

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 1, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 29-32 Lottery Report Distribution Lottery Ticket Numbering
Lottery Winning Odds Lottery Themes Unclaimed Lottery Prizes

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. JERRY BARNES REP.
MARGARET CARTER REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE
REP. BOB PICKARD

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER,
POLICY ANALYST JERI CHASE, OFFICE MANAGER

WITNESSES: JIM DAVEY, DIRECTOR, OREGON STATE LOTTERY GARY WILLIAMS,
CONTRACT MANAGER, OREGON STATE LOTTERY GROVER SIMMONDS, INDEPENDENT
EMPLOYER'S ASSOCIATION/ PACIFIC PRINTING INDUSTRIES ASSOCIATION GEORGE
DEWEY, PRESIDENT/CEO, MULTNOMAH KENNEL CLUB MIKE DEWEY, MULTNOMAH KENNEL
CLUB STEVE CAPUTO, DEPUTY DIRECTOR, OREGON STATE LOTTERY

NOTE: These minutes contain materials which paraphrases and/or
summarizes statements made during this meeting. Only text enclosed in
quotation marks reports a speaker's exact words. For complete contents
of the proceedings, please refer to the tapes.

TAPE 29, SIDE A

000 CHAIR BAUM: Convenes meeting at 8:00 a.m.

Lottery Information

005 CORTRIGHT: Presents of lottery regressivity information (EXHIBIT
A).

051 REP. CARTER: This information proves we are right that low income
persons spend a greater portion of their income playing the lottery.

055 CHAIR BAUM: Advises members to read information from PAUL WARNER
about Economic and Revenue Forecase Accuracy (EXHIBIT B).

EXHIBITS C-I submitted by JIM DAVEY

HB 2065 (Lottery Report Distribution) - Work Session

100 CORTRIGHT: Summarizes Proposed -1 Amendments to HB 2065 (EXHIBIT
J).

112 MOTION: REP KATZ moves the Proposed -1 Amendments to HB
2065.

129 VOTE: There being no objection, the -1 Amendments to HB 2065 are adopted.

131 MOTION: REP. BARNES moves HB 2065, as amended by the -1 amendments, to the House Floor with a Do Pass recommendation.

VOTE: Passed 6-0. Voting AYE: REPS. BAUM, BARNE, HAYDEN, KATZ, MC TEAGUE, AND PICKARD. EXCUSED: REP. CARTER.

HB 2066 (Lottery Ticket Numbering) - Work Session

148 CORTRIGHT: Summarizes Proposed -1 Amendments to HB 2066 (EXHIBIT K)

152 REP. MC TEAGUE: We discussed this issue at the last meeting. The Lottery has submitted materials relating to their promotional efforts (EXHIBITS C through I) which is good, but has still not reached most of my constituents who have no appreciation for the projects and jobs lottery funds have contributed to.

177 CORTRIGHT: The Lottery has some proposed amendments to HB 2067 that could easily be applied to this bill also (EXHIBIT L).

187 MOTION: REP. MC TEAGUE moves the Proposed -1 Amendments to HB 2066.

191 REP. BARNES: In your proposed amendments when you refer to "specific areas of economic activity" are you referring to geographic areas?

196 REP. MC TEAGUE: No. I meant areas of tourism, fisheries, small business, etc. There is no intent to regionalize the printing of tickets. That would be too much of a burden on the Lottery.

203 REP. KATZ: I think the language is broad enough. I believe in the right of the public to know how their money is being spent.

219 REP. BARNES: If we are talking in generalities, I am okay with this amendment.

221 CHAIR BAUM: The record is clear. We are not asking them to localize this at all.

241 DAVEY: Summarizes EXHIBITS C through I. We are concerned about people being upset about specific projects. Requests an effective date included in the amendments.

265 REP. PICKARD: It is my assumption that your stock on hand would be used first.

278 REP. CARTER: There is no emergency here. We should give them flexibility. We rely upon you to make that decision.

288 DAVEY: My assumption is that this could be implemented on some tickets as soon as 30-60 days after the legislation passes.

291 REP. BARNES: I have a friendly amendment: "This requirement will be effective on October 31, 1991, or earlier if stocks on hand are exhausted."

298 DAVEY: I would like that amendment to say "With any new printings after October 31, 1991."

305 CHAIR BAUM: Proposed friendly amendment: "Every lottery ticket or stub printed after October 31, 1991 shall include a lottery fact."

309 REP. KATZ: If it is a new printing you do not need a date.

313 DAVEY: We do need some lead time if this passes. Ninety days may do it.

319 REP. PICKARD: If we don't change this at all, what would you do?

324 DAVEY: We would implement this with our new printings as fast as we could.

329 REP. HAYDEN: If we put the language "new printing" in statute, it could be a problem later.

343 REP. CARTER: I am comfortable with the current language. I do not believe we need a date or anything else. The Lottery Commission understands what we want.

355 REP. MC TEAGUE: This Committee may be comfortable with it, but in case something comes up later we should add the language. "Every lottery ticket or stub, printed after the effective date of this act, shall include a lottery fact . . ." That makes things absolutely clear.

373 MOTION WITHDRAWAL: REP. MC TEAGUE WITHDREW previous motion.

MOTION: REP. MC TEAGUE MOVES the Proposed -1 Amendments with additional language: after the word "stub" add ", after the effective date of this act,".

417 VOTE: There being no objection, the above amendment is adopted.

423 MOTION: REP. MC TEAGUE MOVES to adopt the amended amendments into the printed bill.

VOTE: There being no objection, the above motion is adopted.

445 CORTRIGHT: Summarizes GROVER SIMMONDS' requested amendment to HB 2066 (LC 2490) (EXHIBIT M).

474 REP. KATZ: If the contracting services are far more expensive than the state printer, is there enough language to allow them to use the state printer?

TAPE 30, SIDE A

025 CORTRIGHT: There is a provision in statute (page 4 of EXHIBIT M).

033 CHAIR BAUM: This will not raise costs. It focuses on printing establishments within the state and if they cannot provide the product in a competitive manner, they are not bound to use them.

039 DAVEY: We always go to the state printer when they are the cheapest.

045 REP. HAYDEN: Is not the issue that the lottery tickets not

necessarily be printed by the State Printer but by a printing company in Oregon?

048 DAVEY: There is no printer in Oregon that can print these. If there was one and the prices were competitive we would use them.

050 REP. HAYDEN: This amendment could open a window for an Oregon-based company to print tickets.

054 DAVEY: Everything we print that can be printed in state, we do.

058 GARY WILLIAMS: Describes printing operations.

079 REP. HAYDEN: My understanding is that at the present time the Lottery does not have to go through the procedures in ORS 282.210 and this amendment would require them to do that. Is that correct?

085 WILLIAMS: That is correct. By making us go through this process, it increases costs because the State Printer will charge us for doing bidding which we do ourselves now.

087 REP. HAYDEN: I do not understand the connection with the State Printer. This amendment is submitted by someone in the private printing industry.

091 DAVEY: The effect of this amendment would mean that we would have to go through the State Printer for bidding.

093 WILLIAMS: We could no longer bid ourselves. The State Printer will charge us for that bidding service if they cannot print the project themselves.

098 REP. KATZ: Can't we just direct you to require in-state contracting where possible if people are uncomfortable with that directive not being in statute?

108 GROVER SIMMONDS: Begins testimony in support of amendment. This would be a small first step to accomplish the goal of printing lottery tickets in-state. The amendment would delete the exemption that the Lottery Commission has from being involved with the public printing statute. We believe that this would be an incentive for a printer to upgrade existing equipment or build a new plant. This is a substantial volume of work that we wish could be done in Oregon if possible.

159 REP. HAYDEN: One reason for the exemption was that the only company with the technology to number the tickets as required was out-of-state. Since the ticket numbering requirement is being deleted, could this more readily be done in-state?

169 DAVEY: Ticket numbering is only one aspect.

175 REP. HAYDEN: MR. SIMMONDS' position is that if the Lottery is not exempt from the public printing statutes, it could provide an inducement for an in-state printer.

185 CHAIR BAUM: I am proposing an amendment to LC 2490 as a sub-paragraph (f) that would read: "Notwithstanding paragraph (a) of this section, the provision of ORS 282 .210 shall apply to the Oregon State Lottery Commission."

190 DAVEY: That is perfectly acceptable to us.

191 MOTION: REP KATZ MOVES the above language (as proposed by CHAIR BAUM) as a conceptual amendment to HB 2066.

200 REP. MC TEAGUE: That would enable the preference clause without requiring the lottery to run their bid process through the State Printer.

202 WILLIAMS: You would also remove the brackets around 282 in line 6 of LC 249 0?

207 VOTE: There being no objection, the above motion is adopted.

222 MOTION: REP. MC TEAGUE MOVES HB 2066, as amended, to the House Floor with a Do Pass recommendation.

230 VOTE: Passed 7-0. All members voting AYE. CARRIER: REP. MC TEAGUE.

HB 2067 (Lottery Winning Odds) - Work Session

260 CORTRIGHT: Summarizes staff-prepared amendments to HB 2067 (EXHIBIT N).

300 CHAIR BAUM: The Committee has already passed an amendment to this bill that includes radio advertising and that covers close approximation (1) as listed on EXHIBIT N. The Committee now will consider issues governing neutral manner and disclaimer language (2 and 3 on EXHIBIT N).

340 DAVEY: I have a discomfort with the word "only" also not being in a neutral manner.

345 REP. HAYDEN: I agree.

360 DAVEY: We understand that you do not want us to oversell the games, not only the odds statement, but the entire advertising process.

397 REP. HAYDEN MOVES the adoption of language included in Item 3 on EXHIBIT N, with the word "only" (in the fourth line down) being deleted.

403 VOTE: There being no objection, the above language is adopted.

408 MOTION: REP. HAYDEN MOVES HB 2067, as amended, to the House Floor with a Do Pass recommendation.

412 REP. BARNES: We need to understand what we are asking the Lottery Commission to do: do we want them to merely advertise the fact that the Lottery exists or do we want them to promote it in order to get the best return possible? Do we want this agency to make money for these projects or do we want to tie their hands? This is a matter of public policy.

462 CORTRIGHT: Reviews Section 3 of HB 2067, with amendments.

475 REP. CARTER: The state is not a private entrepreneur; it is a public entity. We need to be very careful when we get the public in a position of being involved in an activity that could be detrimental to the public in a state where two-thirds of that state's budget goes to support human resource programs.

TAPE 29, SIDE B

030 REP. CARTER: As a matter of public policy, I support the disclaimer.

038 REP. MC TEAGUE: I don't believe it is this Committee's intent to "hamstring" the lottery. There were merely problems with some particular advertising. We are making a statement about a need to review this advertising.

054 REP. KATZ: My opinion is that the most successful advertising is showing pictures and using verbage from winners. That is not "hyping" or promising things that can't happen; that is stating the facts.

062 REP. BARNES: I don't want to give any semblence of misleading the people who are buying the lottery tickets.

066 VOTE: Passed 7-0. All members voted AYE. CARRIER: REP. HAYDEN.

Lottery Information

095 DAVEY: Testifies regarding those persons who are playing the lottery. Presents charts (EXHIBIT O).

125 REP. KATZ: It also concerns me that a large percentage of those playing the lottery are elderly because, in my area, a lot of them are poor.

135 DAVEY: That is true. For a majority of our players, the money they use for the lottery is entertainment money. For a lot of the older players, that is their entertainment.

143 REP. KATZ: Would you cross-tab and show us the age and income distribution.

157 REP. HAYDEN: This information graphically illustrates that low income persons spend a larger percentage of their income on the lottery.

158 DAVEY: I do not disagree with that. What I disagree with is "only poor people play". Our information shows that a very small percentage of lottery revenues comes from the poor.

181 CORTRIGHT: The sources of data for our information and the Lottery's is identical; it is merely presented differently.

194 DAVEY: We are not arguing that it is harder for poorer people to come up with a dollar to spend on the lottery than it is for middle-income persons. We merely want to state that only 4 percent of the funds come from that group.

HB 2069 (Lottery Themes) - Public Hearing

241 CORTRIGHT: Presents Staff Measure Summary on HB 2069 (EXHIBIT P).

290 DAVEY: We believe this legislation would help us sell more lottery tickets. The Multnomah Kennel Club has approached us with an idea to jointly promote programs; bingo operators also think it would help them. We have not considered where the money would go. These are very popular themes in other states.

314 REP. PICKARD: Are there estimates of potential revenue impacts?

320 DAVEY: We have not made a potential revenue forecast.

327 REP. PICKARD: You have to have some idea that this will increase revenue. You have a reason for proposing this. I would like some kind of clue.

338 DAVEY: We could try. We have found that a variety of games only adds to our sales; these themes would add to that variety.

348 CHAIR BAUM: How is this going to work? Are they screen games? Attached to the Multnomah Kennel Club? Betting on dogs at a remote location?

353 DAVEY: We are not suggesting betting on dogs. You would have a scratch ticket with a dog racing them. That is the type of thing we are asking for. A year ago the Multnomah Kennel Club was holding a championship race; they came to us and asked if we could jointly promote this race. Because of this we could not. If this provision hadn't existed we could have created something to jointly help us.

390 REP. KATZ: You could do this through computer terminals.

396 DAVEY: We have no plans to do this on a video. The current games are lotto, numbers-type of games. We have not considered a dog-racing or horse-racing theme video. The scratch tickets could tie in to a particular race, not a winner. If we did anything on video, it would be with a bingo game.

428 REP. CARTER: The policy question is where the money goes. If that directive is given to the Lottery Commission, they could decide to use a series of sports themes, with the money going to the Intercollegiate Athletic Fund.

454 CHAIR BAUM: I am concerned about the result of bringing more people to the racetracks. Will that result?

470 DAVEY: We are not concerned about more people at the race tracks. That may result; I don't really know. We are talking about a theme. That is the language we want eliminated - that we cannot use those themes.

TAPE 30, SIDE B

028 REP. HAYDEN: I am concerned that these themes could taint the Lottery's image. If we have to have a lottery, I want it to be as professional as possible.

065 REP. BARNES: I don't see a significant difference in these games between others that I have seen that are based on card games. I want to assure that monies generated by the lottery go to economic development.

075 CORTRIGHT: Is Section 2 necessary (which would allow a lottery game based on results of a horse race or dog race) if your intent is to merely use the themes of dog/horse racing?

084 DAVEY: As far as I am concerned, we would not need that.

102 REP CARTER: I would like staff and lottery staff to create better language. I am not in favor of this as it stands now.

108 REP. KATZ: I have no problem with Section 1; I do have a problem with Section 2. We need to consider the policy question of where the revenues will go.

134 CHAIR BAUM: Recesses the meeting at 9:40 a.m.

136 CHAIR BAUM: Reconvenes the meeting at 10:00 a.m.

138 GEORGE DEWEY: Begins testimony in support of HB 2066. Overviews operations of the Multnomah Kennel Club. He described the promotion idea for their Race of Champions - the best eight greyhounds in the United States. In Connecticut, eight persons win (via lottery tickets) the right to have their expenses paid to the racetrack for this race, they then each draw "for a dog". If "their dog" wins, they are the big winner. This type of activity earns a great deal of money.

208 REP. KATZ: Our concern is with Section 2. If that were to be eliminated, would you still support this bill?

214 DEWEY: We are interested in this bill as a means to bring greyhound racing to the attention of the people and continue to generate revenues for the state of Oregon. I have also been asked to tell you that DAVE NELSON, representing the Racing Division of the Oregon Quarterhorse Association, also supports this legislation.

243 REP. KATZ: If Section 2 wasn't deleted, would they give the state a larger share of their take?

262 DEWEY: We would look at that. Described pay-outs from races. The state averages six - seven percent of the dollar waged. Last year that was about \$4 million to County Fairs and General Fund.

290 MIKE DEWEY: Continues description of different types of bets placed and the formulas for pay-outs.

337 GEORGE DEWEY: Continues description of amounts of payment to County Fairs and General Fund. Administration is paid for, then County Fairs and other special events (out of the total gross amount, about 50 percent), the other 50 percent goes to General Fund.

395 REP. KATZ: There has always been controversy over the percentage for the state from greyhound racing vs. horse racing, the percentage for county fairs, etc. The state is in partnership with these paramutual operations.

410 GEORGE DEWEY: There is a lot of professional wagering involved. We have lost several of those large-scale better to new tracks. There is a lot of skill involved - this is not luck.

432 MIKE DEWEY: The more you take out of the dollar wagered, the less dollars are wagered. This is statistically accurate. The average better may not know what is being taken out, but he does know, over time, that he has less money to wager again and does not come back as often.

TAPE 31, SIDE A

025 GEORGE DEWEY: Overviews differences between casino wagering and paramutual wagering.

050 REP. HAYDEN: There is no statistical change of the State losing in the lottery. Is there a statistical change that you can be broken?

058 GEORGE DEWEY: It could happen. But it happens to us, not to you.

062 REP. HAYDEN: How do you prepare against that.

064 GEORGE DEWEY: We have a loss pool - a minus pool - that we would have to make up. Because of the volume, we have not had a minus pool in several years.

071 GEORGE DEWEY: In summary we would support this legislation and would like to work closer with the Lottery Commission.

HB 2070 (Unclaimed Prizes) - Public Hearing

090 CORTRIGHT summarized SMS on HB 2070 (EXHIBIT Q).

229 DAVEY: Submits EXHIBITS R through U. Our concern is one of public relations if a large prize goes unclaimed and the public is upset that it is not rolled back into prize money.

266 STEVE CAPUTO: Begins testimony regarding unclaimed prize procedures. Overviews EXHIBITS T and U.

320 REP. CARTER: The people of Oregon win with the Lottery whether they actually win a prize or not because of the designation of lottery dollars for economic development, which includes job creation.

340 CHAIR BAUM: I am also leaning that way - if you don't pick the prize up, let it go for economic development.

344 REP. KATZ: If they want to increase the prizes they could increase the percentage towards prizes to 53 or 54 percent.

355 CORTRIGHT: You can put in statute where you want the unclaimed prize fund to go and they can offset that by that exact amount into the 50+ percent prize fund.

369 CAPUTO: Continues description of accounting methods for prizes - paid and unclaimed. Overviews EXHIBITS R and S.

TAPE 32, SIDE A

030 CAPUTO: Continues overview of accounting methods for prizes - current and proposed under HB 207 0.

034 REP. PICKARD: If no one wins a prize, what happens to that amount?

041 DAVEY: The prize money rolls over, with additional sales added to it for the next drawing.

044 REP. PICKARD: In my mind an unclaimed prize is synonymous with a prize that has not yet been won.

047 DAVEY: That is how I believe most players of the games think.

049 REP. BARNES: How long do you have to claim a prize?

050 DAVEY: You have to claim a prize in one year.

054 REP. HAYDEN: If somebody wins a prize and it is not claimed it would seem to me that it should stay with the pool and the next person to win would get more money. It is prize money; it should stay with prize money.

069 REP. KATZ: On one hand you want to make the public feel good about their chances for winning and increase the prize amounts, yet on the other hand the reason for the lottery is economic development.

074 DAVEY: I understand the concerns. People primarily play the lottery for fun and entertainment and it is more entertaining to win. The more fun we make it, the more money the state will get for economic development.

086 CHAIR BAUM: I would like to see what the return would be on returning unclaimed prizes to the 50- plus percent account for prizes.

090 REP. PICKARD: The sweeter the pot, the greater level of participation.

096 CORTRIGHT: Unless the revenue goes up at least three percent, every time the prize goes up by one percent, you end up with less net revenue.

105 REP. HAYDEN: If the players of this game find out that somebody won a lot of money that was not claimed and the government took it, they would be upset. It would be good public relations to return that unclaimed prize money to the 50+ percent prize fund.

LC Draft Introduction

123 CHAIR BAUM: The Speaker has requested that this bill be introduced today.

125 REP. KATZ: I have no problem with the introduction of this bill, but I want the bill to be moved through this committee.

140 REP. CARTER: This would be a major policy decision.

160 MOTION: CHAIR BAUM MOVES to introduce LC 2058 (EXHIBIT V).

165 VOTE: Passed: 6-1. Voting AYE: Representatives BAUM, BARNES, HAYDEN, KATZ, MCTEAGUE, and PICKARD. Voting NAY: REP. CARTER.

171 CHAIR BAUM adjourns the meeting at 11:15 a.m.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Lottery Regressivity Information, presented by Joe Cortright, 2 pages

EXHIBIT B -Memo and information regarding Economic and Revenue Forecast Accuracy, submitted by Rep. Baum, 74 pages

EXHIBIT C -Oregon Lottery Promotional Events, submitted by Jim Davey, 1 page

EXHIBIT D - "Oregon Treasures" lottery game information, submitted by Jim Davey, 3 pages

EXHIBIT E - "Win With Oregon" lottery game information, submitted by Jim Davey, 5 pages

EXHIBIT F - Retailer Newsletter information, submitted by Jim Davey, 30 pages

EXHIBIT G - Speakers' Bureau information, submitted by Jim Davey, 1 page

EXHIBIT H -Distribution of Lottery Profits for Fifth Quarter, 1989-91 Biennium, submitted by Jim Davey, 210 pages

EXHIBIT I - Oregon Lottery Promotional Folder, submitted by Jim Davey, 2 pages

EXHIBIT J - Proposed -1 Amendments to HB 2065, presented by Joe Cortright, 1 page

EXHIBIT K -Proposed -1 Amendments to HB 2066, presented by Joe Cortright, 1 page

EXHIBIT L - Proposed Lottery Amendment, presented by Jim Davey, 1 page

EXHIBIT M - LC Draft 2490 and ORS attachments, presented by Joe Cortright, 4 pages

EXHIBIT N - Staff-prepared Amendments to HB 2067, presented by Joe Cortright, 1 page

EXHIBIT O - Charts regarding lottery players, presented by Jim Davey, 9 pages

EXHIBIT P - Staff Measure Summary on HB 2069, presented by Joe Cortright, 1 page

EXHIBIT Q -Staff Measure Summary on HB 2070, presented by Joe Cortright, 2 pages

EXHIBIT R - Chart - Present Law, submitted by Jim Davey, 1 page

EXHIBIT S - Chart - Proposed Amendment (HB 2070), submitted by Jim Davey, 1 page

EXHIBIT T - Detail information on current unclaimed prize, submitted by Jim Davey, 1 page

EXHIBIT U - Audit Report excerpt, submitted by Jim Davey, 1 page

EXHIBIT V - LC 2058 Draft, submitted by Rep. Baum, 4 pages

