

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

April 07, 1999 Hearing Room B

3:00 p.m. Tapes 51 - 52

MEMBERS PRESENT: Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Verne Duncan

Sen. Tony Corcoran

Sen. Bill Fisher

MEMBER EXCUSED:

STAFF PRESENT: Carol Rives, Administrator

Gary Roulier, Administrative Support

MEASURE/ISSUES HEARD: SB 793 Public Hearing and Work Session

SB 1217 Public Hearing and Work Session

SB 1131 Public Hearing and Work Session

SB 947 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 51, A		
004	Chair Lim	Opens meeting at 3:10 p.m.

006	Carol Rives	Administrator. Reminds members that meetings are recording live on the internet.
041	Chair Lim	Opens a public hearing on SB 793.
<u>SB 793 PUBLIC HEARING</u>		
043	Chair Lim	Closes the public hearing and opens a work session on SB 793.
<u>SB 793 WORK SESSION</u>		
052	Rives	Explains the provisions of SB 793 which requires jurisdictions installing speed bumps to install signs or to paint bumps. Summarizes the amendments which further define "highways."
065	Sen. Duncan	MOTION: Moves to ADOPT SB 793-1 amendments dated 4/6/99 (EXHIBIT A).
	Chair Lim	Hearing no objection, declares the motion CARRIED.
072	Vice-Chair Gordly	MOTION: Moves SB 1130 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 4-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 n Fisher
	Chair Lim	The motion CARRIES. SEN. CORCORAN will lead discussion on the floor.
079	Chair Lim	Closes the work session and opens a public hearing on SB 1217.
<u>SB 1217 PUBLIC HEARING</u>		
088	Rives	Explains the provisions of SB 1217 which excludes from definitions of gray machine and slot machine devices authorized by Oregon State Lottery Commission for display and demonstration at trade shows or for training by Department of State Police.

109	Vice-Chair Gordly	Explains the bill was filed at the request of the Portland Oregon Visitors Association to allow the National Indian Gaming Association to hold a convention in Portland. Adds that this would allow the association to display gaming machines during the convention.
148	David Hooper	Public Affairs Manager, Oregon State Lottery. Presents (EXHIBIT B) and testifies in support of SB 1217. Explains the provisions of the bill which allow slot machines to be displayed at trade shows or to be used for training or testing by the State Police. Recommends an amendment to inserting the words "under rules adopted" into the statute which would clearly convey limited authority to the Lottery Commission (page 2 of the exhibit).
207	Todd Davidson	Executive Director, Oregon Tourism Commission. Presents (EXHIBIT C) and testifies in support of SB 1217. Notes that the bill will allow a bid to be presented for the 2000 National Indian Gaming Association Convention.
233	Chair Lim	Asks what is being accomplished by bringing more gaming to Oregon.
238	Hooper	Responds that the convention will include a trade show for the Indian gaming centers. Adds that the gaming machines are for display purposes only and cannot be used for gaming.
248	Chair Lim	Asks for a definition of "gray machines."
250	Hooper	Answers that "gray machines" were the video games in operation in Oregon prior to 1991.
256	Chair Lim	Asks about the length of the convention and how minors will be excluded.
261	Davidson	Responds that the convention will run for approximately four days, be held in Portland, and will be open only to convention participants.
270	Hooper	Adds that the statute requires the Lottery to adopt rules, and the state police will be responsible for overseeing the transport and installation of the machines.
291	Chair Lim	Closes the public hearing and opens a work session on SB 1217.
<u>SB 1217 WORK SESSION</u>		
307	Rives	Presents (EXHIBIT D) and explains the provisions of the draft SB 1217-1 amendments, dated April 7, 1999.
345	Sen. Gordly	MOTION: Moves to ADOPT SB 1217-1 amendments dated 4/7/99 (EXHIBIT D).

	Chair Lim	Hearing no objection, declares the motion CARRIED .
347	Sen. Gordly	MOTION: Moves SB 1217 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 5-0 AYE: In a roll call vote, all members present vote Aye.
		Chair Lim The motion CARRIES. SEN. GORDLY will lead discussion on the floor.
358	Sen. Fisher	Comments that there will be advertising for the trade show at the same time the committee is considering bills to outlaw advertising for lottery games.
374	Vice-Chair Gordly	Summarizes the benefits of the bill and the increased economic benefit to the Portland area.
397	Hooper	Responds that advertising would be in trade publications rather than general publications since the convention is closed to the public.
TAPE 52, A		
002	Chair Lim	Closes the work session and opens a public hearing on SB 1131.
<u>SB 1131 PUBLIC HEARING</u>		
006	Rives	Explains the provisions of SB 1131 which appropriates money to the Oregon Korean War Memorial.
014	Chair Lim	Closes the public hearing and opens a work session on SB 1131.
<u>SB 1131 WORK SESSION</u>		
031	Chair Lim	Suggests that a contribution of \$287 which represents one dollar for each Oregonian who died or is still mission as a result of military service during the Korean War.
043	Sen. Duncan	MOTION: Moves to ADOPT SB 1131 and that the measure be AMENDED on page 1, line 6, by inserting "287.00" after "amount of \$".

052	Sen. Duncan	MOTION: Moves SB 1131 to the floor with a DO PASS AS AMENDED recommendation and the SUBSEQUENT REFERRAL to the committee on Ways and Means BE RESCINDED.
		VOTE: 5-0 AYE: In a roll call vote, all members present vote Aye.
Chair Lim		The motion CARRIES. SEN. LIM will lead discussion on the floor.
064	Chair Lim	Closes the work session and opens a public hearing on SB 947.
<u>SB 947 PUBLIC HEARING</u>		
071	Rives	Explains the provisions of SB 947 which prohibits the Oregon State Lottery from promoting lottery games.
105	Chris Lyons	Director, Oregon State Lottery. Presents (EXHIBIT E) and testifies in opposition to SB 947. Notes that citizens of Oregon have consistently ratified the existence of the lottery and the use of generated revenue to finance state programs.
139	Lyons	Remarks that the State Lottery Act passed by the voters in 1984 specifically included provisions for advertising. Notes that sales of lottery games decline when advertising budgets are reduced (page 1 of the exhibit). Stresses that video poker is not advertised and that product advertising is balanced with advertising for gambling treatment programs.
167	Lyons	Summarizes the net loss in revenue expected if advertising is prohibited (page 2 of the exhibit).
178	Vice-Chair Gordly	Asks what form of advertising was cut in 1990 that resulted in the decline in sales.
184	Lyons	Notes that in 1990, the Lottery only sold the traditional products. Adds that the lottery had a statutory limit of 16 percent of total revenues that could be used for administrative costs. Explains that declining sales forced a reduction in the advertising budget to remain within the statutory limit.
194	Vice-Chair Gordly	Asks what form of advertising was cut.
195	Lyons	Responds that the reductions occurred in all the media utilized.

200	Vice-Chair Gordly	Asks about recent cuts in advertising budgets and resulting decline in sales.
201	Hooper	Summarizes recent budgets for lottery advertising and sales figures (page 3 of the exhibit).
220	Vice-Chair Gordly	Asks what percentage of the advertising budget is spent on non-Oregon companies.
227	Hooper	Answers that the highest percentage of advertising dollars is spent in Oregon, but some radio time is purchased from Washington stations that serve the eastern Oregon market. Adds that some out-of-state actors are utilized.
244	Vice-Chair Gordly	Inquires about a statement in the revenue impact which indicates that the forms of advertising prohibited under SB 947 are not clear.
261	Lyons	Answers that the Lottery has not received clarification on the contradictions within the bill. Notes that Section 1 of the bill prohibits advertising and Section 2 allows advertising on "new games."
283	Hooper	Adds that new games are introduced on a frequent basis, and could therefore be advertised, and the bill's intent is not clear.
299	Chair Lim	Asks when the Indian gaming centers opened in the state and whether this was the reason for the decline in revenues, rather than a reduction in advertising expenditures.
312	Lyons	Responds that the tribal gaming centers came into existence in 1992 and certainly effected the revenues in video poker, a game not advertised by the lottery.
336	Chair Lim	Asks what percentage of total lottery revenues result from video poker.
338	Hooper	Answers that video poker accounts for approximately 75 percent of total revenue.
353	Chair Lim	Remarks that the advertising dollars are being spent for the smallest portion of the revenue. Adds that advertising for the traditional games may indirectly advertise video poker.
370	Lyons	Responds that advertising may well call to mind all of the games offered by the Lottery. Emphasizes the demographic differences between video poker players and those who play the traditional lottery games. Adds that the traditional games need to be marketed to be successful.
402	Sen. Corcoran	Asks whether the advertising budget and sales history includes video poker and

		whether other states have similar games and advertising budgets as a percentage of total sales (page 3 of the exhibit).
TAPE 51, B		
008	Lyons	Answers that the figures do not include video poker. Adds that the Lottery tracks advertising expenditures by other states and that Oregon's budget is average relative to other states.
027	Sen. Corcoran	Asks about the percentage of gaming participants relative to other states.
032	Lyons	Responds that including video poker into per capita figures would put Oregon into a higher percentage of participants relative to other states.
042	Sen. Corcoran	Asks about expected revenue in the next biennium for non-video poker lottery games
048	Hooper	Answers the figure is projected to be approximately \$120 million.
054	Sen. Corcoran	Remarks that using lottery money for education is a serious mistake. Adds that adequate funding for education needs to be developed before consideration of a bill that will reduce lottery revenues and available funds for education.
087	Sen. Fisher	Asks how long video poker has been operated by the Lottery.
093	Hooper	Responds that video poker has been in existence since 1992.
104	Sen. Fisher	Asks if there is a correlation between the advent of video poker and the reduction of sales of the traditional lottery games.
108	Hooper	Answers that there were only 350 video poker retailers at the outset and the Lottery does not feel that video poker affects traditional lottery game sales.
118	Sen. Fisher	Asks about the growth in video poker sales in the last biennium.
122	Lyons	Responds that video poker has experienced slight growth and summarizes recent figures.
136	Sen. Fisher	Remarks that there does not seem to be a trend.
144	Lyons	Explains that it is difficult to make specific a correlation between advertising expenditures and sales volume.

175	Vice-Chair Gordly	Reviews the revenue impact that predicts a net loss to the economic development fund of \$12-23 million in the 1999-2001 biennium. Emphasizes that replacement funds would have to be found for both economic development and education.
203	Sen. Duncan	Stresses that the advertising not use minors and that the story needs to be told carefully.
211	Lyons	Agrees and states that the Lottery has committed to not using minors in advertising.
225	Hooper	Adds that the only time the Lottery used minors in advertising was to demonstrate the uses of Lottery revenue, and has never used minors in advertising for lottery games.
235	Chair Lim	Asks if the Lottery advertises on the hazards of gambling addiction.
238	Lyons	Responds that a large percentage of the budget has been moved to advertise gambling addiction and treatment programs.
257	Sen. Fisher	Notes that there are no prohibitions contained within the bill that prevents the Lottery from advertising continuously since it allows advertising for new games.
283	Bill Johnstone	Executive Director, Oregon Association of Broadcasters. Presents (EXHIBIT F) and testifies in opposition to SB 947. Notes that prohibiting advertising will have an increasingly damaging effect on the dollars used for education and other purposes (page 2 of the exhibit).
338	Johnstone	Stresses that SB 947 will allow Indian gaming centers and neighboring states to increase their share of the market and move revenues out of Oregon.
372	Sen. Fisher	States that the legislature could prohibit advertising of Indian gaming centers.
TAPE 52, B		
008	Kerry Dugan	Portland Advertising Federation. Testifies in opposition to SB 947. Notes that the American Advertising Federation opposes any effort to restrict any truthful advertising about legal products and services.
045	Dugan	Reiterates that any government restriction of legal advertising is unconstitutional.
062	Vice-Chair Gordly	Asks if the federation's position is in writing.
063	Dugan	Responds that federation's position is in writing and he will provide a copy to the committee.

070	Carey Theil	Testifies in support of SB 947. States that there is a moral issue addressed by SB 947 particularly with recent studies which show that there are over 50,000 gambling addicts in Oregon.
109	Theil	Remarks that a prohibition of advertising could have an effect on reducing the gambling addiction problem.
121	Sen. Duncan	Remarks that the state is too reliant on lottery funds for programs but acknowledges the problem of addiction.
146	Theil	Adds that all forms of gambling can be addictive.
165	Sen. Corcoran	Acknowledges the reliance on state support gambling , but emphasizes that removing the advertising and not first addressing replacement revenue would be irresponsible. Summarizes efforts within the legislature to address gambling addiction.
201	Vice-Chair Gordly	Thanks the witness for stressing the moral issues involved.
217	Theil	Adds that discussions need to begin on removing state dependence on gambling.
236	Chair Lim	Notes that gambling addiction is insidious and the problem is probably larger that we realize.
255	Sen. Corcoran	Remarks that gaming has been around a long time.
274	Chair Lim	Stresses that figures on the social costs of gambling are not available.
291	Chair Lim	Closes the public hearing and adjourns the meeting at 4:43 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 793, amendments, staff, 1 pp

B ñ SB 1217, written testimony, David Hooper, 2 pp

C ñ SB 1217, written testimony, Todd Davidson

D ñ SB 1217, draft amendments, staff, 1 pp

E ñ SB 947, written testimony, Chris Lyons, 7 pp

F ñ SB 947, written testimony, Bill Johnstone, 3 pp