

PUBLIC HEARING ON SJR 28A

WORK SESSION ON HB 2192A TAPES 205 - 206 A/B

SENATE REVENUE COMMITTEE

JUNE 17, 1997 - 8:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (arrived at 8:45 a.m.)

Sen. Joan Dukes (arrived at 8:40 a.m.)

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Staff: Steve Meyer, Economist

Richard Yates, Economist

Carol Phillips, Committee Assistant

Testimony: Chip Lazenby, Legal Counsel to Gov. Kitzhaber

Jessica Harris, Legislative Assistant to Sen. Jeannette Hamby

Jerry Bennett, Superintendent, Linn-Benton-Lincoln ESD

Ozzie Rose, Confederated Association of School Administrators

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005 Chair Baker Opened meeting at 8:30 a.m.

OPENED PUBLIC HEARING ON SJR 28B

018 Chip Lazenby Said that when legislature first enacted video Lottery one of the things the legislature appended to that legislation was prohibition on casinos. Says very little more than it requires legislature to prohibit and to take steps to avoid establishing casinos. The Lottery has been operating on a 66% basis in terms of gross revenues to establish dominant purpose . Apparent to counsel for the Governor that figure is too high. View on if this can be legislated may be different from the Lottery Commission's. This subject may present opportunities during interim for working with Lottery staff to improve on definition of dominant use and dominant purpose. This is much more complicated than just plugging in a number.

055 Sen. Leonard Asked what the relationship is between Governor's office and Lottery Commission with respect to the staff. Do they serve at Governor's pleasure or do they have fixed terms and can be removed only for cause?

057 Lazenby Stated they have fixed terms but do serve at the pleasure of the Governor.

061 Chair Baker Asked what tools are available to the Lottery Commission to lower dominant purpose percentage to retailers? Is that a fixed number or does the ability exist to restrict or monitor amount with vendors in some way?

065 Chris Lyons Responded that the percentage can be changed in a couple of ways. It is not actually in the contract document but through administrative rule. The contract document says they will follow administrative rules, and that those rules may change from time to time. The dominant use rule had not been enforced until Lyons took over as Director. At one time that rule applied only to video games, but she made it apply to all Lottery games. They have begun to audit retailers (50 so far). They have notified 600 retailers that they will be audited soon. Have hired an additional auditor to begin gathering the information. Other factors come into play in determining percentage. Questions and discussion interspersed.

104 Lazenby Added that HB 3411 would have allowed race tracks in Portland to have 75 video Lottery terminals on site. An opinion from the Attorney General's office said that they believed that statute would be unconstitutional. That was not determined by revenue but by the dominant purpose of the facility. Retailers are limited to five terminals per facility, and this bill would have allowed 75 terminals. Attorney General felt that crossed the line and would be unconstitutional. It is not just revenues considered, but the structure of what business are that want video terminals on their premises.

118 Jessica Harris Said that Sen. Hamby's intention in SB 314 is to take what the Supreme Court said and then moving forward that it was up to the legislature to prohibit casinos and determine what dominant purpose and dominant use was. Comments regarding businesses having to compete with those who have video terminals.

- 134 Harris Sen. Hamby is especially concerned about establishments called "Dotties". These are places with a "homey" atmosphere with five video terminals in the corner, free coffee, and loss leader beer. They make over 50% of their profits from Lottery revenues. Sen. Hamby believes anything over 50% constitutes dominant use. SB 314A is the Lottery Commission's administrative rule. If a business makes more than 50% of its profits from Lottery, they would have to be considered a casino. Whole process to be followed if they want to continue in business. Not sure if this needs to be put into the constitution, but it could be included in SJR 28. Prefers to see language in statute. Questions and discussion interspersed.
- 198 Lyons Said she is comfortable with wording in that it reflects the essence of the administrative rule. The only difference was in the percentage. May be too soon to go from 66% to 55%. After audit information is gathered and studied intends to re-examine rule based on some of that information. Questions and discussion.
- 230 Lyons Expects that all 600 of the proposed audits will be completed this year. Has proposed that 600 per year will be audited every year, and that every retailer will be audited once during its three-year contract cycle. Expects that within six months there will be enough data gathered to go into the rule making process.
- 240 Sen. Hartung Asked if addicted gamblers play video games at any one type of establishment more than any other.
- 249 Lyons Said the Lottery Commission does not have any information in answer to that question. Does not know if a heavy gambler plays more at a "Dotties Deli" or at a local tavern in a small town.
- 254 Lazenby Added that in the Governor's Gambling Task Force one of the recommendations was an addiction prevalence study be performed, which is currently under way. Quantitative data is being gathered at this time. The study is being funded in part by Lottery Commission, Indian tribes, and treatment professionals. Release of that information is scheduled for August or early September 1997.
- 278 Harris Provided information where these "Dotties" are located. Local taverns are usually out on the edges of town or maybe in run-down areas. "Dotties" on the other hand are found next to your local Safeway, so your mother, sister, aunt, or whoever does the family shopping is on the way to buy weekly groceries and either sees "Dotties" before they go in or on the way out with any leftover grocery money. They seem like friendly neighborhood type of place, and that is the concern Sen. Hamby has with this type of establishment.

CLOSED PUBLIC HEARING ON SJR 28B

OPENED WORK SESSION ON HB 2192A

347 Steve Meyer Gave a brief summary of discussion from 6/16/97. Exhibit A - (-A8) to HB 2192. This Amendment takes \$1 million each fiscal year out of the State School Fund to be distributed to the ESDs for the purposes listed in Section 23a (3). ESDs would still receive their 75% of the Measure 5 loss. In order to make language stronger, suggested changing "may" to "shall" on line 12.

405 Jerry Bennett Said that over last 2 1/2 years ESDs in partnership with Department of Administrative Services and Oregon Department of Education with many others have developed a major effort to assure technology opportunities in every Oregon classroom. A system has been set up to connect all ESD's and 80% of school districts to the Internet. Have developed a clearinghouse for teacher access to lesson plans, extensive research materials, best practices, etc. Have developed web pages, etc. However, they do not have the funds to continue past 6/30/97. At a point now where they need financial support immediately. Grass roots dollars are needed to keep the program going. Products they develop are not only for one school, but for all Oregon schools. Questions and discussion interspersed.

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030 Bennett Stated that they do a lot of gratis work to keep costs down. About \$1 million invested to date, but another \$1 million would finish the job. Confident they would be able to account for every dollar spent. It's one thing to get the hardware in place, but it's another if line costs cannot be met. Best opportunity to make high quality educational information available to all teachers and schools. Questions and discussion interspersed.

179 Meyer Said that Exhibit B - (-A9) Amendments are an attempt to get to the issue of how any shortfall in estimated local revenue would be distributed among the school districts. Intent of the language is to spread it among all districts including those that receive their funds from the flat grant calculation as well as the stop loss calculation. This approach tries to tie the estimated number to the number in HB 5519. Another approach would be to have a separate bill passed at the end of session with numbers they believe will be the correct ones at that time. Another approach would be to wait for Conference Committee if there is one to determine number. Another approach would be to have Amendments drafted to determine someone or some group to provide the number. Does not know which approach would be best.

229 Ozzie Rose Stated his preference is put it in HB 2192 with the blanks and let it go to Conference Committee. Prefers (-A7) to (-A8) Amendments. ESDs are supposed to serve their local districts. Questions and discussion interspersed.

306 Chair Baker Believes a clear statement is being made regarding the importance of technology in this program. It is being specifically identified with funds to go along with it.

313 Sen. Hartung Agrees with Rose's statement that if districts want to contribute they can.

339 Bennett Said there is a great difference between what local ESDs do for their local constituents compared with what the statewide OPEN program will do for the entire state. The statewide OPEN is considerably larger than just the ESDs but a major concentrated effort to get unlimited information to all teachers and students. Access to statewide and worldwide information is invaluable. Anyone who does not have this access will be handicapped. Questions and discussion interspersed.

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065 Chair Baker Reminded Members that state park bonds have been removed from this bill and into a separate stand-alone bill. Proposed removal of educational capital bonds and education one-time classroom needs from the (-A6) Amendments. The ESD funding has been increased from 71.3% to 75%. Have included the preamble added in the House. Proposed restoring facility grants. Asked Members for their input.

084 Sen. Duncan Understands both sides of argument on County School Fund issue.

088 Chair Baker Believes the County School Fund is an anomaly just sitting there since 1909 and not relevant now in a Measure 5 and Measure 50 environment. Questions and discussion interspersed.

101 Rose Said that the County School Fund is made up of several components. Believes County School Fund should stay in place for four years. Further questions and discussion.

124 Sen. Duncan Supports Rose's request to continue County School Fund for four years.

126 Chair Baker Countered with two years. Asked for Committee's preference. Sen. Hartung prefers two years. Sen. Dukes responded she does not support the County School Fund. Believes funds should all be dumped into the Common School Fund and let the people who manage the money for the schools anyway deal with it. Does not see why another set of administrative people has to be in place to keep track of funds, write checks, etc.

164 Chair Baker Said he would prefer to get rid of it immediately and let the 1999 session address the issue.

166 All Discussion and questions regarding County School Fund.

212 Chair Baker Proposed deleting County School Fund from this bill effective immediately, but after discussion decided to leave it in for now. Next issue is \$1 million additional funding for ESD technology. The issue comes down to do funding from the ESD portion (their 75%) or from the State School Fund? Consensus was outside. This will be included in the (-A8) Amendments.

Explained that Exhibit B - (-A9) Amendments deals with what happens if the local

- 254 Meyer revenue does not come in as estimated. This approach ties the estimate to HB 5519 as triggering mechanism to determine if there is a shortfall or not. If there is a shortfall, it would be borne by all school districts and not just the equalization districts.
- 275 Chair Baker Said Meyer would incorporate all this into a new Amendment. Questions and discussion.
- 342 Chair Baker Adjourned meeting at 9:48 a.m.

Carol Phillips
Committee Assistant

Kim James
Office Manager

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Exhibit Summary:

- A. HB 2192A, Meyer, (-A8) Amendments, (CH/ps) 6/16/97, 2 pages
- B. HB 2192A, Meyer, (-A9) Amendments, (CH/ps) 6/17/97, 2 pages
- C. HB 2192A, Meyer, (-A3) Amendments, (CH/ps) 6/12/97, 1 page