

PUBLIC HEARING AND WORK
SESSION ON HB 3041A, SJR 28B
WORK SESSION ON HB 2192A
TAPES 201-202 A/B, 203-204 A

SENATE REVENUE COMMITTEE

JUNE 16, 1997 - 8:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (arrived 9:30 a.m.)

Sen. Joan Dukes (arrived 10:30 a.m.)

Sen. Verne Duncan

Sen. Randy Leonard (arrived 11:15 a.m.)

Members Excused: Sen. Tom Hartung

Testimony: Julie Neburka, Administrator, House Commerce Committee

Yvonne Addington, Manager, Regional Development Division in

Oregon Economic Development Department

Bob Cantine, Association of Oregon Counties

Bob Meinen, Director, State Parks and Recreation

Rollie Wisbrock, Treasury Department

Chuck Smith, Treasury Department

Bill Nestle, Office of Attorney General

Sen. Jeannette Hamby, District 5, Hillsboro

Chris Lyons, Director, Oregon Lottery Commission

Ted Hughes, Cow Creek and Seven Feathers Casinos

Michael Mason, Confederated Tribes of Grande Ronde

Ozzie Rose, Confederation of Oregon School Administrators

Jerry Bennett, President, Linn-Benton-Lincoln Education Service Dist.

Gary Hanson, Multnomah County Commissioner

B. J. Smith, Clackamas County

Staff: Jim Scherzinger, Legislative Revenue Officer

Richard Yates, Economist

Steve Meyer, Economist

Carol Phillips, Committee Assistant

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005 Chair Baker Opened meeting at 8:45 a.m.

OPENED PUBLIC HEARING ON HB 3041A AND HB 2192A

015 Julie
Neburka Exhibit G - Written testimony. Said the bill adds to the list of things that may be funded using funds from special public works fund of the Oregon Economic Development Department Community Facilities. Special Public Works Fund is normally used to finance infrastructure improvements in communities such as water and waste water systems, roads, ports, etc. that would allow industry to come into a community. Community facilities are defined in the bill as fire stations, senior centers, community mental health or child care building, etc. Language in the bill removes some of the requirements for Special Public Works Funds such as jobs creation, etc. that a community facility would not necessarily bring in as it is being built.

The bill was requested by counties. Small counties especially have difficulty in

- 050 Yvonne Addington financing community facilities. This bill covers not only county facilities but cities, port districts, service districts, water utility districts, and municipalities. This proposal does not take funds away from special public works in the form of grants or loans. It receives lower interest rates by combining several community's projects into one and selling one bond issue at the state level to get lower rate. Questions and discussion interspersed.
- 072 Sen. Duncan Asked who would be responsible if there was a default?
- 079 Addington Said that the proposal is to combine municipalities at the state level in one sale. These are revenue bonds and not a liability of the state, so the municipalities involved would be relied on to pay. No municipal government has defaulted to state for many years. Last default was Port of Newport back in the late 1970s or early 1980s. This bill is good public policy because it treats all municipalities the same.
- 112 Bob Cantine Expressed supports this bill and asked the Committee's support as well.
- 140 Steve Meyer Exhibit F - (-A6) Amendments. These deal with state park bonds which are Lottery bonds and would be paid off from Lottery revenue. Total bonds that can be issued is \$105 million over life of the program. For 1997-99, however, only \$15 million can be issued for state parks and would have to be used for capital purposes. Questions and discussion.
- 203 Bob Meinen Exhibit K - How Would OPRD Spend \$15 Million From Lottery Bonds? This bill started out on House side by Rep. Randall Edwards. Changed to a different bill number during the process to combine with another bill along the same lines and moved into HB 2192 since then. Struggling just to keep up and make sure all the pieces and parts are combined into one bill. This bill would address major maintenance such as upgrades to ADA accessibility standards, water systems, major renovation of existing buildings. Two target state parks are Fort Stevens and Silver Falls which have the most needs. Five additional state parks have high priority special projects needs as well. Questions and discussion.
- 292 Meyer Stated that most of the bill is the administrative process. Deposits net proceeds from sale of bonds into the Oregon Parks for the Future Fund. Other language toward the end of the bill repeals South-North light rail statutes language, but the rest is the same.
- 326 Sen. Dukes Asked question regarding Exhibit F wording regarding "unobligated net Lottery proceeds". Has a problem with obligating a future amount of Lottery money, especially when video line games may or may not be allowed to proceed.
- 372 Rollie Wisbrock Treasury has a process established for future years regarding strategic reserves for all debt allocation.

384 Chuck Smith Regarding unobligated Lottery revenues, the estimation for 1997-99 is between \$250 million and \$300 million a year estimated to be unobligated Lottery revenues. Oregon pioneered the use of Lottery bonds in 1994.

411 Wisbrock Clarified unobligated Lottery funds. The structure of the flow of dollars from the Lottery into various pots is as follows: East-West light rail of about \$10 million will expire in 7 or 8 years. All other Lottery debt as dollars are going forward into a second pot. Third pot is educational endowment fund. When Sen. Smith created the education endowment fund, the flow chart was established for clarification. Current amount of obligation in the fund is \$10 million obligation.

454 Smith These bonds would be fifteen years.. After 1997-99 this bill places these bonds under a procedure used for all state bonds, that is every biennium the legislature reviews each bond program and passes a bill specifying the maximum amount of bonds that can be sold for each bond program. Questions and discussion interspersed

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034 Wisbrock Added that a further review will establish remaining capacity of Lottery bonds every biennium.

042 Chair Baker Asked for explanation of South-North light rail information.

043 Bill Nestle Responded that because those sections of the bill regarding South-North light rail bonds have been invalidated by the court, those sections are being removed from the bill so the bond community will not see that as another potential drain on revenues that will otherwise be pledged to the State Parks Bond Program.

054 Chair Baker Asked Nestle to refresh his memory of the subject: The South-North light rail was three different bills: One for interstate compact with Washington State which survives, one was Transportation Equity Fund to provide moneys for transportation projects (killed by voters), and one was core bond issuance authority for the South-North light rail. If South-North were to come back the legislature would have to reauthorize a new project for state involvement, correct?

063 Nestle Added that under current law it would have to reauthorize these provisions in order to activate it anyway.

065 Chair Baker Confirmed that this was not impacting local governments or municipalities from participating in a light rail project of some sort. Confirmed this does not impact the East-West light rail project already under way. Further comments and discussion regarding Westside light rail.

Pointed out one minor change in the language than what was in HB 2192 regarding

104 Meyer amount which could be used to pay off bonds in 1997-99 biennium. It had been placed at \$10 million, but that language has been removed because the education bonds are not part of it any longer.

CLOSED PUBLIC HEARING ON HB 3041A AND HB 2192A

152 Chair Baker Recessed meeting at 9:25 a.m. and reconvened at 9:31 a.m.

OPENED PUBLIC HEARING ON HB 3041A

164 Meyer Outlined what the bill does. The (-A6) Amendments authorizes \$105 million. Language regarding North-South light rail is deleted. Provides for major repairs to Fort Stevens and Silver Falls State Parks.

190 Chair Baker Overview of what had been discussed earlier today for benefit of Sen. Bryant and Sen. Dukes who missed some of the testimony. Questions and discussion interspersed.

213 Wisbrock Stated that right now the only committed dollars from the Lottery are \$10 million for East-West light rail. "Unobligated" may be a confusing term, but it means debt. East-West light rail at \$10 million a year goes for another seven or eight years. Questions and discussion interspersed.

314 Meyer Added that earnings from education endowment fund originally went to State Scholarship Commission to be split between higher education scholarships and need grants for K-12. There is not a bill out of Ways and Means that would split the earnings 25% to State Scholarship Commission and 75% to State School Fund.

331 Chair Baker Asked why there is an Emergency Clause in this bill.

338 Wisbrock Responded that if sale of bonds will be obligated prior to the 90 days, they would want access to the cash. Questions and discussion.

CLOSED PUBLIC HEARING ON HB 3041A

OPENED PUBLIC HEARING ON SJR 28B

381 Chair Baker MOVES RECONSIDERATION OF VOTE WHEREBY SJR 28A WAS SENT TO SENATE FLOOR WITH DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

Explained that the Resolution proposes a constitutional amendment in the next primary election. Changes to constitution would permit state Lottery revenues to be used for

395 Richard Yates treatment of gambling addiction. The proposed uses in existence now are for economic development and education. It adds language to require the State Lottery budget to be subject to legislative oversight in the same manner as all other agencies. Increases proportion of Lottery revenues which must go back in prizes or transfer to Economic Development Fund from current 84% to 93%. Prohibits use and operation of video slot games and requires that such games be prevented by criminal laws.

CLOSED PUBLIC HEARING ON SJR 28B

OPENED WORK SESSION ON HB 3041A

430 Meyer Talked with Legislative Counsel regarding emergency clause; their comment was that Section 17 on the emergency clause is not necessary but if it was not there the Treasury Department could not go ahead and do any obligation or commitment of funds prior to the 90 days after the end of session. Questions and discussion.

450 Meinen Feel that most of the construction work at the State Parks will occur after the first of the year after going through the bidding process, they are comfortable with bond issuance later in the year.

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020 Meinen Continued comments regarding State Parks construction schedule, emergency clause wording, and bond issuance. Questions and discussion.

CLOSED PUBLIC HEARING ON HB 3041A

OPENED WORK SESSION ON HB 3041A

050 Chair Baker MOVES (-A6) AMENDMENTS TO HB 3041A BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 3041A AS ADOPTED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

051 Chair Baker ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2
SENATORS VOTING AYE: DUKES, DUNCAN, BRYANT, BAKER

SENATORS ABSENT: HARTUNG, LEONARD

Sen. Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 3041A

OPENED PUBLIC HEARING ON SJR 28B

- 070 SenJeannette Hamby Exhibit P - (-3) Amendments to SJR 28. In reviewing latest engrossed version of bill realized that all Indian casinos would be shut down because of the criminal penalties attached. The law specifies that unless the state offers a particular type of gaming, no sovereign nation (tribal casinos) can offer the same type of game. (-3) Amendments specify a date certain of 7/1/97. Whatever games tribal casinos offer before that date will continue to be okay. Whatever games the Oregon Lottery tries to offer after that date would be illegal. The intent is to stop expansion of video Lottery games. Questions and discussion interspersed.
- 123 Chris Lyons Explained that the same games the state of Oregon offers can be offered by tribal casinos. The confusion arises regarding video Lottery terminals and games within those terminals. As long as the state allows terminals, every game would be classified as a video slot game. As long as the state allows terminals, the question comes in what games can be played. The tribes have freedom as to types of specific games allowed to be played on those terminals.
- 145 Sen. Bryant Asked if the state determines it is not good public policy to have a certain game on a terminal, does it have the authority to do that?
- 150 Lyons Agreed there should be definition to the actual games allowed. Added that the constitution prohibits actual casinos to be operated by the state.
- 163 Sen. Bryant Asked if the purpose of this amendment is to address terminals and not allow the expansion of certain games on those terminals, correct? That prohibition would apply to future games after 7/1/97. If tribal casino terminals have games in place as of 7/1/97 they can remain in place, correct? What if chip needed replacing after 7/1/97? Could games be upgraded with addition of new chip?
- 178 Sen. Hamby Answered that if the chip were such that it caused faster play it would be questionable.
- 182 Sen. Dukes Added that as long as state allows video games, state is not stopping anything in tribal casinos. Further discussion, comments, and questions.
- 266 Lyons Said that because terminals are allowed by the state, tribal casinos can offer any terminal game they want to.
- 282 Chair Baker Confirmed that the (-3) would prohibit the state from placing more video terminals after 7/1/97 but would not prohibit tribal casinos from offering any games they want on their terminals. Further discussion and questions.

- 312 Lyons Said the legislature cannot put the Lottery Commission out of business, but it does have latitude in terms of what it can do to the Lottery statutorily. Comments and discussion. Can offer up to 17 different games on video terminals.
- 353 Sen. Hamby Added comments regarding "dominant purpose" issue. Certain establishments get 72% of their revenue from Lottery sales, but that was not the "dominant purpose" for the creation of the establishment in the first place. Further discussion of "dominant purpose" issue.
- 420 Chair Baker Said we would not move this bill today, so there is time for further clarification.
- 448 Ted Hughes Said he opposes SJR 28. Stated it would be simple to add a phrase stating it pertains only to Oregon State Lottery and not to tribal casinos.
- 468 Chair Baker Asked if tribal casinos have any problem with adding gambling addiction treatment or budget oversight of Lottery Commission by legislature.
- 474 Hughes Responded that since it does not pertain to tribal activities, he does not have any opinion.

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- 028 Michael Mason Said SJR 28 as currently drafted would cause their casino some difficulty and does not believe it solves the problem to draw a time line of 7/1/97. There are some tribes that do not have the full array of games that others do. There is a study going on regarding addictiveness of video poker and line games. Strongly opposed to language in (-3).
- 059 Chair Baker Asked for language to be drafted as an amendment that would address "dominant purpose".

CLOSED PUBLIC HEARING ON SJR 28B

- 071 Chair Baker Recessed meeting at 10:20 a.m. and reconvened at 10:58 a.m.

OPENED WORK SESSION ON HB 2192A

- 075 Meyer Discussed Exhibit Q - House Additions to SB 346A in HB 2192A, and Proposed Senate Amendments to HB 2192A. Outlined highlights to date.
- 184 Meyer Discussed Exhibit L - (-A6) Amendments to HB 2192. Discussed Exhibit R- (-A7) Amendments to HB 2192. Questions and discussion interspersed.
- 225 Chair Baker Said that originally ESD funding had been approved at 75% by this Committee but Leadership decided they wanted to reduce that amount. Need to come back in 1999 session and lay groundwork for equalization issues with ESDs.

250 Ozzie
Rose Said any shortfall in amount of money available for the formula goes to equity districts. But this time there is one thing different. SB 5519, the appropriation bill, says in Section 9 that any property tax not anticipated will be captured. In the past that has been distributed to the equity districts. Encourages distribution be amended so that any shortfall in property taxes is spread over all school districts.

290 Meyer Stated it would not be so hard to draft wording of amendment, but the hard part would be determining a target number. As soon as the House determines a number, it can be completed. Language with a blank for that number could be done.

327 Chair
Baker Asked Meyer to start working on language to address that issue.

358 Rose Discussion regarding school funding. Said the (-A7) Amendments are not necessary. Detailed questions and discussion regarding funding, equalization, classroom size, etc..

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025 Rose Continued comments. Feels the only way to reduce class size is to have more teachers. A lot of schools have a lot of needs other than class size. Detailed questions and discussion interspersed.

076 Jerry
Bennett Said that Oregon Public Education Network ("OPEN") meets the goal of State School Superintendent Norma Paulus and Governor Kitzhaber to take computer technology opportunities to every school classroom in Oregon as soon as possible. Have about 85% of the state's schools and most of the ESDs involved, and to deny funding at this stage would be disastrous. They have created websites, etc. to help everyone get on the Internet. Questions and discussion interspersed.

190 Sen.
Dukes Asked if all the materials gathered to date are available to all the ESDs. Believes this is a good program; but because of the internal struggle going on in the Astoria School District, which has been notified that they will be charged \$800,000 for services they used to get at no charge from the Northwest ESD, does not know how much of this will be available to them. They cannot afford another financial hit.

212 Bennett Explained that a proportionate distribution will be levied from each school district to reach a total of \$1 million, not \$1 million from each school district. Believes it is essential to get all the schools connected to the Internet, no matter what the cost because of "economies of scale". Detailed discussion and questions interspersed.

335 Bob
Cantine Exhibit S - County School Fund written testimony. Established in 1954. Detailed discussion of how County School Fund operated. Questions and discussion interspersed.

81 Gary Exhibit T - County Contributions to County School Funds Under ORS 328.005. Explained that when Measure 5 was passed there was a split between the way property

Hanson taxes are levied between local government support and education support.

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030 Hanson Detailed discussion of how County School Fund operates today.

058 B. J. Smith Added that the County School Fund has several sources of revenue in it including federal forest receipts. In the 1950s and 1960s the state legislature established some fines that were funneled to this fund. The only part of this proposal that is relevant is the portion of the school fund that originates as a result of the general property tax levy of the county. This proposal has nothing to do with any other source of money and is a proposal to recapture for General Fund purposes those particular county general fund dollars.

081 All Questions and discussion.

171 Chair Baker Asked why this anachronism should continue to exist.

173 Rose Responded anything to fund schools is necessary.

183 Chair Baker Said that was not the question.

202 Rose Responded that the implication was that by going to the new system schools would be adequately funded throughout the state. That clearly has not been done yet. Further questions and discussion.

226 Chair Baker If equity is achieved in four years, this program should be eliminated. Comments and discussion.

334 Chair Baker Adjourned meeting at 12:10 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 3041A, Meyer, Staff Measure Summary, 1 page
- B. HB 3041A, Meyer, Fiscal Impact Statement, 1 page
- C. HB 3041A, Meyer, Revenue Impact Statement, 1 page
- D. HB 3041, Meyer, Staff Measure Summary, 1 page
- E. HB 3041, Meyer, Fiscal Impact Statement, 1 page
- F. HB 3041A, Meyer, (-A6) Amendments, (JB/ps) 6/16/97, 14 pages
- G. HB 3041, Neburka, Written testimony, 4 pages
- H. HB 2192A, Meyer, Staff Measure Summary, 1 page
- I. HB 2192A, Meyer, Revenue Impact Statement, 3 pages
- J. HB2192A, Meyer, Fiscal Impact Statement, 2 pages
- K. HB 2192, Meinen, Written testimony, 2 pages
- L. HB 2192A, Meyer, (-A6) Amendments, (CH/ps) 6/16/97, 25 pages
- M. SJR 28B, Yates, Staff Measure Summary, 1 page
- N. SJR 28B, Yates, Revenue Impact Statement, 1 page
- O. SJR 28B, Yates, Fiscal Impact Statement, 1 page
- P. SJR 28, Hamby, (-3) Amendments, (JB/ps) 4/28/97, 1 page
- Q. HB 2192A, Meyer, House Additions to SB 346A In HB 2192A, 1 page
- R. HB 2192A, Meyer, (-A7) Amendments, (CH/ps) 6/16/97, 2 pages
- S. HB 2192, Cantine, County School Fund, 1 page
- T. HB 2192, Hanson, County Contributions to County School Fund, 2 pages