

WORK SESSION ON SJR 28A TAPES 163 - 164 A/B

SENATE REVENUE COMMITTEE

MAY 30, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Invited Testimony: John Powell, Represents GTECH Corporation

Staff: Richard Yates, Economist

Carol Phillips, Committee Assistant

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TAPE 163, SIDE A

004 ^{Chair}
Baker Opened meeting at 9:15 a.m.

005 Discussed SJR 28 (-A6) Amendments distributed at the meeting 5/27/97. This bill is still a "work in progress". The (-A6) expressed concern that the Legislature have some direction and oversight over Lottery which it has not had in the past. The (-A6) also addresses the issue of increasing the amount of money that would go back to players. It also begins to

Chair

Baker address the issue of how the state can pay for gambling addiction treatment centers. It also starts to addresses a concern some Members had regarding the expansion of the Lottery into line games and what that meant. This is not in final language as yet, and the subject is open for discussion.

INVITED TESTIMONY

039 John Powell GTECH Corporation does computer systems for lotteries throughout the US and the world. GTECH has signed a seven-year contract with Oregon Lottery to redo central computer systems for both traditional games and video games. This means an investment by GTECH of millions of dollars up front with the hope of recouping it over the seven-year period. Any changes in the law would affect the contract they have signed with the Lottery.

054 Powell Worried that the language in (-A6) is not clear in that it may allow the Lottery to change games and would cause problems for contracts already signed. Encouraged legislators to be specific in what they mean to do. Does not know if the language which limits additional games means you have to keep the games you have as of July 1, 1997 and not change, or can other games be substituted?

065 Chair Baker Stated one of the problems for discussion is that this is constitutional language, which should never have been in the constitution in the first place.

071 Powell Pointed out at last hearing that the Lottery is unique. References to Oregon Liquor Control Commission ("OLCC") and Oregon Department of Transportation ("ODOT") have been made, but reminded Members that both OLCC and ODOT over the past years fifty years have had their problems with legislative oversight. There was a time when the Legislature passed bills designating which highways got paved. Believes one must be careful with a commission form of government with how the Legislature interacts and sets policy. As discussed 5/27/97, that direction should be a broader general policy as opposed to trying to legislate in each and every area. GTECH operates in over 20 states; and in those states where the Legislature is directly involved in lottery operations, there have been all kinds of problems, including lobbyists trying to influence contracts through the way legislation is worded. That kind of oversight is a big mistake.

095 Chair Baker Assured Powell that it is not the intention of the Chair or some of the bill's sponsors to micromanage the Lottery Commission. Does not believe the Legislature "meddles" beyond that. Asked if the type of budgetary oversight with OLCC and ODOT was acceptable to Powell.

100 Powell Understands reference to that type of oversight, and pointed out that those agencies could not derive revenue without specific acts of the Legislature which is a little different from the Lottery. Believes the best relationship between the Legislature and the Lottery is broader general policy, probably not by amending the constitution.

Sen. Asked Powell if GTECH's contract with the Lottery allows for the software design of

123 Bryant electronic slot games or line games.

127 Powell Answered that if requested by the Lottery to design those games GTECH would do so. Lottery has been so buried in trying to get systems developed and implemented that GTECH's concern is when conversion is made later this year to the line games that the games work. Have not spent much time developing other games because of the line game push. Believes Administrator Lyons did not even consider changing the games until this fall because the Lottery has been mired in development of the system. In some states people including Governors want to own interests in wagering establishments. The politics around this type of thing are extremely dicey. Recommended to GTECH they do not get involved in the political contribution business because of the sensitivity of the gaming aspect. The Commission form of regulation has people appointed to positions rather than running for the offices. Questions and discussion interspersed.

194 Sen. Hartung Asked if constitution is not amended, how would addiction treatment issue be handled? Believes a statute or law cannot be passed to allocate funds for addiction treatment from Lottery revenues.

200 Powell Answered he is not sure how money has been transferred to date, but believes there is a methodology.

203 Chair Baker Answered that the methodology is the general fund pays for \$4 million for gambling addiction, but it does not come from Lottery.

211 Powell Pointed out that the Committee heard testimony 5/27/97 that most people involved are in support of providing revenue needed to deal with addiction problems. Those involved in treatment should be included in discussions regarding those needs and in determining an appropriate funding level.

218 Chair Baker Stated that a constitutional amendment adopted by voters was written by gambling interests who wrote it specifically to avoid legislative oversight. In the 1993 session the House Government Committee asked specific questions about the Lottery budget but got "stonewalled". There may be a more enlightened administrator at this point but she, too, has stalled off any providing any information asked for. When this Committee asked questions about the transfer of information from the Lottery Commission the administrator was unaware that in 1985 a statute was passed specifying an obligation to report to the Legislature.

253 Powell Remembered that the statute was passed as a result of discussions like this, but it is too bad that the policy has not been implemented to date. The Lottery budget should be reported to the Legislature; a committee could have a hearing, request information, and discuss issues back and forth with the Lottery Commission. Interest in Lottery ebbs and flows from the legislative side because there is so much to do. When legislators are back at their own jobs or campaigning they don't have time to devote to Lottery issues.

- 276 Chair Baker Stated it would be of benefit to Oregon if expertise was developed within the Ways and Means Committee. Every two years there could be direct accountability to Members who developed expertise over their legislative careers to review these budgets over two, three, or four cycles.
- 282 Powell Feels the Lottery Administrator will try to cooperate along those lines but does not know if it should be constitutional.
- 317 Richard Yates Example A - Lottery Activity for 1995-96. Discussed Exhibit in detail.
- 331 Yates Traditional lottery games (Instant, Break-Opens, Megabucks, Daily 4, Multi-State, Sports Action, and Keno) were listed by total sales, prizes awarded, net, and percentage. The Lottery Commission pays its expenses out of net figures. Questions and discussion interspersed.
- 429 Yates Discussed Video Lottery and the two methods of counting sales: Cash: In-Out and Machine: Played-Won.

TAPE 164, SIDE A

028 Yates Continued explanation of Exhibit A. Questions and discussion interspersed.

102 Chair Baker Adjourned meeting at 9:50 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SJR 28, Yates, Lottery Activity for 1995-96, 1 page