

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

April 8, 1997 Hearing Room 343

1:00PM Tapes 49 - 50

MEMBERS PRESENT:

Sen. John Lim, Chair

Sen. Joan Dukes, Vice-Chair

Sen. Bill Fisher

Sen. Gary George

Sen. Avel Gordly

Sen. Veral Tarno

MEMBER EXCUSED:

STAFF PRESENT:

Jim Stembridge, Administrator

Julie Havel, Administrative Support

MEASURES/ISSUES HEARD:

SB 724 Public Hearing and Work Session

SB 314 Work Session

SCR 7 Public Hearing and Work Session

SB 457 Public Hearing

SB 408 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 49, A		
005	Chair Lim	Calls meeting to order at 1:08 pm and opens public hearing on SB 724.
<u>SB 724 -</u>		

<u>PUBLIC HEARING</u>		
016	Jim Stemberge	Committee Administrator, explains provisions of SB 724 and the proposed -3 amendments (EXHIBIT A).
050	Don Lincoln	Lincoln County Commissioner, introduces Gordon Fultz, Association of Oregon Counties, and testifies in favor of SB 724.
068	Gordon Fultz	Association of Oregon Counties, testifies in favor of SB 724 and explains the benefits of lottery revenues to the counties, and states he is in support of the -3 amendments to place the amount on a sliding scale.
098	Sen. Fisher	Asks what the quarterly returns are currently.
104	Stemberge	Explains it is roughly \$90 million per quarter through December, 1996.
117	Joni Low	League of Oregon Cities, states the league has some concerns with this bill in terms of the overall impact of the sliding scale on the more rural counties.
143	Chair Lim	Closes public hearing on SB 724 and opens work session on SB 724.
<u>SB 724 - WORK SESSION</u>		
154	Sen. Fisher	Asks if the money raised goes to help small cities.
159	Fultz	Explains a good number of the funds are used in small cities for economic development as well as rural and county wide activities (EXHIBIT B).
191	Sen. Fisher	States he would like a spreadsheet showing the amount for the past seven quarters showing the past trend.
201	Fultz	Explains it's been up and expects it to continue to increase for counties.
205	Sen. Fisher	Clarifies he meant for video poker and not just overall lottery receipts.
217	David Hooper	Public Affairs Manager, Oregon State Lottery, states the lottery will be doing an estimated 800-million dollars a biennium in video lottery.
237	Stemberge	Explains the breakdown in percentages.
235	Sen. Fisher	Asks if that is the video lottery portion, or lottery in general.
241	Hooper	States he believes the figures before him in exhibit B are only for video lottery because that is the money that goes to the counties.
252	Sen. Fisher	Continues with follow-up questions regarding forecasts of future growth.
284	Stemberge	Clarifies difference between net receipts and net proceeds, and explains the net proceeds are after you subtract the lottery's operating costs, and net receipts are used for the calculation of the transfer to the counties.
308	Hooper	Adds the transfer rate is about 57 percent of net receipts, which become profits transferred to the state. States the March forecast projects for video lottery in 1995-1997 to do \$737 million in net receipts, and the transfers, or profits from that is \$416 million. In the 1997-99 biennium, they are forecast to do \$792.9 million in net receipts, with a transfer of profits of \$443 million. In 1999-2001 biennium, net receipts are predicted at \$827.4 million.

360	Chair Lim	Asks if the fiscal impact statement for this bill is based on the new March revenue forecasts.
368	Stembridge	Explains this impact statement does not pertain to the -3 amendments or the latest forecasts.
376	Sen. Fisher	Asks if -3 amendments affect the projections for the current biennium budget.
390	Chair Lim	Confirms that is correct.
407	Chair Lim	Asks if the committee feels comfortable making a decision with the information they have before them.
421	Sen. Fisher	States his concerns about how it will affect the educational endowment fund.
TAPE 50, A		
014	Chair Lim	States that up to \$90 million the 2.5 percent is already there, and anything above is slowly going up. Asks if it's one percent for each additional \$10 million.
018	Stembridge	Clarifies it is one-half a percent for every additional \$10 million dollars per quarter.
020	Chair Lim	States that this bill is designed to give additional funds to the county, especially those hit hard by Measure 47. States if it hadn't been for Measure 47, he wouldn't have proposed the bill this way, but he thought this might give additional funds to those who need it most. Adds to him this seemed like the most prudent approach without affecting the basic programs in the counties and cities.
032	Sen. Tarno	States that in the total scope of things, 2.5 million dollars is not a lot of money, considering the total amount of money the lottery raises, and asks for clarification that that is the net impact, that lottery revenues would be reduced by 2.5 percent.
036	Chair Lim	Asks him to repeat question.
037	Sen. Tarno	Re-states question and asks if his interpretation is correct.
041	Stembridge	Explains the fiscal impact statement he is drawing upon was based on the original bill, and states staff has not yet received the fiscal impact statement for the -3 amendments.
043	Sen. Tarno	Asks Stembridge how much he thinks it will be.
044	Stembridge	States it depends on what the specific net receipts turn out to be per quarter, so it could vary quite a bit. Adds he will put together a spread sheet with those projections in conjunction with legislative fiscal staff.
052	Stembridge	Notes there is no emergency clause on the bill, so if it was passed with the -3 amendments, it would go into effect sometime in October, so the change in allocation would begin then. The change in distribution would be in effect for approximately five of the quarters of the next biennium.
059	Sen. Fisher	States the way he reads it, they are cutting down the amount by about two fifths and upping twice the percentage of what's being taken out, so it would have relatively little affect at first, but from there on out as it grows,

		it could be a bigger factor.
072	Chair Lim	Asks for and receives clarification that this bill has a subsequent referral to Ways and Means, and states they can look at the affect on state government in that committee. Shares his concerns about the approaching April 24 deadline for this committee to end consideration of bills, and states they must move this bill out soon. States his intention to just move the bill out to Ways and Means and on to the Senate floor and the House.
084	Sen. Fisher	States it could make a considerable difference in the lottery if it were to get up to the \$130 million dollar mark, where you would then be getting get two and a half percent more of everything from the \$90 million mark to the \$130 million.
090	Fultz	States it was not their intent to have this bill impact this current.
093	Chair Lim	Confirms -3 amendments will not affect this biennium.
097	Sen. Gordly	Suggests the committee wait until they have the fiscal impact statement and would like to look at the new forecasts and would like more time to consider the ramifications of these amendments.
114	Stembridge	Asks for clarification as to whether the committee would like to change the language so that the amendments reflect that the bill does not affect the 1997-99 biennium.
132		Discussion continues on the time frame and effects on future biennium quarters.
138	Chair Lim	Asks if the committee would like the Ways and Means committee to handle these issues.
144	Sen. Fisher	States he agrees with Sen. Gordly's concerns and would like to wait until they get more information before sending it to Ways and Means.
153	Chair Lim	Closes work session on SB 724 and opens work session on SB 314.
<u>SB 314 - WORK SESSION</u>		
169	Jim Stembridge	Committee Administrator, explains provisions of the proposed -5 amendments (EXHIBIT C) and states the committee still needs to arrive at an agreement on what percentage to fill in on the blank.
186	David Hooper	Public Affairs Manager, Oregon State Lottery, explains if a lower percentage is adopted, they will ultimately find more retailers out of compliance than the current level, and lottery officials will have to place them on a compliance plan, so they may not be able to conduct the intended 600 audits per year, because of the amount of time it takes to do the audits.
220	Chair Lim	Asks for and receives another copy of the -5 amendments.
224	Stembridge	Explains Legislative Counsel has not prepared any language yet to fill that blank.
228	Sen. Dukes	MOTION: Moves to AMEND SB 314 amendments on page 2 of the adopted amendments, in line 5, after "exceeds," insert "55".

	Chair Lim	Hearing no objection, declares the motion CARRIED .
250	Sen. Dukes	MOTION: Moves SB 314 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 5-1 AYE: 5 - Dukes, George, Gordly, Tarno, Lim NAY: 1 - Fisher
	Chair Lim	The motion CARRIES. SEN. HAMBY will lead discussion on the floor.
245	Chair Lim	Closes work session on SB 314 and opens public hearing on SB 408.
<u>SB 408 - PUBLIC HEARING</u>		
269	Chair Lim	Closes public hearing on SB 408 and opens public hearing on SCR 7.
<u>SCR 7 - PUBLIC HEARING</u>		
274	Jim Stenbridge	Committee Administrator, explains provisions of SCR 7.
282	Chair Lim	Noting no public testimony, closes public hearing on SCR 7 and opens work session on SCR 7.
<u>SCR 7 WORK SESSION</u>		
288	Sen. FISHER:	MOTION: Moves SCR 7 be sent to the floor with a Do PASS recommendation.
290	Sen. Gordly	States she will vote for this bill here in committee, but she may be a no vote on the floor.
294		VOTE: 6-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Lim	The motion CARRIES. SEN. LIM will lead discussion on the floor.
308	Chair Lim	Closes work session on SCR 7 and opens public hearing on SB 457.
<u>SB 457 - PUBLIC HEARING</u>		
	Laura	Executive Director, Metro Crisis Intervention Service, Gambling Hotline, testifies she is here to inform the committee about the importance of having gambling treatment dollars and states her support for SB 457.

338	Jeibmann	Explains gambling addiction is still perceived as a very shameful thing, so many people don't admit they have a problem. Yet they have seen a steady increase in people presenting themselves for help.
353	Chair Lim	Asks how many calls they get a month.
	Jeibmann	States they receive approximately 325 calls a month, but received 507 calls in the month of March.
362	Chair Lim	Asks why the numbers increased during March.
364	Jeibmann	States it was likely because of several newspaper articles and increased publicity about problem gambling.
370	Chair Lim	Asks about the nature of the calls.
380	Jeibmann	Explains the people are usually desperate, first-time callers who have exhausted all other resources. Some are suicidal, but generally they receive stabilization counseling and referral to a treatment provider in their area.
TAPE 49, B		
010	Chair Lim	Continues with follow up questions on nature of those seeking help with problem gambling.
015	Joni Low	League of Oregon Cities, testifies gambling related problems are not restricted to counties alone, but states it is a community-wide problem. Testifies this bill results in millions of dollars to counties, which she states is difficult to justify. States the money needs to include other private organizations, such as in the Portland-Metro area, which provide gambling treatment programs.
040	Chair Lim	Asks what other organizations she is referring to.
043	Low	Explains she does not have that information but would be glad to provide the committee with a list.
045	Sen. Fisher	Asks if 20 million 100-thousand dollars would be removed from the school fund in 1997-1999 under this economic impact.
046	Low	States she does not know what the exact figure is, but based on the fiscal analysis that has been prepared by Legislative Fiscal Office, 20 million dollars will be reduced from the school fund.
052	Low	Asks if in her opinion, some of this money would be better used in schools to help steer school kids away from gambling, rather than spend it the way this bill allocates.
059	Low	States it is her desire that if the committee considers this, that it also consider allocating funds to the other agencies which offer these treatment programs.
070	David Hooper	Public Affairs Manager, Oregon State Lottery, introduces Bill Nessly Jr., Assistant Attorney General, and states the Oregon Lottery has always supported the use of its profits by the Oregon Legislature there to fund gambling treatment programs, but there are some constitutional problems with this bill as it is drafted.
		Assistant Attorney General, outlines constitutional problems in the language of the bill, and proposes amendments to correct them.. Explains

080	Bill Nessly, Jr.	the bill directs the commission to transfer amounts from the State Lottery Fund to the counties to fund treatment programs, yet the Constitution created the State Lottery Fund only to appropriate funds for the administrative costs of maintaining the Lottery itself. The Supreme Court ruled similar legislation passed by the 1991 Legislative Assembly in the case of Ecumenical Ministries vs. the Oregon State Lottery Commission (EXHIBITS D & E) .
110	Hooper	Explains the two different funds to which the profits are transferred.
137		Discussion held over definitions of net proceeds and net receipts and the comparison to taking them from SB 724 and not taking them in this bill.
162	Chair Lim	Asks how much we currently spend on gambling treatment.
169	Hooper	Explains last session the Senate Trade and Economic Development Committee allocated \$4 million in lottery profits to be used for problem gambling treatment.
167	Chair Lim	Asks if that is a prudent amount.
171	Hooper	States he is not in a position to answer that, but there are people from the County Mental Health Department to answer that.
190	Chair Lim	States he likes the idea of bringing in public education as one avenue to combat problem gambling through public awareness.
199	Hooper	States that is something the Governor supports, but cannot say how much money should be spent on it.
206	Sen. Gordly	States they seem to be getting an incomplete picture in terms of current or existing treatment resources in communities around the state. Asks if there is a need for an increase in funding for these services, and where that need has been demonstrated.
234	Hooper	Explains he agrees the state does have an incomplete picture of the problem, and states the Oregon Gambling Addiction Treatment Foundation will be fielding its first survey, which will be finalized in the next few days.
243	Sen. Gordly	Asks when results of survey will be available.
247	Hooper	States they will not likely have the final results in time for the end of the legislative session if the June 13 adjournment date holds, but it will be ready before the Lottery Commission takes up its rule hearings on line games, which begin in August.
268	Sen. Gordly	Asks for clarification that this information will be available for closer scrutiny during the interim.
270	Mike McCracken	Executive Director, Association of Community Mental Health Programs, states final results will be ready by August, and preliminary results available in late June.
287	Chair Lim	Asks if he believes they are adequately funded to handle the current level of treatment programs.
278	McCracken	States he believes they can continue with the same level of services

		through the next biennium.
297	Chair Lim	Asks how many addicted gamblers are there in this state.
305	McCracken	Explains that number will be determined by the study, but he estimates approximately five percent of the population has had a serious problem with gambling addiction at some point in their lives. Adds this estimate is based on prevalence studies completed in surrounding states.
345	Chair Lim	Asks at four percent what level of funding would be required.
333	McCracken	States it would require an increase to about 10 million dollars.
340	Sen. Fisher	Asks for clarification in differences between State Lottery Fund in SB 724 and the Administrative Services Fund, as opposed to the language in this bill.
367	Stembridge	Explains the language is not technically appropriate, but the accountants have found a way to make it acceptable.
396	Sen. Tarno	Asks how much the Indian Casinos are giving for gambling treatment programs.
407	Hooper	States nothing formally, but they have made pledges and other contributions, but the tribes are not obligated to pledge a certain percent.
421	Chair Lim	Asks follow up question.
429	Hooper	Explains they have yet to decide how those funds will be allocated, but some would likely be donated to the Gambling and Treatment Foundation.
TAPE 50, B		
014	Sen. Gordly	States this is an issue that should be dealt with in this committee, but she feels they need more information in order to make a better informed decision.
038	Laura Moore	Compulsive gambler and Project Stop client, explains how important treatment is and how her addiction has affected her life. Describes how Project Stop has helped her get her life back together, and states her concerns about her son falling into the same cycle.
086	Moore	Continues testimony, and states her concerns about how long it takes to get into a program. Explains right now it takes about two weeks to actually begin receiving treatment.
100	Chair Lim	Asks how she found out about a treatment program.
110	Moore	Explains she found it in the yellow pages, and at first attended Gamblers Anonymous, but did not fit in well with that program. Then called Project Stop, and explains they wanted to evaluate her in four days, but she told them she needed help now, so they took her in immediately.
122	Sen. Fisher	Asks how her problem began and how long she's had it (EXHIBIT F) .
126	Moore	States she toyed around with trips to Las Vegas or Reno once a year, and played Keno or bought tickets once a month, but she has been compulsively gambling for two years. Explains the sounds and lights of the machines are what addicted her, and describes them as "very mesmerizing."

160	Chair Lim	Closes public hearing on SB 457 and opens public hearing on SB 408.
<u>SB 408 - PUBLIC HEARING</u>		
166	Jim Stembridge	Committee Administrator, explains provisions of SB 408.
178	Chair Lim	Noting no public testimony, closes public hearing on SB 408 and opens work session on SB 408.
<u>SB 408 - WORK SESSION</u>		
190	Sen. Dukes	Asks why they want to create emergency fund at a time when our unemployment rates are low.
195	Chair Lim	Explains it won't likely stay this low, so he is planning ahead for any "rainy days" that are bound to happen in the future.
222	Chair Lim	Asks for clarification on fiscal impact of this bill.
230	Stembridge	Explains effects of fiscal impact statement.
239	Chair Lim	Asks for and receives clarification that the money kicks in when the unemployment rate drops.
247	Chair Lim	Asks if the committee is comfortable acting on this today.
249	Sen. Gordly	States she would like more information on how certain areas of the state figure into the "average" of unemployment rates, but states she supports the intent of this measure to plan ahead for a rainy day.
270	Chair Lim	States his intention to consider this measure again at a future meeting.
280	Chair Lim	Closes work session and adjourns meeting at 2:51pm.

Submitted By, Reviewed By,

Julie Havel, Jim Stembridge,

Administrative Support Administrator

EXHIBIT SUMMARY

A - SB 724, proposed -3 amendments, staff, 2pp.

B - SB 724, Associated Oregon Counties Video Lottery Survey, Gordon Fultz, 5pp.

C - SB 314, proposed -5 amendments, staff, 2pp.

D -SB 457, letter of testimony, Bill Nessly, Jr., 5 pp.

E - SB 457, proposed amendments, Bill Nessly, Jr., 1p.

F - SB 457, Oregon Gambling Hotline Calls, staff, 1p.
