increase.
 6. Uniform policy and procedures.
 7. Easier to secure.

TAPE 15, A

- 030 Chair Duncan Asks about access to the agency. States how are they dealing with less of a personal delivery service for those who don't have

050	Caputo	access to phones such as lower income residents. Responds they are not trying to eliminate the personal touch and for those who still need face to face contact, it will be available. States that this is an addition to existing avenues for those who want this type of service.
055 064	Chair Duncan Krug	Relates personal anecdote. Refers to model in written material. States the model leverages the talents, expertise, and investment of both IRMD and state agencies. Explains items more appropriately centralized are handled by IRMD and items more appropriately decentralized are handled by the agencies.
094	Sandy Herring	Manager Strategic Planning and Review IRMD. States they are responsible for implementing the enterprise strategy and to review all the major projects that come before the legislature. Comments IRMD legislative priorities are portfolio management, procurement reform, uniform electronic transactions act and protection of personal financial information. Expresses the importance to pursue and support SB 622, as it will give the state a basic foundation to do better planning in the future.
143 151	Chair Duncan Herring	Asks if this is foolproof after the problems in the past with DMV. Responds since that occurrence there have been many quality assurance programs put in place to prevent that from happening again. States analysts from the department work closely with agencies to assure that projects are put together in such way as to mitigate risk into small increments as well as certifying project managers to help insure from having any problems in the future.
189	Sen. Nelson	Asks what is being done about the problem with funding the education portion of SB 622.
200	Krug	Responds the ongoing recurring costs for the system are high. States they are working on bringing all those involved together to come up with solutions.
219	Sen. Nelson	Asks if the problem is compounded running everything through DAS.
231	Krug	Responds the issue is reduced to quality versus functionality.
240	Chair Duncan	Opens public hearing on HB 2040.
<u>HB 2040 PUBLIC HEARING</u>		
261	Pat Lundeen	Oregon Electronic Commerce Manager. Testifies in support of HB 2040. States there are some housekeeping issues that need to be addressed. Submits and refers to written material (EXHIBIT B).
281	Sen. Courtney	Asks if they are asking for any further amendments.
283	Lundeen	Comments the bill is acceptable as is.
301	Marjorie Taylor	Explains that HB 2040 may not be needed if other legislation is passed.
315	Chair Duncan	Closes public hearing on HB 2040 opens public hearing on SB 229.
<u>SB 229 PUBLIC HEARING</u>		
349	Vince Chiappetta	Associate Professor Willamette University College of Law. Presents and refers to written testimony (EXHIBIT C). States today's internet economy requires a wide variety of resources, including a trained and competent workforce, a good communications infrastructure, access to capital, quality professional services and appropriate laws. Oregon's business

infrastructure does not yet reflect these needs. Comments the business infrastructure subcommittee focused most particularly on the critical support needs of e-commerce companies: broadband capacity, access to capital, and information about how to start and build businesses here

TAPE 14, B

033 Patrick Allen

Oregon Economic & Community Development Department. Presents and refers to written testimony (**EXHIBIT D**). States that increasing the number of zones from three to five will enable us to do a much better job of getting good geographic and economic diversity in the use of this tool. Says such diversity will, in turn, enable us to better assess its effectiveness in the event future legislatures want to consider expanding the program. States additionally, since this would be an “opt in” feature, no local government would be in a position of providing a local tax incentive unless that was an action that local government wanted to take.

099 Sen. Ryan Deckert

Senate – District 4. Submits and refers to written testimony (**EXHIBIT E**). States the solution is to create e-commerce zones within the existing enterprise zone program while providing specific tax breaks for companies locating in these zones. Comments Oregon is shifting to a knowledge and information based economy with an emphasis on technology this crosses the digital divide and gives all Oregonians access to this new economy/prosperity. States the e-commerce zone program is unique and would put Oregon at the forefront of the new economy. Adds that new companies entering Oregon create job openings for graduates of Oregon schools: the zones will bring development to economically depressed areas, both rural and inner-city areas.

123 Sen. Courtney
126 Sen. Deckert

Asks if he has comments on the amendments on SB 229. Discusses the amendments on SB 229 (**EXHIBIT F**). States he fully supports the amendments and they can help move the bill right to the floor without subsequent referrals.

137 Sen. Courtney
152 Chair Duncan
171 Vice Chair Courtney

Asks if the amendments will remove the referral from Revenue. Comments the administrator is researching the issue. Closes public hearing on SB 229 and opens work session.

SB 229 WORK SESSION

178 Sen. Atkinson

MOTION: Moves to ADOPT SB 229-1 amendments dated 3/8/01.

VOTE: 5-0

179 Vice-Chair
Courtney

Hearing no objection, declares the motion CARRIED.

180 Sen. Metsger

MOTION: Moves SB 229 to the floor with a DO PASS AS AMENDED recommendation and the SUBSEQUENT REFERRAL to the committee on School Funding and Tax Fairness/Revenue BE RESCINDED.

VOTE: 5-0

182 Vice-Chair
Courtney

Hearing no objection, declares the motion CARRIED.

184 Sen. Nelson

MOTION: Moves SB 229 to the floor with a DO PASS AS

AMENDED recommendation.

VOTE: 5-0

**Hearing no objection, declares the motion CARRIED.
SEN. DECKERT will lead discussion on the floor.**

186 Vice-Chair
Courtney

188 Vice-Chair Courtney

190 Chair Duncan

SB 755 PUBLIC HEARING

213 Sen. Rick Metsger

Closes work session on SB 229.

Opens public hearing on SB 755.

State of Oregon – District 14. Testifies in support of SB 755. States there are hundreds of online gambling sites available on the internet most of which are based outside of the continental US to escape the jurisdiction of this state and other states. Comments for a fee one site will show you how to use the laws of your state to wipe out the debt incurred by internet gambling. Explains that SB 755 is aimed at the organizations acting illegally but using the internet to attract business in the state of Oregon will:

A. Receive no guarantee that they will be compensated.

B. Financial institutions based in Oregon will no longer be liable.

247 Brian Boe

American Express Company (AMEX). Testifies in support of SB 755.

254 Sen. Nelson

Asks how do they handle when the state discontinues this type of gambling.

255 Boe

Responds to his understanding AMEX does not do business directly with internet gambling sites. States they do however through the course of processing charges for some internet facilities find out they are facilitating gambling. Comments that under SB 755 they would not be liable and still able to collect those charges.

265 Sen. Nelson

Asks if he would be liable for internet gambling debts if made reference to it not being legal in Oregon.

269 Boe

Comments he would still be responsible for the debt incurred.

278 David Hooper

Public Affairs Manager, Oregon State Lottery. Testifies against SB 755. Submits and refers to written testimony (**EXHIBIT G**).

States that a Reuters article from may 2000 reported:

“More that 850 Internet gambling sites worldwide had revenues in 1999 of \$1.67 billion, up more that 80% from 1998, according to Christiansen Capital Advisors, who track the industry.

Revenues are expected to top \$3 billion by 2002. “Sites range from traditional casino games like video slot machines, poker and keno to bingo, horse racing and other sports. Most are located outside the US, where online gambling remains in legal limbo.”

Comments a study done by Dr. Rachael Volberg on behalf of the Oregon Gambling Addiction Treatment Foundation confirms this trend in Oregon. Her study found that the only form of gambling that grew since 1997 is Internet gambling while others showed modest declines.

365 Sen. Courtney

Asks if they are against because it cuts into their profits.

376 Hooper

Responds that based on the information he cannot conclude that people are playing less with the Lottery and more on the internet but points out the information as a trend as it looks at the issue of internet gambling.

379	Sen. Courtney	Asks if the state gets any money from internet gambling.
385	Hooper	Responds only if the consumer reports it on their income taxes.
389	Sen. Courtney	Asks what percentage of the Oregon public is using the Lottery.
396	Hooper	States that approximately 60% of the adult population play at least once a year and about 30% play on a regular basis of at least once a month.
405	Sen. Courtney	Asks if he feels one type of gambling is better over another.
408	Hooper	Responds he is not saying one is good or bad just discussing the nature of the activity and the environment in which it takes place.
Tape 15, B		
018	Stephanie Striffler	Special Counsel to Oregon Attorney General. Testifies in support of SB 755. Comments that internet gaming presents peculiar enforcement problems with respect to illegal gambling and this bill represents an effective approach to an enforcement tool. States they support the concept but would like to make some changes in the language of the bill and potentially propose amendments.
026	Chair Duncan	Asks if this type of gambling is illegal in Oregon.
027	Striffler	Responds that internet gambling is illegal in Oregon.
030	Chair Duncan	Reiterates that enforcement is the issue to be addressed by SB 755.
036	Mike Dewey	Representing Multnomah Greyhound Track. States they would like the bill to pass due to the popularity of online gambling and to broaden their customer base. States that account wagering is legal in Oregon but this bill as written would prohibit the operation of the Racing Hub, which does except internet wagers in Oregon. Comments they would like to see an amendment that would make the Hub exempt from this piece of legislation because it is legal already in the state.
074	Sen. Metsger	Comments that they can look at the statute with legislative counsel to have them come up with a draft.
084	Pamela Leavitt	Vice President - Governmental Affairs and Public Relations Credit Union Association of Oregon (OCUA). Submits and refers to written testimony (EXHIBIT H). States in 1999, internet gambling became a hot topic among credit card issuers and processors because of an increase of high profile lawsuits around the country, debtors have attempted to avoid liability on credit card debt incurred through charges at internet gambling sites. Comments that gambling policies and laws differ greatly, the challenge with the internet is, it recognizes no jurisdictional boundaries, eliminating the states authority to make public policy choices as to what kind of gaming will be allowed in their states. Explains it may be impossible to ban internet gambling because of jurisdiction issues, some states have looked for options in proposed legislation to put a dent in the industry by targeting the support structure, financial institutions and credit card companies. States that without the capability of blocking all gaming websites from credit card access and continually tracking the gaming website codes for changes and additions – credit unions may be caught holding the debt.
149	Tim Martinez	Oregon Bankers Association (OBA). Testifies in support of SB 755. Compliments Sen. Metsger for his work on the language of the bill. States it is very difficult to collect and distinguish who is an internet gambling facility.

161	Sen. Courtney	Asks for clarification on internet gambling.
169	Steve Roadman	Safeway Credit Union. Explains there are all types of gaming opportunities such as bingo, blackjack, poker, slots and more.
170	Sen. Courtney	Asks what is the bill aimed at.
173	Roadman	Responds the heart of the problem is no way to get at the business running the website.
183	Chair Duncan	Gives example of someone using the internet to incur \$100,000 in gambling debt. Ask what would happen to this individual as a result of this bill.
191	Leavitt	This bill is aimed at organizations not being allowed to accept credit cards in the use of online gambling. Comments SB 755 would go after the money stream and not the facility or company.
199	Sen. Metsger	States in simple terms that SB 755 does two things: <ol style="list-style-type: none"> 1. Says to those engaged in the gambling business that we are not going to take any legal steps in guaranteeing payment of debts incurred from someone who gambled with them in Oregon. 2. If somehow they bypass the merchant codes by changing the name to Mom and Pop's Apple Pie Shop, then the individual can't go to the court and use antiquated laws as a defense to wipe out debt incurred while gambling on the internet.
231	Sen. Courtney	Asks if they track these transactions at the bank by the individual credit card number.
240	Martinez	Responds currently there is no way to track if they change their merchant codes.
231	Sen. Courtney	Asks how can you distinguish the transactions.
240	Roadman	States they try to block as many as they can if they are aware of the activity by the merchant codes, yet many gambling facilities change the merchant codes that allow the gambling to take place. Comments the intent of the legislation is to keep the gambling company from being able to collect on the debt and the individual from being able to default on the debt.
257	Sen. Courtney	If you don't have the ability to identify this type of gambling then how can the bill work.
261	Martinez	Responds that if for some reason a charge does go through this bill gives the ability of a financial institution to collect on the debt and not allowing an individual to walk away from the responsibility of the debt.
293	Chair Duncan	Clarifies the information. States that credit unions and banks can now hold individuals responsible for debt they incur through internet gambling.
305	Roadman	States example: You go online and incur \$5000 dollars in debt you then turn off the computer and go on your way, next month your credit card company sends a bill for the \$5,000 dollars and you state you won't pay because internet gambling is illegal in Oregon. Explains if they use that as a defense the financial institution will lose, but SB 755 will hold that individual responsible for that debt.
320	Chair Duncan	Asks if this bill is to protect financial institutions.
322	Sen. Metsger	States it will protect the financial institution and send a message to the internet gambling operators that there is no guarantee they will be paid for the debt incurred at their gambling sites.
338	Martinez	Argues that it is consumer protection. If someone uses their

		credit card to do something they know to be illegal to incur debt and walk away by some legal technicality then someone will be paying for the debt usually the financial institution or the credit card company.
344	Sen. Courtney	Comments in Oregon there is a mentality of gamble away. Asks how does the public know this is an illegal activity.
366	Leavitt	Comments that all Oregon gambling facilities are licensed by the state and held responsible by the state but online gambling facilities do have any association or responsibility to the state.
378	Sen. Courtney	States he did not know until today that this type of gambling was illegal in Oregon.
380 382	Chair Duncan Martinez	Asks if it is illegal to buy an Irish Sweepstakes ticket in Oregon. States that you can get any licensed regulated practice information off of the internet but that doesn't make you a legal practitioner for that information.
385	Sen. Courtney	Expresses the Lottery and Casinos advertise heavily and it should be incumbent on them to run public service ads to inform the public of legal forms of gambling.
TAPE 16, A		
029	Justin Martin	Intergovernmental Affairs Director Spirit Mountain Casino. Comments that SB 755 has no affect on the operation of Spirit Mountain Casino. States they do not offer internet gambling of any type with no plans to do so in the future and secondly through their compact with the state of Oregon they do not extend credit to their patrons.
047	Chair Duncan	Asks if the legislation were to pass would the banks and credit unions being notifying their customers that this type of gambling is illegal and that they would be held accountable for the debt they incur via internet gambling.
051	Leavitt	Responds that most credit unions are already informing members that they are not accepting these types of merchant codes. States that if this law were passed they would be notifying members of the legalities and consequences.
058	Chair Duncan	Asks to be included in on that information when she has it available.
060	Leavitt	Responds definitely.
066	Chair Duncan	Comments he was aware that you could not collect on gambling debts, but did not know that gambling on the internet was not legal in Oregon.
069	Leavitt	States she was unaware that it was illegal to collect gambling debt until she started doing research this issue.
066 073	Chair Duncan Leavitt	What is timeline of money changing hands. States 1 to 7 days depending on the location with an offshore location possibly taking a little longer.
075	Leavitt	Comments that this is becoming an increasingly high area of lawsuits because there are many attorney's looking for this type of loophole.
086	Sen. Courtney	Comments on traumatic statistics that many in this room have admitted they did not know internet gambling was illegal, that almost 70% of Oregonians gamble and that this is creating a Class C felony.
095	Sen. Metsger	States the internet gambling operator would be the felon not the purchaser.
100	Sen. Courtney	Asks if the Class C felony will impact the individual gambling or

107	Striffler	the operator of the gambling facility. Comments the language states a person engaged in an internet gambling business. States the question is whether that language is clear.
116	Sen. Courtney	Expresses concern on the manipulation of the language by attorneys.
119	Chair Duncan	Asks what is the current law regarding gambling on the internet.
122	Striffler	States it is illegal in Oregon but not positive of what class of felony.
133	Sen. Courtney	Asks if District Attorneys are aware of this crime.
138	Striffler	Responds it has been discussed in their office.
146	Sen. Courtney	Asks for the Class C felony issue to be thoroughly investigated.
148	Chair Duncan	Comments he would like to see the type of felony clarified before their next meeting if possible.
155	Sen. Metsger	States they will review the language of the bill with the Attorney General to insure the intent of the penalty phase is directed at the operator of the business not the individual whose playing the game.
168	Sen. Courtney	States that he supports this concept and thankful it has been brought to the attention of the committee.
172	Sen. Metsger	Comments that with the internet, technology has moved ahead of our statutes and points out that now there are some lawsuits where creative lawyers are filing lawsuits charging states as accomplices under the RICO statutes for being involved in racketeering by not stopping citizens from participating. States this is an example of the where this is heading.
185	Chair Duncan	Closes public hearing on SB 755.
189	Marjorie Taylor	Administrator SIMT. States Rep. Hill has invited the committee on a field trip to DAS-IRMD on March 27, 2001.
205	Chair Duncan	Closes public hearing on SB 755 and adjourns meeting at 3:03 p.m.

Submitted By,

Reviewed By,

Pamela Johansen,
Committee Assistant

Marjorie Taylor,
Administrator

EXHIBIT SUMMARY

- A – IRMD written testimony, Ann Terry, 13 pp.**
- B – HB 2040, written testimony, Pat Lundeen, 1 pp.**
- C – SB 229, written testimony, Vince Chiappetta, 3 pp.**
- D – SB 229, written testimony, Patrick Allen, 1 pp.**
- E – SB 229, written testimony, Senator Ryan Deckert, 1 pp.**
- F – SB 229 Amendments, Staff, 8 pp.**
- G – SB 755, written testimony, David Hooper, 2 pp.**
- H – SB 755, written testimony, Pam Leavitt, 3 pp.**