

HOUSE COMMITTEE ON STATE AND FEDERAL AFFAIRS - March 29,  
1991                   Hearing Room E 8:30 a.m.                   Tapes 81- 86 MEMBERS  
PRESENT:Rep. Bill Markham, Chair Rep. Larry Sowa, Vice-Chair Rep.  
Marie Bell Rep. Mary Alice Ford Rep. Tom Novick Rep. Carolyn Oakley Rep.  
Lonnie Roberts MEMBER EXCUSED: None VISITING MEMBER: Sen. Tricia  
Smith, District 17 Rep. Eldon Johnson, District 51 Rep. Randy Miller,  
District 24 STAFF PRESENT:           Randall Jones, Committee Administrator  
Carolyn Cobb, Committee Assistant Kathleen Beaufait, Legislative Counsel  
MEASURES CONSIDERED:    HB 2848 - Specifies Contents of Governor's  
Biennial Budget If Funding is Inadequate for Governor's Proposed  
Program, PH HB 3004 - Prohibits Disposition as Surplus State Property of  
Materials That Are Recyclable, PH HB 2778 - Provides for Certain Private  
Clubs to be Licensed to Conduct Contests of Chance for Charitable  
Purposes, PH

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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 81, SIDE A

003 CHAIR MARKHAM: Calls the meeting to order at 8:40 a.m.

HB 2848 - SPECIFIES CONTENTS OF GOVERNOR'S BIENNIAL BUDGET IF FUNDING IS  
INADEQUATE FOR GOVERNOR'S PROPOSED PROGRAM - PUBUC HEARING Witnesses:  
Eldon Johnson, State Representative, District 51 House Committee on  
State "d Federal Affairs March 29, 1991- Page 2

Bill Markham, State Representative, District 46 --                   Randy Miller,  
State Representative, District 24 Kathleen Beaufait, Legislative Counsel  
Mike Marsh, Executive Department 010    BILL MARKHAM, STATE  
REPRESENTATIVE, DISTRICT 46: Gives brief history of the measure. It is  
not fair to the public to have an unbalanced budget brought to the  
Legislature. The current budget proposal is out of balance at least \$150  
million. For her budget to balance, the Legislature has to repeal the  
two percent kicker which gives the State another \$125 million to \$130  
million, and reconnect to the federal tax code to gain another \$25  
million. . 045 RANDY MILLER, STATE REPRESENTATIVE, DISTRICT 24:  
States support of HB 284 8. This bill states the governor "shall"  
provide budgets. It is appropriate that the governor approach the  
legislative process with a balanced budget. If the Executive Department  
wants to make some additional funding requests, they need to state how  
those new programs will be paid for and specify what mechanism has to be  
put into place to achieve that additional funding. 066 CHAIR MARKHAM:  
Rep. Van Vliet would have liked to have appeared this morning, but he is  
conducting a Ways and Means Committee meeting. 074            ELDON JOHNSON,  
STATE REPRESENTATIVE, DISTRICT 51: We have to get to the point where we  
receive balanced budgets. We need to bring our government back to  
reality. -Describes problems with the budgets that are presented by the  
governor. 105    REP. ROBERTS: If you feel as chief executive of the  
state that you need to delete the two percent kicker, how do you do that  
if you do not put it in the budget? 113 REP. JOHNSON: I am not  
concerned about that particular issue as much as I am about the  
anticipation of fees and diversions of money that have not traditionally  
been done and probably will not happen. 119            REP. ROBERTS: I think it  
has been done and I think we have passed out a bill on several occasions  
to do that. 125 REP. MILLER: It would be our suggestion that the  
budget document that is required to be presented by the governor,

reflect those allowable, lawful expenditures, and balance as we are required to do. If governors want to go beyond that which is lawfully available, they have the ability to publicize and to allow us the subsequent information to go beyond that which is lawfully available as they are approaching a legislative session. 135 REP. ROBERTS: Are you saying they would publish the budget without increases and the two percent kicker, and then pre-session file some bills that say we need to do away with the kicker? 139 REP. MILLER: Do it under the current law, which would be the budget document, and then to the extent they want to deviate from that by legislative proposal, make those proposals separately. 143 CHAIR MARKHAM: The budget is really just an outline. Let us be up front and honest so

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the newspapers pick up on it correctly. They picked up on "you have to raise taxes by eliminating the two percent kicker, and you have to reconnect to the federal tax code to make the budget balance, or we are going to reduce basic school support.. If the current law does not say the governor has to come in with a balanced budget, I want to rewrite it so it must be that way.

164 REP. NOVICK: If this had been the law, would the governor's budget have come in with much more devastating cuts, and if so, by how much?

176 REP. JOHNSON: It seems to me there ought to be a structure that allows the budget to be put together with hard dollars, and then a separate structure that deals with what monies are required to balance the rest of budget. Almost \$150 million of the \$200 million problem we face in human services budgets comes from what we are talking about. There should have been some documents that were built to balance that budget. What you are seeing does not restore programs directly, it just offsets some of those fees. The press never picked up on that.

206 REP. NOVICK: I see this bill as helping those of us who do not spend days and days with Ways and Means, have a clearer view of what those decisions are, rather than getting them at the end of the session.

209 REP. JOHNSON: I do not see that this should become a partisan issue. All future governors should be doing this.

217 REP. MILLER: My desire here was to submit a budget based upon existing laws. The essence of this bill is contained in the first eight lines, stopping with the period after the word "prepared". The rest of that language does allow the wriggle room.

244 KATHLEEN BEAUFIT, LEGISLATIVE COUNSEL: One of the difficulties of the budget presentation is a provision in the Oregon Constitution that says any bill providing for the current operating expenses and salaries must contain material on no other subject. If a license fee is to be increased, that increase cannot be in the same bill as the basic budget. It means the package that is presented to you for review is a expenditure limitation, and without a crossreference there is no way for you to know this is based on an assumption as to the license fees. The bills you look at do not and cannot carry with them the message of what the rest of the package is. That is one built-in difficulty. Reminds the

committee in 1989 you passed another bill in which you asked for a budget format that would allow more effective policy making decisions, and singled out three budgets that are to come up this time that are to be the guinea pigs of the new format.

315 MIKE MARSH, EXECUTIVE DEPARTMENT: We are as interested, if not more interested than anyone else, in making sure the budget is as understandable as it can be. Our view is that the budget document was developed and on page 24 says very clearly "proposed sources of additional funds". We are not trying to get around anything. If there are other ways to make it more understandable, such as having two documents, we can do that by agreement with the Legislature without getting it into a bill. If you are trying to get it to have to happen, something other than the present wording of the bill would be required. Our view was the way basic school support was handled in the budget was more clear than taking some funds from many different agencies.

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358 CHAIR MARKHAM: How would you get along with the bill in front of you if we just used the first eight lines?

362 MARSH: I do not think we would have any problem with it. -Explains governor's proposal on the 296 kicker. We thought that clearly stated the intent of the Legislature about a balanced budget. -Explains the situation with regard to fee bills.

399 BEAUFAIT: Gives example of another method of presenting fee bills.

424 MARSH: If the fee bills can be allowed to be part of the appropriation bills, then when members see it they will also see that fees are going to be increased, but current law does not allow that.

TAPE 82, SIDE A

013 BEAUFAIT: I am not trying to propose a change in the constitution at this point, I am just saying this is a way you could have a cross-reference built in.

025 REP. NOVICK: My concern is if you put it in the bill, by the time it goes through Ways and Means the figures may have changed. It may be very expensive to reprint every time the figures change.

032 BEAUFAIT: I do not think that is necessarily true because when they change the budget figures they write an amendment anyway, so that you would just be changing two figures.

038 CHAIR MARKHAM: If the income you must come in with is \$5 million and your budget is to spend \$5 million which balances, anything that has to come to the Legislature to change the law should be somewhere else if the governor wants more money. Can we write that?

043 BEAUFAIT: I guess I am in that situation of thinking I did, then coming back and writing language and having people say how does that change the law. And I say this is just the Legislature's way of saying "we mean it".

050 VICE CHAIR SOWA: Compares the time given to departments to prepare budgets to the time available to the Legislature to act. I do not know if you can write a bill that really allows you to understand what is going on.

104 MARSH: If we really wanted to separate it out, the statute could say it has to be two documents. Each budget document that comes to Ways and Means could have the current services budget and then have another document that says this is assuming fees or two percent kicker, or whatever is appropriate. We are concerned the process is already complex and trying to separate it out into two areas and trying to make the conversation so separate would not help in understanding. We think we meet the spirit and specific nature of this law even as it is under HB 2848 because we are clearly saying where the money is to come from. If that is not enough to meet the need, the idea of two separate documents would get you there in making sure there are two separate discussions all the way through. But does that add to understanding and the process? I am not sure it does.

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HB 2778 - PROVIDES FOR CERTAIN PRIVATE CLUBS TO BE LICENSED TO CONDUCT CONTESTS OF CHANCE - PUBLIC HEARING Witnesses: James Brown, Oregon Department of Revenue Bob Keyser, Private and Fraternal Organizations Ross Laybourn, Assistant Attorney General, Department of Justice

141 BOB KEYSER, PRIVATE AND FRATERNAL ORGANIZATIONS: Reviews sections of the bill. Submits written material entitled NORTH DAKOTA GAMES OF CHANCE (EXHIBIT A). 173 REP. ROBERTS: On the handout they have a class A license and a class B license, are you familiar with those?

178 KEYSER: In North Dakota a class A license is any club that produces more than \$600,000 in games proceeds in a quarter and a class B license is any club that produces less than \$600,000. This bill proposes to give that authority to the Attorney General's office and currently they regulate bingo and raffles. 194 VICE CHAIR SOWA: The City of Estacada a few years ago allowed certain games and they did not prove satisfactory and they were done away with. How is that different than the proposal you have here? 210 KEYSER: Currently the State has given authority to local governments to allow "social gaming" and poker and blackjack can be played under those laws. The house is not allowed to participate in those games, they cannot take a cut. 227 CHAIR

MARKHAM: Describes the social gaming law now in effect in Oregon.

244 VICE CHAIR SOWA: That is where the social gambling people get into trouble, eventually the owner of the club begins to get a rake.

247 CHAIR MARKHAM: Often when they have social games, they become greedy and try to subvert the law. 253 KEYSER: What we are proposing is that these games can only be conducted in private clubs. It would be regulated by the Attorney General's office, to some degree by the Oregon Liquor Control Commission. As to the proceeds of the games that the house ends up with, this bill proposes that 20% of that goes back to the State Treasury. 273 REP. ROBERTS: If you win on these machines, they will hit you 20%? 278 KEYSER: Twenty percent of the club take goes to the State. That does not include the regulation of the games. We have proposed the Attorney General by rule will regulate these games. The clubs have to pay for the regulation. 290 REP. ROBERTS: You have

nothing in here which shows what revenues they expect to generate.  
. . . These rminutea contain rmaterials which paraphrase and/or summarize staternenb 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. House ~nmmit~e OD StatCe and Federal Affairs March 29,1991- Page 6

300 CHAIR MARKHAM: That is what the Fiscal Office has estimated it will cost the Attorney General's office to administer the games statewide.

304 KEYSER: We have no way of knowing how much money these games are going to bring in. Gives estimated revenues of \$21 million per year based on North Dakota experience (EXHIBIT A)

346 REP. ROBERTS: Do they have pare-mutual wagering or any kind of lottery game in North Dakota?

347 KEYSER: They have all of the games you see on their report.

351 REP. ROBERTS: They have projected a lot of things, but that is not exactly what has happened. I do not want us to go out and say we are going to get another \$50 million a year and we end up with \$5 to \$7 million. 364 CHAIR MARKHAM: So what are you estimating the State will make off of this? 348 KEYSER: I have a figure of \$4.3 million estimated for Oregon. Aside from this, the proceeds of the game will also pay \$400,000 for regulatory services plus expenses, with the balance going for charitable purposes. 411 REP. NOVICK: We are talking about two types of card games only? Is there any limit to the bets?

TAPE 81, SIDE B

011 KEYSER: It is our intention that the Attorney General's of fice would regulate that.

015 REP. NOVICK: Potentially could we see a club buying a new building with the proceeds?

021 KEYSER: Capital improvements I believe are not considered charitable. If you want that spelled out in the bill, we would agree to that. -Discusses amendments that might need to be made to the bill. -We believe that conservatively speaking there would be \$4 million to \$5 million going to the State each year, and approximately \$10 million to \$12 million to charitable projects.

089 REP. NOVICK: What is in it for the clubs if the proceeds go to the State and charity?

094 KEYSER: We believe that if people like to play poker and blackjack, and they know in order to do that they have to join a private club, it will increase the club's membership.

107 REP. OAKLEY: When people gamble are they allowed to write off any losses on their income taxes?

111 KEYSER: I do not know, I think the Internal Revenue Service will let you write off a loss if you can prove you are a professional gambler. -We want to conduct these games, we want them to be regulated by the Attorney General's

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office, and we are willing to pay for the regulation.

133 REP. OAKLEY: Do you have any idea how much of this type of gambling is already going on?

138 KEYSER: I really do not know, because when you walk into one of these clubs and they are playing a game, some of those may be legal. It is not our intention to make something now an illegal activity, legal.

174 CHAIR MARKHAM: The twenty percent the State gets would be \$4.3 million?

176 KEYSER: That is correct.

180 REP. ROBERTS: What is in this for your people?

187 KEYSER: The purpose of this is a means by which the fraternal clubs can increase their membership.

204 REP. FORD: What exactly is a social organization as referred to in the bill?

206 KEYSER: I do not know. It talks about an organization exempt from federal income taxes, and country clubs are not exempt. I will try to get an answer for you.

221 REP. FORD: I have not known a country club that deals in charitable contributions.

225 CHAIR MARKHAM: If this becomes law, country clubs would become charitable in order to qualify under this bill.

235 KEYSER: It is not our intention that they would get some sort of tax exemption because of this.

236 VICE CHAIR SOWA: The reason I am lending my soft support to the video poker process is because it is going on now, and I want to make sure whatever happens is regulated and legal. If I lend my support to this bill are we going beat all those people on the head who are doing it quasi-illegal now? How are we going to regulate what is legal under this bill and what may continue in the way of illegal games?

267 REP. OAKLEY: Can taxpayers take deductions on their income taxes for gambling losses?

278 JAMES BROWN, DEPARTMENT OF REVENUE: You are allowed under federal law to claim gambling losses only to the extent that they offset winnings from gambling. Oregon follows the federal code.

309 RANDALL JONES, COMMITTEE ADMINISTRATOR: If where I play cards where 80% of the take goes to charity, could I use that 80% of my losses as a charitable deduction?

317 BROWN: I would say generally not. If you had an opportunity to win,

it would not be deductible. It is similar to a situation where you go to a dinner sponsored by a charitable organization and the value of the dinner you receive is equal to what you have paid, you cannot write that off. ~ .

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336 ROSS LAYBOURN, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF JUSTICE: I also serve as Chief of the Charitable Activities Section which currently administers the State's regulatory program for non-profit gaming. Attorney General Dave Frohnmeyer philosophically is not a proponent of the expansion of legalized gambling in this state. -Where you have large sums of cash, there is a significant opportunity to cater to the greed factor, which in turn leads to the attraction of some unsavory elements. -If the Legislature decides to legalize this kind of activity, as is the case with all legalized gambling, we would strongly urge the Legislature to provide for strict enforcement both with regulation and resources. -Reminds committee there is a provision in the Oregon Constitution that says the Legislature is to prohibit the operation of casinos in the state. The Legislature has not to date attempted to define the term "casino". 400 CHAIR MARKHAM: We had to change the constitution every time another form of gambling was legalized in the state. Do not all of these have to be approved by the voters? 404 LAYBOURN: Yes, basically you start off with the notion that gambling is illegal and then we bite off certain chunks. The prohibition in the Constitution does not have to do with gambling generally, but has to do with the conduct of lotteries. 427 CHAIR MARKHAM: Did we have to amend the Constitution for the social gaming law? 432 LAYBOURN: No, because the prohibition is specifically for lotteries. With proposals floating around to legalize video poker, one can envision an establishment that is selling break-opens, is conducting bingo, maybe has a bank of video poker machines, and then is also conducting casino card games in the form of twenty-one and poker. Then you have to ask are we there yet in the way of a casino or do you actually have to have crap tables and roulette?

TAPE 82, SIDE B

021 LAYBOURN: The second kind of threshold issue is the notion of Indian gaming. In 1988 the federal government passed the Federal Indian Gaming Act which gives Indian tribes the authority to conduct high stakes bingo on Indian lands without being subject to state regulation. 028 REP. ROBERTS: Can we tax it? 030 LAYBOURN: My understanding is that we cannot tax what is known as class two gaming. 034 REP. ROBERTS: Do the Warm Springs pay any kind of business tax to the State? 038 LAYBOURN: I do not know. Under the federal act there is class three gaming which are casino type games. Under class three the tribes do not have a fatally unrestricted right to conduct these types of games. They have to negotiate with the states, compacts to conduct that kind of gaming. The state has to allow any activity which it has allowed for its own citizens. If an Indian tribe were to come in and want to set up casino type gaming on Indian property, at this point the State can say no, but if this bill passes, the State may have to negotiate with them. 063 REP. ROBERTS: You are saying we have to be careful in describing the gaming activity we . These minutes contain materials which paraphrase and/or summarize statements made during this session.

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are allowing?

066 LAYBOURN: What we do not know is whether that will trigger the ability of the Indians to come in and say we now want to conduct those games.

072 REP. ROBERTS: The difference between casino and pari-mutual is in pari-mutual you are betting against the other players and there is no house, in casino you are wagering against the house.

082 LAYBOURN: The problem I am having with the way you have presented it is, in social gaming there is no house while in classic pari-mutual there is a house.

087 REP. ROBERTS: In pari-mutual you are not betting against the house.

091 LAYBOURN: My point is they are taking a chunk off the top while in social gaming they cannot. -The bill attempts to pull all of this regulation into ORS Chapter 464, which is where we currently regulate bingo and raffles. But I think there are some significant differences. Private gaming clubs are significantly different from bingo and raffles because those games are open to the public. One of the implications of the difference between a public and a private game is in the ease of enforcement. 120 REP. FORD: What is a social organization under this bill? 124

LAYBOURN: Under the federal tax code you have a variety of sub-paragraphs of 501 C in terms of different kinds of tax exempt organizations. There is a separate sub-paragraph for non profit social clubs. 132 REP. FORD: What is a non-profit social club?

136 LAYBOURN: You can have country clubs organized as for-profit corporations or non-profit corporations. Another example of a social club would be a square dance club. 139 REP. FORD: I have not heard of a country club that is either charitable, fraternal or religious.

146 LAYBOURN: This language has been re inserted from a different place in the existing law. The only way I could make any sense out of this is to say the terms charitable, fraternal and religious organization were meant as an attempt to envelop all of the different non-profit, tax exempt organizations. -If these games become too large, they attract too much cash and become too much of an attraction to unsavory elements. -Refers to caps to the size of the games built into the bingo and raffles laws in ORS 167.118. This bill picks up a lot of the provisions of ORS 464, but it does not pick up the caps in ORS 167.118. 187 VICE CHAIR SOWA: In your opinion, if we were to allow this in a town, would it be an incentive to the city council to allow the town to become a social gambling area and other types of gambling might enter that town?

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194 LAYBOURN: I am not sure of the answer to that. but right now social gambling is left up to the local community. When we adopted the 1987 bingo and raffle legislation it included a provision that allows towns to have ordinances to regulate those games. There is no companion



provision in this legislation. It would mean if this legislation is passed in its current form, it could dictate this kind of activity could take place in all areas of the state regardless of what the traditional position of the city or county has been. -Our statistics show that about 70% of the handle on bingo goes back to the players. The problem that I see is, that contrasted to bingo and the lottery, in poker and blackjack you must have an extremely high payout to attract players. -Expresses doubt about the validity of adjusting North Dakota figures by the difference in population to estimate the return to the State in Oregon.

282 VICE CHAIR SOWA: Did you hear my point a while ago about the concern these games are going on now, and whether this bill will get them under control?

288 LAYBOURN: Anything I tell you about these other games is based on second or third hand information. In terms of current illegal activity, video poker is probably a much bigger item than actual card games.

311 VICE CHAIR SOWA: If we only allowed this where there is no social gambling allowed, would that make your enforcement easier?

316 LAYBOURN: I do not see that making a difference one way or the other.

HB 3004 - PROHIBITS DISPOSITION AS SURPLUS STATE PROPERTY OF MATERIALS THAT ARE RECYCLABLE AT REDUCED OR NONCOMPETITIVE PRICE - PUBLIC HEARING  
Witnesses: Tricia Smith, State Senator, District 17 Marie Bell, State Representative, District 41 Chuck Adams, Representing Clayton-Ward Recycling Co., Inc. Sandra Burt, Department of General Services Emil Graziani, Executive Director, Garten Foundation Eric Lindauer, Legal Counsel to Clayton-Ward Recycling Co., Inc. Bill Putney, President, Clayton-Ward Recycling Co., Inc.

327 MARIE BELL, STATE REPRESENTATIVE, DISTRICT 41: Bill was introduced because a private citizen has raised a question about competitive bidding for material sold by the State of Oregon. Private companies involved in recycling believe they should have the opportunity to bid competitively for surplus state property materials that are recyclable. -Should the state's resources be sold at the best possible price by competitive bidding, or should these resources be dedicated for a particular cause at a possible loss? -Can the State provide more services by selling at the best possible price and dedicating the funds to rehabilitation?

385 CHUCK ADAMS, REPRESENTING CLAYTON-WARD RECYCLING CO., INC.: Clayton-Ward Recycling Co. is a for-profit corporation that has eight facilities on the west coast, the largest being here in Salem. HB 3004 is dedicated to trying to create a more level playing i

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field. There are one LC amendments dated 3/25/91 (EXHIBIT B) which would elevate the amount to \$30,000 per year of surplus state property that would be contracted out. 404 BILL PUTNEY, PRESIDENT, CLAYTON-WARD RECYCLING CO., INC: Submits and summarizes written testimony (EXHIBIT C) in favor of the bill and the proposed amendments. TAPE 83, SIDE A

021 PUTNEY: Continues written testimony.

052 REP. NOVICK: What is the Garten Foundation paying the State?

056 PUTNEY: I really do not know, but the rumor is Garten Foundation is paying the State \$20,000 or \$30,000 a year for their waste paper.

060 REP. NOVICK: I agree with you the State should be looking to maximize revenue, but Measure 5 is causing us to make a lot of cuts in the human services area. I have a problem in taking away Garten Foundation's ability to provide these services when it probably is costing a lot less than if the State was providing them. 076 REP.

ROBERTS: If we are losing a lot of money for the State, you can put that same money back into training programs. These people could be doing some other kind of workshop. When we get government competing with private enterprise, we are (unintelligible) the same source that we go to for the taxes. We cannot cripple private enterprise and at the same time say we are going to have to raise your taxes to raise money for these good programs. 091 REP. BELL: How do you feel about hiring developmentally disabled individuals and including that as part of your operation?

094 PUTNEY: I do not have any plans in that direction. Back in 1974 and 1975 we did have a number of handicapped individuals who were working in our operation under the auspices of the Garten Foundation.

101 REP. BELL: Were you paying them minimum wage or less than minimum wage?

105 PUTNEY: We were paying the Garten Foundation and they were then paying the workers so we had nothing to do with that.

108 REP. NOVICK: I would be upset if we were doing it on a straight revenue basis, and a California company came in and bid \$10,000 more than a Salem company. My guess is Garten Foundation is providing services well beyond what the State could buy for the \$270,000 difference.

116 REP. ROBERTS: On the bidding process do we not give a 5% adjustment to Oregon companies?

120 SANDRA BURT, DEPARTMENT OF GENERAL SERVICES: I believe the 5% preference you are referring to applies specifically to Oregon (inaudible) products. Apart from that, Oregon

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does not have a preference across the board for Oregon vendors.

124 REP. ROBERTS: What you are telling me is in this case they would have a 5% leeway.

125 BURT: It is for the acquisition of paper and not for the disposal of paper.

128 REP. BELL: Based on the individuals who come into my office who are part of the vocational rehabilitation program, the cost of their program was something over \$6,000 a year to keep their children in a job that they were going to lose. If we have that figure and we weigh it against

the amount he is willing to pay and how many people can be served, that is what we need to get at. 138 ERIC LINDAUER, LEGAL COUNSEL TO CLAYTON-WARD RECYCLING CO., INC.: I have been very supportive of the Garten Foundation, but you have a situation of basic fairness. There is an opportunity for the realization of revenue to the State. -Explains the amendments (EXHIBIT B) to the bill. We do not know what the State pays to the Garten Foundation. 164 CHAIR MARKHAM: Have you asked General Services and they have refused to tell you? 167 ADAMS: We have had some difficulty getting an answer. 170 LINDAUER: We see this bill as still providing opportunity for the Garten Foundation to continue the good work they do, and also providing the opportunity for the State to realize some revenues that might not have been taken advantage of for a period of time. 184 PUTNEY: Due to the nature of the way the waste paper is generated, it would be extremely difficult for a California company to se vice the State without a facility located in the Salem/Eugene area. 194 TRICIA SMITH, STATE SENATOR, DISTRICT 17: I am proud to be a member of the Garten Foundation Development Board. -Clayton-Ward had the contract in 1976 and voluntarily withdrew with four weeks notice because waste paper was not worth what they wanted. When they are not making a profit, they do not want the business. -Garten Foundation picked up the service, and whether the market is good or bad they have continued. -Paper to be recycled must be separated. The Garten Foundation has been willing to separate the paper and make it ready for recycling companies to handle. Garten Foundation has been reliable. -I strongly oppose this bill. We have a company that was not interested in providing this service when the market was bad, but wants to get back in now the market is good. 249 REP. BELL: Private industry is based upon making a profit. I would hate to see businesses have to use less that wise business practices in order to do business with the State. Maybe the \$30,000 exclusion in the years when there was not a great deal or the price was not high would still allow the Garten Foundation to keep doing what they are doing even though a private company did not choose to bid that year. 263 SEN. SMITH: I agree with you in encouraging private industry to do what it does best and to

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. - House Committee on State and Federal Affairs March 29, 1991 - Page 13

continue to try to seek to conduct business at a profit. Our job as legislators is to do what is best for the State of Oregon and that is to provide for a stable disposal of it's waste paper that can be counted on year after year. Garten Foundation cannot maintain it's investment in equipment and personnel without a stable supply of waste paper.

281 REP. BELL: If we find out we could generate enough revenue to provide three times the number of jobs to physically disabled people, do you think the competitive bidding would then be worthwhile?

286 SEN. SMITH: I think we will throw the disposal of recyclable waste generated by the State from a stable, secure environment into a very unstable environment where we will not be sure what the State will be able to do from year to year.

299 REP. BELL: The stability of the recycling is more important than the number of jobs we can generate?

303 SEN. SMITH: The stability of the recycling market under your scenario would be the determining factor if there would be any jobs. -The Department of General Services, at least biennially, studies the competitiveness of the price it receives from the Garten Foundation. Given the state of the waste accepted by Garten, the price paid has always been competitive.

338 REP. OAKLEY: How open are the books of the Garten Foundation?

344 SEN. SMITH: I am sure a financial statement would be readily available to you.

360 EMIL GRAZIANI, EXECUTIVE DIRECTOR, GARTEN FOUNDATION: The State has been doing approximately 1,300 tons of paper a month. You are not going to get \$300,000 out of 1,300 tons a month of paper which is received by us in a variety of grades. -What is the purpose of the state recycling program? Is it to generate revenue or to maximize the removal of solid waste? The State wants to remove all fiber from its solid waste stream. The State under that mandate, no matter who has the contract, will never see \$300,000 or even \$100,000.

383 REP. BELL: Could we request some copies of the studies on competitiveness from General Services?

Submitted by:	Reviewed by: Carolyn Cobb	Randall Jones
Assistant	Administrator	

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EXHIBIT LOG:

A - Testimony on HB 2778 - Bob Keyser - 4 pages B - Amendments to HB 3004 - Chuck Adams - 1 page C - Testimony on HB 3004 - Bill Putney - 2 pages

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