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PUBLIC HEARINGS AND WORK
SESSIONS HJR 15A & HB 2491A
TAPES 033-034, SIDES A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

FEBRUARY 15, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
Sen. Shirley Gold, Vice Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden

Excused: Sen. Eugene Timms (excused 2:30 pm)

Witnesses: Norma Paulus, Superintendent of Public Instruction
Joseph Cox, Chancellor of the Oregon University and College System
Robert L. Rose, Confederation of Oregon School Administrators
John Danielson, Oregon Education Association
John Marshall, Oregon School Boards Association
Senator Bill Dwyer, District 21
Robert Nosse, Oregon Student Lobby
Cindy Hunt, Legislative Counsel
Senator Jeannette Hamby, District 5
Steve Caputo, Oregon Lottery
Gary Weeks, Oregon State Lottery Director
Susan McLoughlin, Oregon Community Foundation
Doug Collins, Oregon Community Foundation

Staff: James Scherzinger, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 033 SIDE A

012 Chair Phillips -calls the meeting to order at 1:10 pm as a subcommittee
018 James Scherzinger -explains (A7) Amendment to HJR 15A (Exhibit A) which
creates a statute and dedicates particular use of 15% of the net proceeds
of lottery to an education endowment fund
PUBLIC HEARING HJR 15A AND HB 2491A
035 Norma Paulus -Superintendent of Public Instruction, State of Oregon
-states opposition to lottery and gaming, but does believe that dedicating
a portion of revenue to schools is a good idea
Paulus -suggests that lottery revenue be placed in the Common School Fund
(quorum established)

060 Paulus -provides history of the Common School Fund in Oregon
 -speaks about proposed amendments to HJR 15A, and concern with future legislative oversight of management and accountability of funds through the Oregon Community Foundation
 -discussion about OCF grant process, distribution authority, and grant-in-aid projects

240 Joseph Cox -Chancellor of the Oregon University and College System
 -expresses support for education endowment concept which addresses the long term future of children's education and state's economy

275 -"educational and economic investment is one and the same"
 -discussion of enabling legislation HB 2491, scholarship administration of public funds, and student need grants

TAPE 034 SIDE A

010 Robert L. Rose -Confederation of Oregon School Administrators
 -expresses difficulties in saving money toward the future when faced with current financial needs

035 Rose -will actively support passing the measure in May, but sees this bill as a small step in terms of large issues

040 John Danielson -Oregon Education Association
 -comments that the bill "appears to be a good concept" and does not see it as competing with other financial issues
 -pursuant to board meeting next week, expects that staff recommendation will be to support proposal

057 John Marshall -Oregon School Boards Association
 -comments about legislative work on school fund appropriation and distribution, surplus kicker, and income tax cuts which seem focused on giving money away rather than meeting current needs in next two years
 -states that this bill is worthy idea, and suggests it is appropriate to use existing state agencies for education endowment distribution rather than relying on the Community Education Foundation
 -points out that state agencies have oversight from State Audits Division
 -pledges membership support if measure is on May ballot
 -discussion about the measure not affecting this session's budget cycle, and impact on future budgets

104 Danielson -suggests that future decisions will need to be made about raising taxes or reducing/cutting some government services

126 Sen. Bill Dwyer -Oregon State Senator, District 21
 -presents the concept of a Scholarship Bill (Exhibit B) which would provide scholarships for tuition and a book allowance to qualifying Oregon High School Graduates
 -suggests that the education endowment fund such a Scholarship Bill

Dwyer -speaks about relationship between education and earning potential that allows citizens to pay taxes

191 -explains that administration of the Scholarship Bill could be through current Scholarship Commission
 -discussion about when funds might be available for a scholarship program, and Senator Dwyer's suggestion to reduce the percentage of lottery administration in order to fund a scholarship program quickly

244 Robert Nosse -Executive Director, Oregon Student Lobby
 -position of Lobby on HJR 15A will be established by the weekend
 -expresses support of concept to set aside money for education

283

WORK SESSION HJR 15A

329 Chair Phillips -refers to HJR 15A draft amendments (A6) - Exhibit D, 2/14/95
 and (A7) - Exhibit A
 -expresses opinion that (A7) draft doesn't reflect goal of the Senate President for an effective date of July 1, 1997

331 Scherzinger -concur with suggestion that effective date be inserted in (A7) amendment

340 Sen Walden -MOVES INSERTING EFFECTIVE DATE OF JULY 1, 1977 AT LINE 3 OF (A7) AMENDMENT TO HJR 15A

350 Chair Phillips -THERE BEING NO OBJECTION, THE CHAIR SO ORDERS

354 Cindy Hunt -Legislative Counsel
 -questions and discussion of proposed amendments

TAPE 033 SIDE B

014 -questions and discussion continue regarding limitations and definitions

in the proposed amendments

049 Sen. Walden MOVES ADOPTION OF (A6) AMENDMENTS TO HJR 15A
052 Chair Phillips THERE BEING NO OBJECTION, THE CHAIR SO ORDERS
059 Sen. Jeannette Hamby -State Senator, District 5
-proposes for committee consideration, (A5) amendment to HJR 15A to prohibit

possible advertising which declares that participation in lottery games
supports public education (Exhibit C)

085 Chair Phillips - directs committee discussion back to (A7) amendment of
HJR 15A

-suggests that "interest earned on moneys in the education endowment fund
shall be retained in the fund or expended for the public purpose of
financing education in Oregon as may be provided by law"

-this suggested language clarifies building of a trust or endowment fund
that utilizes interest earnings and retains principal

116 Sen Trow -comments that "for the sake of flexibility" it might be
necessary to use both the fund principal as well as the interest

-committee and legal counsel discussion of two alternatives in concept

160 -questions and discussion continue about precedent for constitutionally
mandated entitlement fund for the percentage lottery contribution

177 Steve Caputo -Oregon Lottery

-states that there is great variety in designation of lottery funds
throughout the nation

-in California, lottery is dedicated constitutionally to education

-is not aware of states that have split designations

226 Gary Weeks -Director of State Lottery

-speaks about revenue forecast for this biennium, lottery revenue carried
forward, and expected revenue in next biennium

-urges neither statutory nor constitutional amendment proposed by (A5)
amendment which was introduced by Senator Hamby (Exhibit C)

-questions and discussion

353 Chair Phillips -summarizes status of (A6) amended HJR 15A

-directs committee's attention to the (A7) amendment and suggests two
options to amend language regarding use of interest and principal

-objection by Senators Trow and Gold

426 Sen. Trow -suggests "friendly amendment" to motion

456 Chair Phillips ACCEPTS SENATOR WALDEN'S MOTION TO MODIFY THE (A7)
AMENDMENT OF HJR 15A "THAT INTEREST EARNINGS SHALL BE EXPENDED OR RETAINED
FOR THE PUBLIC PURPOSE OF FINANCING EDUCATION IN OREGON AS MAY BE PROVIDED
BY LAW"

-discussion and questions

458 Chair Phillips ROLL CALL VOTE: MOTION PASSES 4-2
SENATORS VOTING AYE: HARTUNG, PHILLIPS, TIMMS & WALDEN
VOTING NAY: GOLD & TROW

415 Chair Phillips ACCEPTS SEN. WALDEN'S MOTION TO ADOPT THE AMENDED VERSION
OF (A7) AMENDMENTS INTO THE A ENGROSSED VERSION OF HJR 15
TAPE 034 SIDE B

027 -discussion and questions

038 Chair Phillips ROLL CALL VOTE: MOTION PASSES 4-2
SENATORS VOTING AYE: HARTUNG, PHILLIPS, TIMMS & WALDEN
VOTING NAY: GOLD & TROW

045 Sen. Walden MOVES ADOPTION OF HJR 15A AS AMENDED BY (A6) AND (A7)
AMENDMENTS (PLUS CONCEPTUAL AMENDMENTS) BE SENT TO THE SENATE FLOOR WITH A
DO PASS RECOMMENDATION

050 Sen. Trow -inquires about procedure for minority report filing

054 Sen. Gold -expresses concern about constitutionally establishing
endowment fund

-supports use of lottery funds for education and statutory insertion

075 Sen. Walden -presents comments in support of education endowment: "this
is where we have to start and it's never going to be easy"

097 Sen. Hartung -approves involvement of the Oregon Community Foundation and

projects success of education endowment fund

109 Chair Phillips -acknowledges receipt of suggested amendment to HJR 15A by
Sen Johnson (Exhibit D) to more narrowly define education

-discussion and questions

130 Chair Phillips ROLL CALL VOTE: MOTION PASSES 4-2
SENATORS VOTING AYE: HARTUNG, PHILLIPS, TIMMS & WALDEN
VOTING NAY: GOLD AND TROW

145 Sen. Trow -advises Chair of upcoming minority report

WORK SESSION HB 2491A

160 Chair Phillips -convenes work session on HB 2491A to include consideration
of Sen. Johnson's proposed amendment to HJR 15A as well as LC Draft 2605
167 Chair Phillips -states for the record that LC Draft 2605 will be
considered as part of HB 2491A
170 Cindy Hunt -explains purpose of LC Draft 2605 (Exhibit E)
200 -continues at Section 4 on page 3 regarding Scholarship Commission
accountability to the Legislative Assembly
220 Hunt -explains Sections 5 & 6 which amend current lottery statutes to
reflect the education endowment fund and language in HJR 15A
241 -questions and discussion about clarifying terminology regarding
pre-kindergarten, investment/management/diSB ursal of endowment fund, public
agency oversight, and statutory requirement for audit
420 Doug Collins -Oregon State Scholarship Commission
-comments on auditing by Secretary of State pursuant to Commission
agreement with the Oregon Community Foundation
-questions and discussion about state endowment co-mingling with private
funds, getting highest value to state, and appropriate checks and balances
TAPE 035 SIDE A
030 -discussion continues about status of endowment fund principal and
interest
047 Susan McLoughlin -Oregon Community Foundation
-describes qualifications of foundation investment managers and oversight
by Investment Advisory Committee
-presents written Investment Policy (Exhibit F) and roster of OCF
Investment Advisory Committee (Exhibit G)
082 Chair Phillips -announces work plan for tomorrow's meeting
-adjourns meeting at 3:07 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. HJR 15A, Scherzinger, Proposed (A7) Amendments to HJR 15A, 2/15/95
(JB/lg)
- B. HJR 15A, Dwyer, Scholarship Bill proposal
- C. HJR 15A, Scherzinger, Proposed (A5) Amendments to HJR 15A, 2/13/95
(JB/lg)
- D. HJR 15A, Johnson, request to draft amendments to HJR 15A
- E. Draft LC2605, Scherzinger, 2/15/95 (CH/lg)
- F. Draft LC2605, McLoughlin, The Oregon Community Foundation Investment
Policy
- G. Draft LC2605, McLoughlin, OCF Investment Advisory Committee