

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

April 28, 1999 Hearing Room 350

1:00 p.m. Tapes 45 - 46

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Ryan Deckert

Rep. Bob Montgomery

Rep. Diane Rosenbaum

STAFF PRESENT: Jim Stembridge, Manager, Policy, Research and Committee Services

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD: HB 2794 ñ Public Hearing

HB 3507 ñ Public Hearing

HB 3336 ñ Public Hearing and 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 45, A		
004	Chair Krummel	Calls meeting to order at 1:11 p.m. and opens a public hearing on HB 2749.
<u>HB 2749 ñ PUBLIC HEARING</u>		
017	Jim Stembridge	Manager, Policy, Research and Committee Services. Explains HB 2749.
021	Gary Bauer	Oregon Telecommunications Association. Reports the industry work group has talked and there is not unanimous agreement. Issues discussed included: need for

		a Universal Service Fund; need for legislation; timelines for establishing a program; who should pay into the fund; how the surcharge should be collected; issues related to administration of the fund.
036	Bauer	<ul style="list-style-type: none"> There is not agreement that legislation is needed.
		<ul style="list-style-type: none"> There is concern with timelines of the fund and whether the state should be in front of the Federal Communications Commission.
		<ul style="list-style-type: none"> Questions remain whether wireless providers should be required to pay into the fund: should they be automatically excluded or included and whether they should have the ability to opt out later, or petition to get in if they want to draw from the fund. The work group is looking at the option to let them petition to get in.
		<ul style="list-style-type: none"> Discussion has been on surcharge being based on retail revenues; there is disagreement on which revenues. Everyone agrees it should be a separate charge identified on the bill and that the surcharge should not be treated as revenue to the company and not be subject to any other taxation.
		<ul style="list-style-type: none"> Discussion has been held on the benchmark rate—should there be an affordable price or rate for service and have the Universal Service Fund cover the difference between that and the cost, versus the actual rate a company may be charging today.
		<ul style="list-style-type: none"> Recommendation is that a third party administer the fund.
065	Bauer	States the group is still having discussions and is looking at language provided by members of the group, language currently in SB 142, and language suggested by the governor's office in SB 142.
070	Rep. Deckert	Asks who is in the working group.
071	Bauer	Lists members of work group: Brian DeLashmuth, Nextel; Dave Fiskum, Electric Lightwave; Laura Imeson, AT&T, Schelly Jensen and Clancy Standridge, GTE; Richard Koesan, AirTouch; Jenny Lang and Jim Schmit, U. S. West; Paul Romain, MCI; Bruce Shaull, Sprint. Adds that Mike Dewey from the Oregon Cable Telecommunications Association was invited but has been tied up in meetings.
078	Bauer	Reports he also had a brief conversation with the Public Utility Commission (PUC) to understand where the commission is, and will have another conversation with them.
080	Rep. Montgomery	Asks how much longer they plan to talk about the bill.
083	Chair Krummel	Comments that some of the language being discussed may already be in SB 142

		or may be added to SB 142.
086	Rep. Montgomery	States he would hope the work group is considering eliminating Section 2(2) of HB 2749.
089	Chair Krummel	Responds he is sure they are.
090	Chair Krummel	Advises that the bill will stay in subcommittee and the full committee chair can put the bill in full committee any time he wants to. Feels it is important to keep the players talking about the Universal Service Fund.
095	Chair Krummel	Closes the public hearing on HB 2749.
098	Chair Krummel	Announces that HB 3283 and HB 3242 will not be heard today.
098	Chair	Opens a public hearing on HB 3507.
<u>HB 3507 n PUBLIC HEARING</u>		
105	Rep. Tom Butler	District 60. Testifies in support of HB 3507 with the HB 3507-1 amendments (EXHIBIT A) . Lottery funds have had a pattern of peaks and valleys and then we come up with new and better method of obtaining lottery funds. Twenty-four of the twenty-six methods of gambling are in Oregon. The use of the originally conceived lottery funds was for development of jobs. Concern is to seek a way to provide Oregonis economic development through the process of games of chance and gambling. Knows there are tremendous addiction problems. District attorney from Malheur County has contacted him regarding the additional forms of gambling.
148	Rep. Butler	Explains that the HB 3507-1 amendments will continue to allow the money to go to job development and creation and will be distribution to the counties and cities, other unites of local government, private and public corporations and other persons to finance the programs and projects to carry out public purposes as specified in the original lottery program.
160	Rep. Butler	Adds that the balance of the methodology was testified to previously by Rollie Weisbrock. Asks that the committee consider taking a look at what the future is for the state of Oregon and what the next round of gambling will have to include. Suggest if it is not addressed now, it will be addressed in a future session. Ads there is recognition and realization that the Oregon State Legislature is addicted to the lottery proceeds.
176	Rep. Montgomery	Asks if the lottery money would go to the Department of Administrative Services (DAS) and not the Oregon Department of Economic Development (OEDD).
180	Rep. Butler	Explains that DAS would be the economic development dept and have their own

		division of economic development and would be the original fund. There would be no reason to have an additional department to allocate the funds to the cities and counties.
193	Rep. Montgomery	Asks if there would be two economic development departments.
194	Rep. Butler	Replies there would be no funding for the Oregon Economic Development Department as it is presently constituted.
199	Rep. Montgomery	Asks if other funds that OEDD receives would also go to DAS. States that OEDD administers more than the lottery.
204	Rep. Butler	Responds that currently OEDD goes out to seek additional matching funds providing an opportunity for communities to develop. This is a beginning to have the lottery funds where they were intended to be for economic development by moving them into a department where they will go directly to economic development.
243	Chair Krummel	Asks if Rep. Butler feels that enough of the dollars are getting to the end use.
	Rep. Butler	Responds there has to be a tremendous administrative overhead and DAS already has the administration without a great deal of costs. They could send the dollars out to the cities and counties. Other services and leveraging could be done by the communities without preshrunk dollars. It would encourage small rural communities to parlay the dollars.
274	Chair Krummel	Asks if Rep. Butler is dissatisfied with the way OEDD has handled the lottery dollars.
289	Rep. Butler	Responds negatively. Adds that it just says if we are going to depend on lottery funds then maybe we should divorce ourselves and become a part of another department.
339	Bill Scott	Director, Oregon Economic Development Department (OEDD). Submits prepared statement (EXHIBIT B). Comments that OEDD has no role in the administration of the Lottery or in deciding what games to play. OEDD is not involved in any way, nor have they ever appeared before the board that administers the Lottery Commission to advocate for an increase in lottery funds.
363	Scott	States OEDD is the only department, other than the Lottery itself, which has its basic administrative and operating budget paid for by lottery funds. OEDD has advocated for some time that they should think about a plan to get OEDD back into the General Fund as they were prior to the 1991 session. Adds that within OEDD the General Fund funds only the Oregon Progress Board and the Tourism Commission.
400	Scott	Adds that the governor shares Rep. Butler's concern about building in constituencies that want more lottery money and those who benefit from the

		special payments, whether they flow through OEDD or through DAS, are in the same position. Thinks the governor is on record as wanting to limit the growth of the Lottery and try to not have it be an increasing share of state revenues.
412	Scott	States that OEDD has to oppose the bill as it reads because they believe there are a number of respects in which it would be unworkable. Adds that about 19 or 19.5 percent of the total lottery funds are used for the dedications mentioned in the bill. Eleven percent of that goes through OEDD. Of OEDD's total budget in the governor's proposed budget, 21 percent is paid for with lottery funds, but lottery funds pay about 63 percent of the basic program and administrative services. Staff costs are predominantly funded by lottery funds. Almost 100 percent of the Tourism Commission and the Film and Video Office are paid for by the lottery funds.
437	Scott	States that OEDD existed before the Lottery existed and at a time when there were no special payments. OEDD continues to provide many services that do not involve any kind of grants or loans to local governments, including corporate location assistance. Cites list of services supported by General Fund resources before the Lottery existed (EXHIBIT B, page 1). Adds that he assumes that if HB 3507 were to pass in its present form the legislature would have to make a decision about whether they want to fund those activities with General Funds. Believes there would be a lot of opposition to discontinuation of the services by the communities and the public that benefits from the services.
<u>TAPE 46, A</u>		
024	Scott	States that a considerable amount of staff is involved in administering the loan and grant programs. Some are paid for by direct lottery appropriations and some are paid for with other funds. One reason for the source of funding is for accountability to make sure the grants and loans are made in a way the legislature mandated and the other is to leverage. Comments on leveraging funds. OEDD suggests there would be a significant reduction in efficiency that would come from not having someone perform the function of leveraging and packaging the dollars.
052	Scott	States the legislature last session appointed an interim work group to specifically look at the question of the delivery system for the funds that flow through OEDD and other departments involved in economic and community development. The group wrote a report that was previously presented to this committee. The group reviewed the issue of how much should be decentralized, how much centralized and whether the department is the best system for doing that. Adds that OEDD's budget and bills that have been introduced are intended to implement the core of the work group. OEDD is always open and shares the goal of having the minimum amount of money stuck in the bureaucracy and the maximum amount invested in job-creation, community development and economic development projects. OEDD does not see how HB 3507 would help accomplish that goal.
072	Rep. Montgomery	Comments the bill is a solution looking for a problem.
080	Rep. Deckert	Comments he does not understand how, with the HB 3507-1 amendments, the money would be apportioned.

084	Scott	Responds they do not know. Believes Rep. Butler is very open on the issue.
095	Steve Vincent	Avista Utilities. Comments he works with the Southern Oregon Regional Economic Development-Nonprofit Medford. States they are a member of the Oregon Economic Development Association and they have expressed quite a bit of concern with the bill. It could harm distribution of the lottery proceeds to cities and counties. The other concern is the relationship that many of the members have with OEDD and how effective the programs are and how effective the distribution of the funds has been.
136	Ken Armstrong	Executive Director, Oregon Public Ports Association. States their association respectfully disagree with Rep. Butler and opposes the bill.
141	Willie Tiffany	League of Oregon Cities (LOC). States LOC is also in opposition to the bill. States that the bill would create 240 departments of economic developments in cities, 36 in the counties and one in each special district across the state.
151	Chair Krummel	Comments on popularity of gambling and Indian casinos. Closes the public hearing on HB 3507.
165	Chair Krummel	Opens a public hearing on HB 3336.
<u>HB 3336 n PUBIC HEARING</u>		
169	Stembridge	Explains bill and notes the HB 3336-2 amendments have been submitted (EXHIBIT C) .
193	Scott West	Oregon Lodging Association. Submits and paraphrases a prepared statement in support of HB 3336 (EXHIBIT D) .
244	West	Explains spreadsheets attached to statement (EXHIBIT D, pages 4-6) .
252	Rep. Montgomery	Asks if the bill imposes a five-percent flat fee.
254	West	Responds affirmatively.
256	Rep. Montgomery	Asks if those jurisdictions that have 10 or 15 percent fees will have to reduce them.
257	West	Responds they would not have to reduce them. States that the bill says a minimum of five percent and does not anticipate the reduction of fees. Adds that the industry would support reducing the fees.
277	Marge Kafoury	Director of Government Relations, City of Portland. Introduces Jim Wadsworth,

		Bureau of Licenses, City of Portland. Submits and reads a prepared statement in opposition to HB 3336 (EXHIBIT E).
310	Rep. Montgomery	Asks for clarification of lodging tax charged by Portland and Multnomah County.
311	Kafoury	Explains division of funds in Portland and Multnomah County.
314	Kafoury	Continues presentation of prepared statement (EXHIBIT E).
378	Rep. Deckert	Asks why Portland is one of two or three cities that do not refund something back to the lodging industry.
383	Kafoury	Responds she cannot answer the questions and does not know if the lodging industry ever approached the city and ask that they negotiate the issue. Multnomah County has negotiated with the lodging industry for about 1.67 percent of what it collects.
400	Rep. Montgomery	Comments that the lodging industry says 80 percent of their transactions are with credit cards and that they send the city cash without having taken the benefit of the 2.5 percent deduction for the credit card. Asks if that is fair. Comments that paying the motel people a stipend to collect the taxes is not out of line.
431	Kafoury	Responds that \$600,000 is a substantial amount of money. Adds that the City of Portland would welcome sitting down with the lodging industry.
<u>TAPE 45, B</u>		
029	Chair Krummel	Asks if Portland or Multnomah County charges Portland Oregon Visitor Association (POVA) for the pass-through dollars.
042	Steve	City of Portland. Explains it is one ninth of the dollars. It would be about \$1.4 million.
060	Chair Krummel	Asks if the City of Portland charges an administrative fee when they collect a tax for another governmental agency.
064	Wadsworth	States they do not charge an administrative fee per se. Explains their agreement with Multnomah County and process of collecting taxes.
101	Chair	Asks if the City of Portland or Multnomah County collects taxes for any other government agency.
103	Wadsworth	Responds they do not to his knowledge.

104	Chair Krummel	Asks if they would want their administrative costs covered if they did collect a tax for another jurisdiction.
107	Wadsworth	States he believes they would like to cover their costs.
111	Rep. Deckert	Asks if his understanding is correct that around \$52,000 went from POVA for the City of Portland administrative purposes.
121	Wadsworth	Comments he does not believe they are getting \$52,000.
123	Lynn McNamara	League of Oregon Cities (LOC). Comments that LOC thinks the lodging tax is set locally and the local community should work with their lodging industry to set reimbursement fees. Thinks there are some reasonable requests that the lodging industry could make of cities and counties and LOC would urge them to do that rather than have the state mandate the specific rate of reimbursement for collecting the taxes.
144	Chair Krummel	Asks if similar legislation in previous sessions served as a wake-up call to the local governments.
150	McNamara	Comments she does not know the answer.
151	Kafoury	Responds that she does not know what other cities have done and does not know if Portland has had specific discussions.
164	Rep. Montgomery	Asks if the motel tax in Portland is six percent and nine percent in Multnomah County.
	Kafoury	Confirms the tax is six percent in Portland and states that in Multnomah County the tax is three percent.
169	Rep. Montgomery	Asks if the City of Portland is considering increasing the tax.
170	Kafoury	Responds she believes they are discussing increasing the nine percent by about 2.5 percent. Adds that it would apply only to the lodging industry in Multnomah County.
189	Chair Krummel	Closes the public hearing and opens a work session on HB 3336.
<u>HB 3336 n WORK SESSION</u>		
201	Rep. Rosenbaum	Comments she would like to see an effort to work this out at the local level before the state steps in. Adverse to moving forward with the bill until that

		happens.
209	Chair Krummel	Comments on testimony about bills being introduced and rejected in previous legislative sessions. Comments on local governments paying the vendors a five-percent fee to cover their administrative costs. Believes the vendors collecting the tax should be reimbursed. Suggest that sending a message to government entities might be the right thing to do.
263	Rep. Montgomery	Comments he has no problem supporting local government. Thinks there needs to be a shot across the bow. Has no problem moving the bill to the full committee hoping that sometime between now and when the bill is heard in full committee they can get together and come up with a number.
287	Rep. Montgomery	MOTION: Moves to ADOPT HB 3336-2 amendments dated 04/14/99.
291	Rep. Deckert	Comments he will help move the bill and hopes that Portland makes some progress on the issue. Comments he does not like the retroactive aspect of the bill and would like to see it changed.
304	Chair Krummel	Comments that Section 2 of HB 3336, on page 2, line 14, is the retroactive clause.
312	Rep. Montgomery	Comments the retroactive section should be discussed separately.
321		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
323	Chair Krummel	Advises member there are two ways to deal with the retroactive clause. One would be to do a conceptual amendment, or to leave it to the industry to come back to the full committee with an amendment already drafted.
318	Rep. Montgomery	Asks if an emergency clause is needed to make the bill effective on July 1.
336	Stembridge	Comments he will inquire and let the committee know if the emergency clause is needed.
342	Rep. Montgomery	Comments he would like to see the bill go to full committee and have testimony to see if they have reached some kind of agreement.

355	Rep. Montgomery	MOTION: Moves to AMEND HB 3336 on page 2, in line 15, after "after," delete "January 1" and insert "July 1" and in line 23, delete "January 1" and insert "July 1" and that an emergency clause be added if it is needed, and that the bill be referred to the full committee with a DO PASS AS AMENDED recommendation.
392	Rep. Rosenbaum	Comments she still objects to the bill.
402		VOTE: 3-1-0 AYE: 3 - Deckert, Montgomery, Krummel NAY: 1 - Rosenbaum
	Chair Krummel	The motion CARRIES.
420	Chair	Closes the work session on HB 3336, announces that this is the last meeting of the subcommittee and adjourns the meeting at 2:31 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jim Stembridge,

Administrative Support
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EXHIBIT SUMMARY

A ñ HB 3507, HB 3507-1 amendments, Rep. Butler, 1 p

B ñ HB 3507, prepared statement, Bill Scott, 2 pp

C ñ HB 3336, HB 3336-2 amendments, Scott West, 2 pp

D ñ HB 3336, prepared statement, Scott West, 9 pp

E ñ HB 3336, prepared statement, Marge Kafoury, 2 pp