

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 25, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 66 - 69 Sports Lottery

MEMBERS PRESENT: REP. RAY BAUM 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 HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:REPRESENTATIVE CARL HOSTICKA, DISTRICT 40 REPRESENTATIVE JOHN SCHOON, DISTRICT 34 REPRESENTATIVE PETER COURTNEY, DISTRICT 33 SPEAKER LARRY CAMPBELL, DISTRICT 43 JIM DAVEY, LOTTERY COMMISSION LARRY LARGE, VICE CHANCELLOR, PUBLIC AFFAIRS, OREGON STATE SYSTEM OF HIGHER EDUCATION DEBBS POTTS, CHAIRMAN, LOTTERY COMMISSION BILL BYRNE, ATHLETIC DEPARTMENT, UNIVERSITY OF OREGON DUTCH BAUGHMAN, DIRECTOR OF ATHLETICS, OREGON STATE UNIVERSITY REPRESENTATIVE BILL DWYER, DISTRICT 42 REPRESENTATIVE MARIE BELL, DISTRICT 41 SCOTT BARTLETT, LEGISLATIVE ASSISTANT, REP. BILL DWYER JASON COLEMAN, OREGON STUDENT LOBBY JIM TURPIN, WOMEN'S GYMNASTICS COACH, OREGON STATE UNIVERSITY JULIE SANDERS, WOMEN'S SWIMMING COACH, OREGON STATE UNIVERSITY TODD ROLFES, GOLF COACH, OREGON STATE UNIVERSITY ZOLA DUNBAR, PORTLAND STATE UNIVERSITY BARBARA WALKER, ASSOCIATE ATHLETIC DIRECTOR, UNIVERSITY OF OREGON PEGGY SWADENER, STUDENT, UNIVERSITY OF OREGON JENNIFER MC GINNIS, STUDENT, UNIVERSITY OF OREGON PAULA BERRY, STUDENT, UNIVERSITY OF OREGON RENEE MACK, GOLF COACH, UNIVERSITY OF OREGON

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 66, SIDE A

000 CHAIR BAUM convenes the meeting at 8:06 a.m.

HB 2575 HB 2601 (Dedication of Sports Lottery Funds) - PH

009 TAMI MILLER: Present Staff Measure Summary on HB 2576 (EXHIBIT A) and Staff Measure Summary on HB 2601 (EXHIBIT B) Submits "Potential Effect of Sports Lottery Bills" (EXHIBIT C). One question you really need to consider is should past sports lottery be repaid?

067 REP. CARL HOSTICKA: Athletics is important to the community. It is part of our economic development activity. The relation to the rest of

the lottery is not one which drains off of the rest of the lottery funds.

137 REP. HAYDEN: In the past haven't the lottery dollars been used to construct buildings on college campuses?

138 REP. HOSTICKA: Yes.

141 REP. HAYDEN: Would there be competition between whether an academic building or an athletic building would be constructed with these funds?

149 REP. HOSTICKA: I don't think so at this juncture.

169 REP. KATZ: I am uncomfortable with this piece of legislation when we are now faced with cutting all academic institutes because of Measure 5.

170 REP. HOSTICKA: Our experience is that athletics contribute to our experiences positively and to the academic aspect of schooling as well.

190 REP. JOHN SCHOON: I suggest that we change the legislation right now to dedicate these funds to sports activities because it's a fairness issue. The players of this game anticipated that the money from this game would go to athletics rather than some other activity. The money needs to be given to our schools.

220 REP. PETER COURTNEY: We tried with this bill to get athletics out of the general funds. There are only four revenue producing sports in Oregon. We are willing to keep the funds from revenue producing sports.

310 REP. MC TEAGUE: Are there plans that some of these dollars could be used for athletic scholarships?

311 REP. COURTNEY: Not at the regional schools because we are not allowed to have athletic scholarships. We would use it for grants and aid.

324 CHAIR BAUM: The funds are to supplement financial aid for needy students.

330 REP. HAYDEN: How do the coaches take on full class loads?

340 REP. COURTNEY: They load the coaches up with classes when they are not in season.

345 REP. HAYDEN: Does the university have any opinion on whether participation in athletics enhances or detracts from scholastic performance?

349 REP. HOSTICKA: We believe that athletics is a part of the total experience of education.

372 CHAIR BAUM: Are we trying to catch up with some of the more advanced universities?

400 REP. SCHOON: The funds are not just for the big sports. In some cases this money will allow some sports to simply exist.

425 REP. COURTNEY: We don't expect even with this funding to ever catch up with the more advanced universities.

TAPE 67, SIDE A

033 SPEAKER LARRY CAMPBELL: People are disturbed that these funds have not gone where people had expected them to go. It is important to fund the secondary programs. I support HB 2576 and question the ability of this legislature to go back and back fill the dollars that were lost. It is extremely important to decouple the Sports Lottery program so that the monies can be used as they were originally intended.

085 REP. CARTER: At what point do we fulfill our responsibility to economic development which creates jobs?

100 REP. CAMPBELL: The sports lottery was created to keep sports from taking funds from the general fund for economic development.

134 REP. HAYDEN: Without the transfer requirement we could indeed find ourselves competing between science buildings and grandstands. Do you have a comment on that?

150 REP. CAMPBELL: I don't think the Sports Lottery was ever intended to build buildings. I don't see the dedication of the lottery funds to sports as being detrimental or competitive. That is one of the reasons I am not supporting filling the back funds. And secondly you have a responsibility not to over subscribe the lottery dollar as far as your programs are concerned. All I am saying is that you should decouple the Sports Lottery program so that it is not part of your planning for building.

182 JIM DAVEY: Sports Action is played by sports enthusiasts who want the money to go to support sports. We don't feel that this game steals money from other lottery games because a large percentage of those who play this game are either playing in addition to the other games or exclusively play Sports Action.

249 REP. HAYDEN: If the committee was amenable to eliminate the transfer requirement would you be amenable to the concept of limiting the number of games?

253 DAVEY: I think that is a good idea. We don't want to have to figure out where money should go.

260 CHAIR BAUM: How do you know what money is from each game?

266 DAVEY: We survey the people who play the lottery.

277 CHAIR BAUM: The Sports Lottery was forecasted to raise \$12 million net and it made \$4.5 million net. And that would have raised how much for intercollegiate athletics if it hadn't have been back fill?

284 DAVEY: \$4,080,000.

311 TAMI MILLER: Out of total sales, 50% goes out in prizes, 16% goes to administration costs, and the remainder is what goes to the programs that are expected to benefit from the Sports Lottery.

326 REP. KATZ: At some point I would like to hear from higher education to give us an estimate of how much general fund dollars were expended in the past for sports.

339 LARRY LARGE: In direct outlay for intercollegiate athletics at the colleges it would be less than \$4 million.

349 REP. KATZ: Come back and let us know what we actually cut out of those budgets.

352 LARGE: What was cut out would not necessarily be the figure that would be the impact to stay in compliance.

361 DEBBS POTTS: We want to be able to help you.

390 LARGE: The state board of education has struggled with funding. We support HB 2576.

421 REP. KATZ: If we didn't have the sports lottery how much would you be requesting from the state of Oregon to have your athletic programs?

TAPE 66, SIDE B

005 LARGE: We have to account for a system wide accumulated deficit at the beginning of this fiscal year of \$6 million.

010 REP. KATZ: I don't think that we should be responsible for a debt that was incurred without the ability of the board to control it.

020 BYRNE: Now we are spending \$3 million annually to meet the requirement of Title 9. Our total income against that is \$40,000. We make up the shortfall by income from football, men's basketball and by fund raising. We are to the point where we can not go on any further to fund our women's and non revenue mens athletic programs just from football income. So when you say that the \$6 million debt that has accumulated since 1980 are not any responsibility of this committee I have to disagree.

025 REP. KATZ: You balance your budget internally within the system of higher education.

029 BILL BYRNE: We get no funding from the system of higher education.

050 CHAIR BAUM: Has the board taken formal board action?

054 LARGE: No. They have put into place a one year measure to stop the accumulation of debt to seek a de-coupling.

060 CHAIR BAUM: Where is this money going?

063 LARGE: The state system of higher education receives one third of its total budget from state appropriation. The remaining funds come from auxiliary enterprises which have a mandated reserve requirement. In the accumulation of those mandated reserves the short fall, system wide has been drawing off those reserves. The accounting requires that athletics repay those reserves. The money goes for scholarships for student athletes, costs of managing and more.

080 CHAIR BAUM: If we do give the money to athletics what will you do with the freed up dollars?

092 LARGE: The dollars that are committed to athletics are self generated dollars.

104 REP. KATZ: You identified existing auxiliary fees that assisted in financing athletic programs.

108 BYRNE: He was talking about were the accumulated fees that the system collects and that we borrow against those and that is how we fund when we have an overage.

120 LARGE: We would have to scale back. We cannot continue to accumulate the deficit that we are now accumulating. We expect the lottery to take some of the burden of the government funding.

150 REP. KATZ: Would you suggest that we isolate this program and reduce the revenues available for the capital construction for higher education?

161 LARGE: If you are asking me that indeed I am convinced that there is a relationship between the Sports action player and the lottery, which I am not, then our primary responsibility is to support the academic program.

190 REP. CARTER: With the assumption that everything that comes from lottery is for economic development, then don't you believe that everyone should take the cuts. Economic development must prevail.

256 MILLER: In the development of the backfield provision for sports lottery, in addition to that the Trade Committee and the Legislature passed a provision that says when the lottery over earned, what was left over would go back to make up for any back fill that the sports lottery would have paid for.

290 REP. CARTER: I am sympathetic. I want woman athletics to survive but I cannot vote for a dedicated form of financing for this, but I do want to talk about it.

315 CHAIR BAUM: I just want to be sure that what we are participating in is going in the right direction.

332 DUTCH BAUGHMAN: At the recent convention of the NCA we found that an amendment was passed that would reduce the scholarship allocations across the board by 10% for all Division 1 institutions at the same time another amendment was passed which required a minimum level of funding necessary for an institution to maintain membership within Division 1. We meet the minimum requirement to maintain the Division 1 status however, it will be extremely difficult if not impossible to maintain this given our basic funding.

362 CHAIR BAUM: Are you saying the failure to do something about this is going to result in Oregon and Oregon State losing their Division 1 rating?

375 BAUGHMAN: Yes, we have no more left to cut or borrow from.

412 CHAIR BAUM: What was the \$447,000 used for in this biennium?

425 BYRNE: We spent 100% on non revenue sports.

430 CHAIR BAUM: What about Oregon State?

435 LARGE: 100% of the money went to non revenue sports.

437 CHAIR BAUM: Did any of the money get out to the regional college? If so what was the split up?

440 LARGE: Yes, 32 1/2 % each for the U of O and OSU, 17 1/2% for PSU and the four regional colleges. The bill stipulates that the boards office was to take into account the athletic conference and level of competition in developing the allocation formula.

TAPE 67, SIDE B

029 REP. HAYDEN: This seems to be extra to me. Wouldn't you be able to carry on even if funds increase or decrease?

040 LARGE: It will not.

043 BYRNE: We have an increase in our expenses with no increase in income.

053 REP. HAYDEN: Do you have problems taking money from gambling?

058 BYRNE: We would take money from anywhere.

068 REP. BILL DWYER: I don't like lotteries. But the people who played sports action lottery played to benefit athletics. Dedicating funds to sport will get you more play. I think we should change the process around and maybe have the Sports Action back fill the lottery.

145 REP. MARIE BELL: Testifies in favor of HB 2601. Research shows that people are playing Sports lottery in addition to other lottery games or exclusively when they would normally not play at all.

200 REP. BELL: I believe that we are talking about economic development in these communities.

212 REP. DWYER: Sports action was manufactured to provide some economic basis for athletics.

226 SCOTT BARTLETT: You all ask why we need to be associated to the PAC 10. We find that there are economic benefits to being associated with the PAC 10.

249 REP. KATZ: Maybe we should be comparing ourselves with an academic PAC 10.

269 BARTLETT: The PAC 10 conference does yield academic benefits.

270 REP. BELL: We applaud this attempt to find outside funds to maintain outside funds.

290 REP. HAYDEN: What are the academic benefits and do they equal the amount of academic benefit derived from an equal amount of time spent in the class room?

299 BARTLETT: We were persuaded by talking to many administrators in the University systems. There are benefits in federal grants and faculty wanting to come here.

300 REP. CARTER: I think the issue here today is do we dedicate these dollars to sports?

355 REP. DWYER: People just deserve some guarantee that some of these funds will go to sports.

374 REP. BELL: I would like you to consider that these dollars were dedicated before they were spent. People who are interested in athletics dedicated them to sports believing that they were sending that money to sports.

377 REP. CARTER: We did not dedicate those dollars. There are guidelines for these dollars and this body did not fail in its commitment to dedicate funds.

412 CHAIR BAUM: Recesses the meeting at 10:00 am.

412 CHAIR BAUM: Reconvenes the meeting at 10:18 am.

TAPE 68, SIDE A

020 Testimony submitted by Lynn Snyder in favor of Sports Action Lottery (EXHIBIT D).

031 JASON COLEMAN: Presents testimony in favor of HB 2601 (EXHIBIT E).

087 REP. KATZ: There was no intention of those lottery funds going to intercollegiate athletics.

107 JIM TURPIN: Testifies in favor of HB 2601.

126 REP. KATZ: Why do you have the opportunity to have funding?

133 TURPIN: Because of the lack of finances we do not treat all of our sports equally. We are allowed to offer 10 full scholarships which is the NCAA maximum. Other sports aren't allowed to offer the full number of scholarships offered because the money isn't there.

136 CHAIR BAUM: The NCAA limits the number of scholarships you can offer in these sports.

139 TURPIN: The only sports at Oregon State University other than mens football and basketball that have the complete maximum number of NCAA scholarships are women's basketball and women's gymnastics. The others are very low.

144 REP. KATZ: How do you base who gets the money?

149 TURPIN: OSU chose women's basketball and gymnastics to counter men's football and basketball.

170 REP. CARTER: I refuse to allow people who are realigning their budgets to blame the legislature. Cuts are being taken everywhere. The schools decide who gets full funding and who doesn't.

200 TURPIN: This was our only opportunity to say something. The lottery blatantly said these funds were for athletics and that is what the public believed, and that is not what was happening. The public has been deceived and they are who is financing this lottery.

231 REP. CARTER: Before sports lottery, we had \$159 million that was

quite capable for supporting our programs. But lottery is suffering now that Sports Lottery is on the scene.

272 CHAIR BAUM: Before we open an artery to the lottery for sports, we are going to have to be convinced that those who play the game play it for the reason that it is going to sports.

300 JULIE SANDERS: We just want to be competitive with the PAC 10. We want to recruit Oregon athletes, but we lose them to Washington because we don't have the money to offer scholarships. We can't even get up to Division 1 standards.

340 REP. KATZ: How would you bring yourself up to Division 1 standards?

356 SANDERS: We would have to compete with many schools in Division 1. It depends if we can get other coaches to add more schools in to the meets in other states.

368 CHAIR BAUM: Who is going to want to swim against you?

379 SANDERS: That is a good point. Even the C teams at some of these bigger schools won't swim against us.

385 TODD ROLFES: The top athletes leave for scholarships and better facilities. The ones we keep come here to be part of a PAC 10 school and have a PAC 10 education.

432 REP. HAYDEN: What kind of donations from the public does your departments get?

438 ROLFES: Less than \$2,000 a year for the golf program.

445 REP. KATZ: The fact that we lose students in Oregon because the academic programs have been reduced and to see faculty going somewhere else because we can't increase salaries pains me too. Maybe we should dedicate these funds to higher education.

TAPE 69, SIDE A

025 ZOLA DUNBAR: The first people to benefit should be the student athletes. Athletes are students first. The money should go secondly to the academic departments. The athletic department should benefit thirdly.

092 REP. KATZ: You made it seem that all the resources are going for scholarships?

095 DUNBAR: No, some would go for scholarships some would go for travel.

100 BARBARA WALKER: NCAA requires a certain number of sports for a Division 1 membership. That is 7 for men and 7 for women. We used to have more but we had to cut back to remain in Division 1.

127 REP. KATZ: How are these current scholarships funded and how much was allocated for you from the sports lottery?

130 WALKER: Through our donations and through the revenue generated through our football and men's basketball teams. \$150,000 was received

from the lottery.

140 PEGGY SWADENER: Testifies in favor of HB 2601. I think there is more of athletics than people are seeing.

160 JENNIFER MC GINNIS: Testifies in favor of HB 2601. It is more than a money thing there is pride in the Oregon schools and that is diluting.

188 PAULA BERRY: Testifies in favor of HB 2601. I think higher education would distribute the money with regard to athletics.

254 RENEE MACK: Testifies in favor of HB 2601. We have to reduce the deficit and we have to make Oregon proud of athletics.

303 REP. KATZ: You have to reduce the deficit, are you saying that if you don't reduce the deficit then you will not exist?

310 BYRNE: That is right.

315 REP. KATZ: I don't believe that.

340 BYRNE: It is my understanding that the legislature put a line item for universities that said no state funding could go to the three universities.

345 REP. KATZ: It had nothing to do with Title 9. Title 9 is a federal law.

373 REP. HAYDEN: What amount of your budget goes for scholarships and could that be back filled with federal dollars?

380 WALKER: 40% and we are already doing that to the extent to which it is possible.

438 CHAIR BAUM adjourns the meeting at 11:15.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on HB 2576, submitted by Tami Miller, pgs. 1.

EXHIBIT B - Staff Measure Summary on HB 2601, submitted by Tami Miller, pgs. 2.

EXHIBIT C - "Potential Effect of Sports Lottery Bills," submitted by Tami Miller, pgs. 1.

EXHIBIT D - Petitions in Support of HB 2601, submitted by Lynn Snyder, pgs 8.

EXHIBIT E - Testimony in favor of HB 2601, submitted by Jason Coleman, pgs. 2.