

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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Public Hearing SB 328 A HB 2865

House Committee on  
State and School Finance  
April 5, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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APRIL 5, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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Members Present: Rep. John Schoon, Chair  
Rep. Ron Adams  
Rep. Lee Beyer (8:42 am late arrival)  
Rep. Tony Federici, Vice Chair  
Rep. Tim Josi (8:42 late arrival)  
Rep. Jane Lokan  
Rep. Anitra Rasmussen  
Rep. Ken Strobeck  
Rep. Jim Welsh

Witnesses Present: Mike McCallum, Oregon Restaurant Association  
Gary Weeks, Oregon State Lottery  
Jim Torrey, City of Eugene  
Jim Hill, City of Eugene  
Nancy English, Whiteaker School  
Steve McCoy, Oregon Food Industries  
Rep. Wooten, District 41  
Rep. Piercy, District 39  
Rep. Prozanski, District 40  
Jim Seagraves, Oregonians for Medical Savings Accounts

Staff: James Scherzinger, Legislative Revenue Officer  
Rhonda Wehler, Committee Assistant  
Steve Bender, Legislative Revenue Office  
Steve Meyer, Legislative Revenue Office

TAPE 147 SIDE A

004 Chair Schoon -calls the meeting to order at 8:30 am and conducts  
administrative business  
018 -OPENS PUBLIC HEARING ON SB 328 A  
SB 328 A  
019 Steve Meyer -explains bill prohibits local governments from imposing tax

on lottery game retailers, does allow non-discriminatory local tax,  
retroactive to Feb. 28, 1995

028 Mike McCallum -refers to Exhibit A, Written Testimony, supporting SB 328  
A

-explains tax passed by voters in Eugene only applies to 55 businesses

McCallum-stresses reports that said more police calls needed for retailers  
with lottery games failed to show that police calls were only lottery  
retailers or that calls were related to lottery sales, no figures presented

related to lottery before lottery installed

-tax illegal according to ORS 461.560

-structure of lottery system requires that no local taxation issues upset

its balances and operations

-tax has been approved in Eugene, but not yet assessed

134 Steve McCoy -testifies supporting SB 328

158 McCallum-explains video lottery retailers paid 5% based on net proceeds  
(\$ left after prizes are paid) compared to traditional lottery games  
retailers who receive 35%

226 McCallum-indicates tax would have significant impact on lottery revenue,

since few small business owners would participate with such high taxes

-explains net lottery take is different for every business

330 -lottery is taxed already by the state, shouldn't be singled out for  
additional income tax

352 Rep Beyer -asks comparison of video poker tax with transient room tax

359 McCallum-replies no similarities, video is paid on gross income and is

an income tax, transient room tax is paid by consumer and is a sales tax,  
industry specific tax  
TAPE 148 SIDE A

394 Rep. Wooten -opposes SB 328, explains bill she sponsored in form of  
amendment, which is exact opposite of 328, would allow cities and counties  
to apply 10% tax to video lottery if approved by voters  
-names reasons, city of Eugene has struggled to fund necessary services,  
such as police officers

026 Rep. Piercy -discusses Eugene community policing program  
-explains Take Back the Park Program, instituted to remove drug and  
prostitution people and abandoned vehicles from city parks  
-video poker tax funds these programs

094 Rep. Prozanski -speaks supporting city of Eugene for vote of people  
-notes tax earmarked for specific reason- aids police program in Eugene  
-stresses correlation between crime and gambling  
-encourages not penalizing cities who take initiative to raise funds

161 Rep. Wooten -declares city of Eugene is working hard for local control  
-encourages legislators not to squelch innovation to handle local problems  
-informs no promise made to pay 35% to lottery retailers  
-relates overhead costs \$4,000 per year for video poker retailers  
-overall lottery funds would not be affected by any change in commission's  
structure according to three separate analysis done, because rate of return

and overhead remain constant

Rep. Wooten -explains Supreme Court ruled in order to avoid becoming a  
gaming institution, establishment must have dominant use and purpose of 51%

of other business

278 -summarizes not creating precedent, since gasoline and alcohol taxes  
also passed locally

-meets test of appropriate tax:  
-vote of people  
-purpose of corollary use  
-no cost of administration

-refers to amendments, Exhibit B, to impose moratorium on other cities of  
taxing lottery retailers while using Eugene as test group for 2 years  
-capping video retailer tax at 10% by July 1, 1995

345 Rep Welsh -asks why broader city tax not imposed to fund city-wide  
policing

356 Rep. Wooten -responds this is source tax for a source need  
TAPE 147 SIDE B

004 Gary Weeks -speaks in favor of SB 328  
-verifies no guaranteed commission for lottery retailers, but retailers  
deserve rate of 35%

-concerns of taxation being extended to any community  
-affirms lottery relies on retailers as principle partners to market

lottery

-notes Lane County has received \$33 million from lottery already

076 Rep Beyer -asks if Lottery Commission has opened negotiations to change  
commission rate for Eugene retailers

079 Weeks -answers no  
-explains contracts being signed in July 1995 set commission rate on sales

at 35%

105 Rep Beyer -clarifies that under current law any city can impose an income

tax

115 Weeks -lottery is a business, and Lottery Commission is concerned about  
business operational industry, not policy issues

-reviews cost to new retailer:  
-installation of 2 lines, monthly charge for use of line, additional staff  
-affirms lottery is not in conflict with Supreme Court

193 Jim Torrey -speaks in opposition to SB 328

-declares Eugene had no other way to raise more taxes, since voters in  
Eugene will not approve another income tax

Torrey -suggests, if necessary, pass legislation to limit 10% tax on 35%  
take of retailers

-stresses legislators not mandate a program to Eugene and then preempt them

from raising funds to maintain it

341 Jim Hill-emphasizes long-range public safety plan  
-informs Eugene struggling to implement community policing, nearly 20  
police officers short to meet demand

TAPE 148 SIDE B

017 Hill -affirms gambling causes problems which require police intervention  
-notes over 3,000 911 calls in last year from establishments with lottery

040 All -questions and discussion

121 Hill -affirms police understaffed to handle call load increased by gaming

machines, so tax is offset to pay for additional problems

146 Nancy English -discusses importance of neighborhood policing in Eugene  
Whiteaker area (poorest school in Oregon [80% of kids on drugs, 97% under  
poverty level] Public Safety Station established as haven for these kids  
and adults

216 Chair Schoon -CLOSES PUBLIC HEARING ON SB 328  
-OPENS PUBLIC HEARING ON HB 2865

HB 2865

229 Jim Seagraves -speaks in support of HB 2865  
-refers to Exhibit I, Written Testimony

319 Chair Schoon -CLOSES PUBLIC HEARING ON HB 2865

320 -adjourns meeting at 10:24 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

A. SB 328 A, McCallum, Written Testimony, 4/4/95

B. SB 328 A, Wooten, Proposed Amendments, 4/4/95

C. SB 328 A, Wooten Written Testimony, 4/5/95

D. SB 328 A, Cooke, Written Testimony, 4/5/95  
E. SB 328 A, Torrey, Register Guard Editorial, 3/30/95  
F. SB 328 A, Meyer, Staff Measure Summary  
G. SB 328 A, Meyer, Revenue Impact, 1/31/95  
H. SB 328 A, Fiscal Report, 2/2/95  
I. HB 2865, Seagraves, Written Testimony, 4/5/95  
J. HB 2865, Bender, Revenue Impact, 4/5/95  
  
L. HB 2865, Gates, Medical Savings Account, 12/94  
M. HB 3018, Bender, Revenue Impact, 4/5/95