

SENATE COMMITTEE ON  
TRADE AND ECONOMIC DEVELOPMENT

March 7, 1995 Hearing Room 137  
8:00 a.m.

Tapes 38-40

MEMBERS PRESENT: Sen. John Lim, Chair  
Sen. Bill Kenemer, Vice-Chair  
Sen. Bill Bradbury  
Sen. Gene Derfler  
Sen. Joan Dukes

MEMBERS EXCUSED:

STAFF PRESENT: Joseph Cortright, Executive Officer  
Jeri Chase, Office Manager  
Bobby Sullinger, Committee Assistant

WITNESSES:

Senator Mae Yih, Senate District 19  
Senator Shirley Gold, Senate District 7  
Senator Eugene Timms, Senate District 30  
Representative Cynthia Wooten, House District 41  
Gary Weeks, Director, Oregon Lottery  
Mike Schwartz, Commissioner, Oregon Lottery  
John Powell, GTECH Corporation  
David Picray  
Steve McCoid, Association of Oregon Food Industries  
Mike McCallum, Oregon Restaurant Association  
Bill Johnstone, Oregon Association of Broadcasters  
Monica Cory, Oregon Association of Broadcasters  
Kent Weizer, Oregon State University Athletics

MEASURES HEARD: SJR15 - Proposes constitutional amendment to subject State  
Lottery administrative expenses to legislative control - PH & PWS

SB 508 - Subjects Oregon State Lottery Commission budget to same  
legislative review as judicial branch budget - PH & PWS

SB 700 - Prohibits Oregon State Lottery from advertising lottery  
any broadcast or printed medium - PH & PWS

These minutes contain materials which paraphrase and/or summarize  
statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings,  
please refer to the tapes.

TAPE 38, SIDE A

001 CHAIR LIM: Brings the committee to order at 8:07 a.m.

SJR15 - Proposes constitutional amendment to subject State Lottery  
administrative expenses to legislative control - Public Hearing

SB 508 - Subjects Oregon State Lottery Commission budget to same  
legislative review as judicial branch budget - Public Hearing

002 CHAIR LIM: Opens PUBLIC HEARING on SJR15 and SB 508.

010 CORTRIGHT: Overviews Staff Measure Summary for SJR15 [EXHIBIT A].

030 CORTRIGHT: Overviews Summary of Lottery Finances, Fiscal Years 1986 to  
1993 [EXHIBIT B].

052 CORTRIGHT: Overviews Staff Measure Summary for SB 508 [EXHIBIT C].

061 SEN. MAE YIH: Presents written testimony in favor of SJR15 [EXHIBIT D].

153 SEN. YIH: Continues to present [EXHIBIT D].

162 SEN. YIH: Presents testimony in favor of SB 508.

173 SEN. KENEMER: Could you explain the rationale for using 6% as a cap on  
lottery operating expenses?

176 SEN. YIH: Responds to committee discussion and presents Notes to the  
Financial Statements June 30, 1994 [EXHIBIT E].

193 SEN. DERFLER: There is a trend to move state agencies into the private  
sector to make them more flexible. These bills are in contrast to that  
trend which shows the legislature is not being consistent in its policy  
making efforts.

205 CHAIR LIM: Can you explain line 7 and 8 of SB 508?

213 YIH: Responds to committee discussion relating to the review of Judicial  
and Legislative Branch's of Government.

226 SEN. SHIRLEY GOLD: Presents testimony in favor SJR15 and SB 508.

272 SEN. DERFLER: The Governor has oversight and control of the Lottery  
through the appointment process.

275 SEN. GOLD: Responds to committee discussion outlining oversight of the  
Lottery Commission.

314 SEN. BRADBURY: What is wrong with the way the Oregon Lottery is doing business?

325 SEN. GOLD: Responds to committee discussion outlining concerns with the Oregon Lottery operations.

363 SEN. EUGENE TIMMS: Presents testimony in favor of SJR15.

422 SEN. DERFLER: The Oregon Lottery could have spent 16% of receipts on operating expenses, but they did not.

448 SEN. TIMMS: Responds to committee discussion overiewing concerns relating to the lack of controls over the Oregon Lottery.

468 SEN. DERFLER: Do you think a business can operate effectively without flexibility as it relates to operating expenses?

TAPE 39, SIDE A

018 SEN. TIMMS: I think there is a big difference between private business and government.

024 SEN. DERFLER: Would you like to operate your business with a 16% cap on operating expenses?

030 SEN. KENNEMER: Do you think we should lock-in a specific number for operating expenses? Senator Yih has suggested 6%.

033 SEN. TIMMS: Responds to committee discussion relating to the appropriate percentage of receipts the Lottery Commission should be using for operating expenses.

039 SEN. BRADBURY: Are you supporting the legislative review of the lottery budget?

043 SEN. TIMMS: I support a reduction in the administrative cost associated with running the Oregon Lottery.

054 REP. CYNTHIA WOOTEN: Presents testimony in favor of SJR15 and SB 508.

101 REP. WOOTEN: Overviews Operation of Lottery -- Oregon Revised Statute 461.200.

138 REP. WOOTEN: Continues testimony overiewing concerns relating to legislative oversight of the Oregon Lottery.

190 REP. WOOTEN: Overviews reasons for having Oregon Lottery free from legislative oversight.

221 REP. WOOTEN: Overviews Recommended Financial Plan [EXHIBIT F].

229 CHAIR LIM: What percentage of receipts should be used for administration of the Oregon Lottery.

231 REP. WOOTEN: Responds to committee discussion relating to administrative expenses of the Oregon Lottery.

252 GARY WEEKS: Presents testimony against SB 508.

279 MIKE SCHWARTZ: Presents testimony against SB 508 and outlines Oregon Lottery administrative expenses and practices.

341 SCHWARTZ: Continues to present testimony (Video Poker and Operators).

363 SCHWARTZ: Continues to present testimony (Video Poker Commissions).

408 SCHWARTZ: Continues to present testimony (Video Poker Licensing).

447 SCHWARTZ: Continues to present testimony (Lottery Commissioners Flexibility).

TAPE 38, SIDE B

025 SCHWARTZ: Continues to present testimony (New Lottery Building).

036 WEEKS: Overviews the differences between the Oregon Lottery and the Judicial Branch of Government as it relates to the budget process.

066 WEEKS: Overviews the Oregon Lottery Commission's business practices.

112 WEEKS: Continues to overview the Oregon Lottery Commission's business practices (Lottery Budgets).

119 WEEKS: Overviews Powerball Sales Increase -- Comparison of Jackpots & Sales [EXHIBIT G], FY 1994 Revenue Distribution: Video Game (\$2,211.841 million) [EXHIBIT H], and a letter from E.D. "Debbs" POTTS, Chair, Oregon State Lottery Commission [EXHIBIT I].

145 WEEKS: Continues to overview the Oregon Lottery Commission's business practices (New Lottery Building).

171 WEEKS: Continues to overview the Oregon Lottery Commission's business practices (Retail Commissions).

201 WEEKS: Continues to overview the Oregon Lottery Commission's business practices (Competition for Entertainment Dollars).

235 WEEKS: Continues to overview the Oregon Lottery Commission's business

practices (Private as opposed to public control).

259 SEN. DERFLER: What kind of decisions do you think the Legislature would make that the Lottery Commission would not?

265 SCHWARTZ: Responds to committee discussion.

335 SEN. DERFLER: What incentive do you have to keep cost down?

336 SCHWARTZ: Responds to committee discussion.

360 SEN. KENNEMER: Could you expand on Lottery gambling addiction issues?

371 SCHWARTZ: Responds to committee discussion relating to Oregon Lottery's efforts as they relate to gambling addiction.

424 WEEKS: Responds to committee discussion relating to the Oregon Lottery's efforts as they relate to gambling addiction.

443 SEN. KENNEMER: How many gray machines have been replaced with video poker machines?

444 WEEKS: Responds to committee discussion.

450 SCHWARTZ: Responds to committee discussion relating to process of replacing gray machines.

TAPE 39, SIDE B

017 WEEKS: Overviews concerns relating to social gaming.

040 CHAIR LIM: What is the justification for the increase in administrative and advertising expenses between 1993 and 1994?

055 WEEKS: Responds to committee discussion relating to administrative cost increases.

080 SCHWARTZ: Responds to committee discussion overviewing reasoning for advertising expenses.

090 CHAIR LIM: What is the justification for the increase in advertising expenses in the last biennium?

098 SCHWARTZ: Responds to committee discussion overviewing justification for increase in advertising expenses.

116 WEEKS: Responds to committee discussion overviewing what is included in advertising cost.

124 CORTRIGHT: Continues to overviews [EXHIBIT B] (Changes in reporting advertising expenses).

136 WEEKS: Responds to committee discussion.

138 SEN. DUKES: I would like clarification as to the 108 million in expenses relating to video poker machines in 1994.

160 WEEKS: Responds to committee discussion relating to what is included in advertising expenses reported in the budget.

168 SEN. DUKES: Could you define retailer promotions?

169 WEEKS: Incentive programs for retailers to promotion new and existing games.

170 SEN. DUKES: Could you get me something in written relating to these promotional incentives?

171 WEEKS: Yes.

184 JOHN POWELL: Presents testimony against SB 508.

227 POWELL: Continues to present testimony against SB 508 (History of the Lottery Games).

240 POWELL: Continues to present testimony against SB 508 (Diminishing Profits of the Lottery).

272 POWELL: Presents testimony against SB 700.

283 DAVID PICRAY: Presents written testimony in favor of SB 508 [EXHIBIT J].

310 SEN. BRADBURY: You know longer work for the Lottery?

316 PICRAY: No.

320 SEN. BRADBURY: Why were you dismissed?

321 PICRAY: Responds to committee discussion relating to his reasons for leaving the employment of the Oregon Lottery.

322 CHAIR LIM: Could we have a copy of your report?

323 PICRAY: Presents Report to the Legislature Regarding the Mismanagement of the Oregon State Lottery [EXHIBIT K].

336 STEVE MCCOID: Presents testimony against SB 508.

398 MCCOID: Continues to present testimony (Lottery as a business).

434 MIKE MCCALLUM: Presents testimony against SB 508.

TAPE 40, SIDE A

018 MCCALLUM: Continues to presents testimony (Video Lottery Vendors).

071 SEN. DUKES: Did you hear complaints from Lottery retailers relating to the promotion of kino games.

073 MCCOID: Responds to committee discussion.

088 SEN. DUKES: Do you think it was a good decision to promote kino games.

090 MCCOID: Responds to committee discussion relating to the business decision to promote kino games.

099 SEN. DUKES: Do you hear complaints relating to contract changes?

103 MCCALUM: Responds to committee discussion relating to complaints from constituents.

135 SEN. DUKES: I have constituents that are not happy with changes to lottery vending contracts after they have been finalized.

149 MCCALUM: Responds to committee discussion relating to changes in retail vending contracts.

157 CHAIR LIM: Closed PUBLIC HEARING on SJR15 and SB 508.

SB 700 - Prohibits Oregon State Lottery from advertising lottery games in any broadcast or printed medium - Public Hearing

Note: Please refer to the public hearing on SJR15 and SB 508 (above) for additional testimony relating to SB 700.

162 CHAIR LIM: Opens PUBLIC HEARING on SB 700.

163 BILL JOHNSTONE: Presents written testimony against SB 700 [EXHIBIT L].

195 MONICA CORY: Presents written testimony against SB 700 [EXHIBIT M].

219 JOHNSTONE: Continues to present testimony relating to the need advertising in any business.

225 SEN. DUKES: What effect would SB 700 have on gambling addiction?

236 JOHNSTONE: Gambling addiction problems would continue with or without advertising.

256 SEN. BRADBURY: I would like a clear picture of what is spent on advertising and what is actually administrative expenses.

279 KENT WEIZER: Presents testimony against SB 700.

312 CHAIR LIM: Closed PUBLIC HEARING on SB 700.

312 CHAIR LIM: Adjourns committee meeting at 10:28 a.m.

Submitted by

Bobby SullingerEXHIBIT LOG

EXHIBIT A - Staff Measure Summary for SJR15, Presented by Joseph Cortright, 1 page.

EXHIBIT B - Summary of Lottery Finances, Fiscal Years 1986 to 1993, Presented by Joseph Cortright, 1 page.

EXHIBIT C - Staff Measure Summary for SB 508, Presented by Joseph Cortright, 1 page.

EXHIBIT D - Written testimony in favor of SJR15, Presented by Senator Mae Yih, 7 pages.

EXHIBIT E - Notes to the Financial Statements June 30, 1994, Presented by Senator Mae Yih, 1 page.

EXHIBIT F - Recommended Financial Plan, Presented by Representative Cynthia Wooten, 1 page.

EXHIBIT G - Powerball Sales Increase -- Comparison of Jackpots & Sales, Presented by Gary Weeks, 1 page.

EXHIBIT H - FY 1994 Revenue Distribution: Video Games (\$2,211.841), Presented by Gary Weeks, 1 page.

EXHIBIT I - Letter from E.D. "Debbs" POTTS, Chair, Oregon State Lottery Commission, Presented by Gary Weeks, 6 pages.

EXHIBIT J - Written testimony in favor of SB 508, Presented by David Picray, 1 page.

EXHIBIT K - Report to the Legislature Regarding the Mismanagement of the Oregon State Lottery, Presented by David Picray, 20 pages.

EXHIBIT L - Written testimony against SB 700, Presented by Bill Johnstone, 2  
pages.

EXHIBIT M - Written testimony against SB 700, Presented by Monica Cory, 4  
pages.