

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

May 3, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 170-172 Human Investment Benchmarks Benchmarks  
Professional-Technical Education Central Business Registration Board  
Allocation of Video Lottery Proceeds

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 HOLLY BROWN, COMMITTEE  
ASSISTANT

WITNESSES:REP. BEVERLY STEIN, DISTRICT 14 DUNCAN WYSE, EXECUTIVE  
DIRECTOR, OREGON PROGRESS BOARD SEN. JEANNETTE HAMBY, DISTRICT 5 DARRELL  
WARD, DIVISION OF VOCATIONAL EDUCATION, DEPARTMENT OF EDUCATION KEITH  
LEAVITT, LEGISLATIVE ASSISTANT TO REP. STAN BUNN J.D. HOYE, ASSOCIATE  
SUPERINTENDENT OF VOCATIONAL EDUCATION, DEPARTMENT OF EDUCATION BOB  
BAUGH, ADMINISTRATOR, PARTNERSHIP DIVISION ECONOMIC DEVELOPMENT  
DEPARTMENT CAPTAIN BILL JOHNSON, OREGON STATE POLICE/SECURITY FOR OREGON  
STATE LOTTERY JIM DAVEY, 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 170, SIDE A

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

HB 2813 (Benchmarks) - Public Hearing HB 3310 (Human Investment  
Benchmarks) - Work Session

022 REP. BEVERLY STEIN: Overviews HB 3310. This is part of a package  
of human investment bills and is the bill that will create a mechanism  
by which the long term value of human investment could be evaluated. It  
would charge the Progress Board with developing the model. We would  
also have the assistance of the Corporation for Enterprise Development,  
as a national demonstration state. The Progress Board is in support of  
this.

038 DUNCAN WYSE: Conceptually, the Progress Board has addressed this  
concept and is very supportive of getting a better framework in place  
for reviewing the payoffs of investments in different programs. This is  
very consistent with what we want to do but we don't have a tool to do  
that right now.

046 CHAIR BAUM: Where are we on the human investment benchmarks?

060 WYSE: They have not changed. There are a few additions from the House Human Resources Committee and a few additions from the House Education Committee that do not fundamentally alter the benchmarks. EXHIBIT A reflects the changes that other House committees have suggested to the Benchmarks.

073 CHAIR BAUM: My reading on HB 3310 is that it is very broad and means "do good things" (very warm and fuzzy). Is it more specific than that?

085 WYSE: If you considered this in financial terms, it would be hard-headed and necessary. There are a lot of investments that we think will save money in the future, but we do not have the actual analysis on that. This bill would begin the process for that analysis.

101 REP. KATZ: I don't want the analysis to be "warm and fuzzy". I want an audit-type review that will show the amount of dollar savings that could occur.

111 REP. STEIN: That would be the outcome of an analysis. We aren't going to know where we can get the best return until we develop a model.

130 REP. PICKARD: I would prefer to think that this bill is broad enough in its scope.

138 CHAIR BAUM: I want to assure, for the record, that we are sending a message that we want to measure outcomes. Not "how to get there".

166 Motion: REP. BARNES moves HB 3310 to the House Floor with a Do Pass recommendation.

170 Vote: Passed: 5-0. Voting AYE: REPS. BARNES, KATZ, MC TEAGUE, PICKARD, AND BAUM. EXCUSED: REP. CARTER and HAYDEN. Carrier: REP. STEIN.

HB 2813 (Benchmarks) - Work Session

183 CORTRIGHT: Overviews committee's previous discussion on HB 2813.

197 WYSE: Presents EXHIBIT A.

246 REP. KATZ: We need to agree on these benchmarks for direction to the legislature and to provide them some focus on how they want to spend their time and resources. Every committee should review to review, at the beginning and end of each session, what they did to meet the benchmarks applicable to them.

270 CHAIR BAUM: I would like to amend the suggested changes (EXHIBIT A) into the bill. Then each caucus can discuss them, as amended.

298 REP. PICKARD: I am impatient to assure that this gets done.

300 WYSE: I think I should point out the sensitive areas for you so you can know in advance of caucus discussion what areas will be most discussed.

315 Motion: REP KATZ moves the adoption of amendments to HB 2813,  
as presented in EXHIBIT A.

320 Vote: There being no objection, the amendments (EXHIBIT A) are  
adopted.

325 REP. KATZ: I move to delete the word "math" on page 5, line 8  
(hand-engrossed version of HB 2813 from EXHIBIT A).

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

330 WYSE: Presents EXHIBIT A.

TAPE 171, SIDE A

030 WYSE: Continues to present EXHIBIT A.

HB 3474 (Technical-Professional Education) - Work Session

077 MILLER: Presents the proposed engrossed version of HB 3474 (EXHIBIT  
B) and a chart of HB 3474 Program Fund Grouping Allocation Provisions  
(EXHIBIT C).

100 SEN. JEANNETTE HAMBY: In Ways and Means Committee last session we  
didn't specify what the exact use of the lottery funds (\$8 million)  
would be. But discussions centered on advancing technical equipment in  
order to train better skilled workers. I decided to review what they  
had expended these funds on. Presents EXHIBIT D. I think these  
expenditures stretch the definition of "economic development".

150 CHAIR BAUM: Are you requesting that, at a minimum, if the Community  
Colleges receive more lottery funds for "equipment" that they should  
assure the funds go towards the purchase of equipment to be used by  
students in the classrooms and for furtherance of vocational and  
technical training.

154 SEN. HAMBY: Yes. There needs to be better criteria and accounting.  
I am cautioning you to review line by line what the funds requested in  
HB 3474 would specifically be used for.

170 REP. BARNES: How was the money distributed?

172 SEN. HAMBY: "The Office of Community College Services allocated \$6  
million on a base- plus-per capita formula. Each college received a  
base grant of \$40,000, plus their per capita share of what funds  
remained. No consideration was given to specific needs of the  
individual colleges in this allocation method."

180 SEN. HAMBY: Testifies in support of additional lottery funds for  
VISTO. Submits EXHIBIT E.

200 SEN. HAMBY: Testifies in support of additional math and science  
education. Submits EXHIBITS F through J.

258 SEN. HAMBY: Testifies in support of alternative education delivery  
services. Submits SB 806 (EXHIBIT I).

263 MILLER: Submits EXHIBITS J, K, and L.

302 SEN. HAMBY: I want to caution you that the old Carl Perkins

(voc-ed) Act of the 1920's, even updated, is not good enough for future needs. I request an investigation of every line item and ask how last year's funds were expended and how they expect to expend any future funds. I feel very uncomfortable.

310 REP. KATZ: Did staff review what Community Colleges had proposed to spend their funds on and what they actually did?

320 MILLER: No. For 1989-91 there were no proposals given to the Committee.

325 REP. KATZ: Since we have a proposal this biennium we will be able to better track 1991-93 expenditures.

345 CHAIR BAUM: We need to discuss the Community College's request at our next joint meeting and this committee will be reviewing them next week also.

350 SEN. HAMBY: I will be submitting an amendment to ensure a proper audit and reporting system for all programs funded with lottery expenditures.

370 CHAIR BAUM: We will bring the Community Colleges in and set criteria that will ensure these lottery funds are spent for professional and technical training for students in classrooms, not for general.

392 DARREL WARD: Presents suggested amendments to HB 3474 (EXHIBIT B).

TAPE 170, SIDE B

010 REP. KATZ: We are going to have to review the standards recognized by industry because they are not adequate anymore.

015 WARD: Continues to present EXHIBIT B.

025 CHAIR BAUM: The Superintendent of Public Instruction has a certain amount of discretion that other agency directors do not because it is an elected office. If they decide to do something different that what the Legislature has mandated as policy, we will be caught in the middle of their program. We do not want that. We are doing this because the Department of Education and the Community Colleges have not delivered. That is the message we are sending.

032 J.D. HOYE: Our attempt with this language was to clarify what we perceived as your intent, clarification that oversight couldn't infringe on the statutory authority of the State Board of Education.

048 REP. PICKARD: The notion that we have to constantly be protecting ourselves with this kind of language as opposed to getting on with the task is unacceptable.

060 REP. BARNES: I am going on the basis that what we are doing now is not working. When you are going to change direction you need to let people know what that change is. We need to get over "turf protection".

079 REP. PICKARD: I hold these groups in high regard. This is disappointing to me.

086 WARD: Continues presentation of EXHIBIT B - Section 5.

120 WARD: An additional amendment not included in EXHIBIT B would be:  
On Page 5, line 20, delete "and the" and insert "in cooperation with"

140 WARD: Continues presentation of EXHIBIT B - Page 6.

154 WARD: On Page 6, line 21, amend it to read as follows: "The  
Division of Professional Technical Education of the Office of Community  
College Services, in cooperation with the Department of Education,".

173 MILLER: Explains that the Division of Vocational Education  
(proposed to be the Division of Professional Technical Education) serves  
both the Office of Community College Services and the Department of  
Education. This Division receives funds from both agencies.

213 WARD: The same changes need to be made in Section 9 (on page 7  
of EXHIBIT B).

220 WARD: Continues to present EXHIBIT B (page 8).

300 WARD: The remaining amendments on EXHIBIT B are mainly technical  
corrections.

380 WARD: Presents EXHIBIT C.

417 MILLER: Using one of the programs that are proposed for change  
between negotiated and competitive, please explain the difference  
between competitive and negotiated - what would be the difference  
between what we did last biennium and what is proposed for this biennium  
in these three programs where change is proposed (curricula revision,  
student leadership development, and upgrade and preparation of voc tech  
teachers and counselors).

425 WARD: In upgrade of voc tech teachers, there is a large focus on  
this. Last biennium the funds for this was competitively granted by  
proposals to each of the 18 workforce regions. They each received a  
little piece of that money. Because of a very significant crisis in  
vocational and counselor preparation, we need to be able to consolidate  
those activities at a state level and hopefully get more statewide  
impact. That is one example of something that could be consolidated for  
more statewide impact.

455 REP. BARNES: Is there anything in here that local school districts  
should be doing anyway? They receive state funds and a tax base.

470 WARD: Yes, districts do have money for staff development. In an  
upgrade of vocational instructors in machine technology (for example),  
an individual school district cannot do that. We need to organize and  
operate the workshops on at least a regional basis. It is very  
specialized and the districts use their funds for more generalized  
training.

TAPE 171, SIDE B

030 BOB BAUGH: In discussion of these programs, the 2+2 program in HB  
3474 would also capture the idea of structured work experience. This is  
different from the

traditional 2+2 program. It would broaden it to capture students in  
programs and connect them to work experience opportunities related to

that educational path.

HB 3219 (Central Business Registration Board) - Public Hearing and Work Session

054       CORTRIGHT:   Presents Staff Measure Summary on HB 3219 (EXHIBIT M).

072 CORTRIGHT:   Presents Fiscal Impact Statement of HB 3219 (EXHIBIT N).

101       Motion:   REP. BARNES moves HB 3219 to the Committee on Ways and Means with a Do Pass recommendation.

120               Vote:   Passed 5-0.   Voting AYE:   REP. BARNES, KATZ, MC TEAGUE, PICKARD, and BAUM.

HB 2682 (Video Poker Allocation) - Public Hearing and Work Session

130 CORTRIGHT:   Overviews bill.   This bill addresses the allocation of proceeds from video poker games.   It would establish another statutory allocation for video poker proceeds.   The Lottery could use up to 16 percent of gross revenues (\$1.6 billion) for administrative purposes of the lottery; 77 1/2 percent of net weekly revenues (approximately \$200 million) would be distributed to game owners and retailers for compensation.   The remainder (approximately \$50 million) would be distributed to counties, the Department Transportation for transit projects and to athletic departments of the State Board of Higher Education.   This bill does not explicitly override current statutory allocation of video lottery funds (ORS 461.545) but it would effectively replace it due to being a later passed statute.

168 CHAIR BAUM:   We have discussed the concept of local counties getting a percentage of video lottery proceeds.

181 REP. KATZ:   We need to compare the allocations in this bill with the other allocations that have been discussed.   We also need to know what is happening with the other video lottery bill currently being heard in the State and Federal Affairs Committee - even if that bill does not address allocation.

201 REP. KATZ:   I need to know from County Commissioners and City Council members what they want us to do with this bill.   Do they now support it or not?   I also want to hear from local law enforcement.

232 CHAIR BAUM:   On allocation, the state will probably take 25 percent and the counties will receive approximately 20-25 percent, and retailers/tavern owners will get the rest.   That would be my suggestion.

245       CAPTAIN BILL JOHNSON:   I would be happy to answer questions from the committee.

255 REP. BARNES:   I want to see local law enforcement play a role in this.   I would assume that your department would need their help for enforcement.   Is that a correct assumption?

260 JOHNSON:   I would agree with that concern.   It is hard to project how much of a problem this would be.   South Dakota has not had a problem.

276 REP. BARNES:   Is this going to invite organized crime?

278 JOHNSON: The State Policy is statutorily obligated to provide security services for the Oregon Lottery. We have done an outstanding job in that. We are concerned with security and control. Our bureau commander is very familiar with this and we share the same concerns.

294 REP. MC TEAGUE: How do we address these concerns?

298 JOHNSON: We do extensive background investigations. If video lottery is enacted, we will do an extensive background check on the participants of the program.

330 REP. MC TEAGUE: You are always concerned about security and control for regular lottery games. Would you have a higher concern if video lottery was introduced? Would you have greater concerns?

337 JOHNSON: We can do anything that is required and we are confident of our ability.

345 CHAIR BAUM: I would like to conceptually adopt the things that this committee has discussed previously about video lottery proceeds allocation. This will begin to bring this bill in line with what the joint committees have been discussing.

367 Motion: CHAIR BAUM: In concept, I would like to move the 88 percent pay-out that has been discussed in other committee meetings.

373 CORTRIGHT: We will draft amendments to HB 2682 that reflect what the Committee discussed at its previous joint meeting regarding lottery allocation.

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

405 REP. MC TEAGUE: I would like to see separate bills - one for allocation of regular lottery proceeds (HB 2614) and another for allocation of video lottery proceeds.

412 CHAIR BAUM: That is why we are working the two different bills; however, there is the potential of combining them later.

414 REP. BARNES: If this goes into effect, the price of taverns and bars would go up because it would be more lucrative to own them. Would you be able to monitor who purchases these establishment for organized crime?

425 JIM DAVEY: Yes, we will do extensive background checks on everyone involved - manufacturers, operators, tavern owners, etc.

438 CHAIR BAUM: Have they moved the bill out of the House Committee on State and Federal Affairs with the option included for counties to opt out of participation?

443 DAVEY: Yes.

450 CHAIR BAUM: We have discussed stretching expenditure of proceeds for law enforcement, treatment, etc., however, we may be constitutionally limited by what is defined as "economic development". The Counties (if we stick with 25 percent) will get as much as a group as we will get as a state. The question will be how to divide that -

per capita or base or a combination?

486 REP. BARNES: I am sorry that the local opt out option is included.

TAPE 172, SIDE A

027 REP. PICKARD: What would the scenario be for a tavern owner to acquire these machines?

030 DAVEY: He would make an application to the Lottery, submit background information, security audit, etc. Then he would either buy the machines himself (from a

manufacturer certified by the Lottery or he could go to an amusement/coin operator and contract with them to install the machines for a share of the revenue.

042 REP. PICKARD: What about if a person is interested in owning/operating a large amount of them in different locations?

043 DAVEY: Those persons are known as coin operators and they are in business right now. The same background investigations would apply.

051 DAVEY: The machines are very sophisticated. They can track everything going on with the machine, including anytime it is opened for maintenance, etc. There is a tremendous amount of security in the system. Records are kept both on location and centrally.

061 CHAIR BAUM: There are going to be concerns about tavern owners who have existing machines. Are those machines going to have to be removed from the premises and a new one installed if this legislation passes?

063 DAVEY: Yes. We do not believe the existing machines will be adaptable to our computerized system. If they are, we will hook them up.

068 CHAIR BAUM: How will the owners pay for new machines?

069 DAVEY: They could contract with an amusement operator and share revenues or they would privately finance them as they would any other equipment. Those are their options. The Lottery Commission does not plan to purchase the machines and install them.

074 CHAIR BAUM: What is the cost of the machines?

075 DAVEY: In South Dakota the current price is \$4500 - \$5000 per machine.

082 CHAIR BAUM: Is there any market value to the old machines at all if this law is passed?

083 DAVEY: It is possible they could be sold in another state. Most of these machines have been paid for many times over with the illegal revenues they have generated. One tavern owner told me he does not even repair his - it is cheaper to buy a new machine and throw the old ones away. The way I understand the law is that these old machines would have to be out of the state by October 1.

092 REP. HAYDEN: South Dakota found they could generate a lot more money by making this available to teenagers (over 18). When do you



think Oregon would try to do that also?

097 DAVEY: Our proposal is that these machines be in an age-controlled area (21 years and above). Those would be normally be a premises that has a license to dispense alcohol. There is no provision to put these in locations where teenagers could access them. I was not aware that these machines were available to teenagers in South Dakota. I thought that they had to be in age-controlled areas there also. The law in Montana may be different than that, I am not sure.

109 REP. HAYDEN: What percentage of return do you think is being paid out on the grey games now?

114 DAVEY: Traditionally, that has been above 80 percent. There is no control over the percentage now. We think that 88 percent maximizes the entertainment and revenues and that would be competitive.

132 REP. HAYDEN: Has the Attorney General addressed the constitutional rights of people to possess games of amusement? Do you think there would be a legal challenge to this?

142 DAVEY: The Attorney General didn't indicate that this was a problem.

163 REP. HAYDEN: In order to mitigate the social damage that this gambling could create, I would propose that we should put all the money from video lottery into the health care program.

194 REP. CARTER: Does the increase in addictive behavior cause you any concern? Or does it concern you that we are bringing in a different kind of character into Oregon when we get more heavily involved in gambling?

204 JOHNSON: I think we keep them out by controlling them through our background investigations. As it currently exists, the State has no idea who is involved.

212 DAVEY: I share your concerns about compulsive gambling. This is an issue we need to review. I don't believe that this would be creating an additional problem. If we can put some funds toward that problem, identify it and assist those persons, it may help.

236 REP. CARTER: I understand that the Portland police are not enthused about these games coming in. Does this cause you concern?

251 JOHNSON: The only increase in crime reported in South Dakota was a small increase in the burglary rate. That may be a possibility, but they could not attribute it to the video lottery directly. Some of the burglarized places were video lottery establishments. The Department will be willing to work with any law enforcement agencies on any concerns that surface.

271 CHAIR BAUM: Can we buy these machines locally?

273 DAVEY: Right now they are manufactured outside of Oregon. There is one potential manufacturer in Oregon. This manufacturer has been attending all of our Lottery Commission meetings and we are working with him to develop an acceptable game.

298 REP. HAYDEN: There is a concern that the opportunity for money

laundering will attract organized crime.

310 JOHNSON: That is a justifiable concern but I would think that a person would go to Atlantic City or Nevada where they could get rid of their money in one night, instead of the three or four weeks in would take in Oregon through video lottery machines.

341 CHAIR BAUM adjourns the meeting at 10:25 am.

Submitted by,

Jeri Chase Office Manager

#### EXHIBIT SUMMARY

EXHIBIT A -Comments from other House Committees on HB 2813, submitted by Duncan Wyse, 17 pages

EXHIBIT B - Proposed Engrossed HB 3474, submitted by Tami Miller, 15 pages

EXHIBIT C - Chart on HB 74 Proposed Allocation Provisions, submitted by Tami Miller, 1 page

EXHIBIT D - Notes on Community College spending for 1989-91, submitted by Senator Jeannette Hamby, 3 pages

EXHIBIT E - Visto Information, submitted by Senator Jeannette Hamby, 1 page

EXHIBIT F - Article, Dwindling Species: Future Math Whizzes, submitted by Senator Jeannette Hamby, 1 page

EXHIBIT G - Article, Despite Layoffs, Firms Find Some Jobs Hard to Fill, submitted by Senator Jeannette Hamby, 1 page

EXHIBIT H - Statewide IISME Proposal, submitted by Senator Jeannette Hamby, 2 pages

EXHIBIT I - SB 806, submitted by Senator Jeannette Hamby, 1 page

EXHIBIT J - 1989-91 Equipment Distribution, submitted by Tami Miller, 33 pages

EXHIBIT K - Community College Equipment Purchases, submitted by Tami Miller, 1 page

EXHIBIT L - 1991-93 Equipment Distribution, submitted by Tami Miller, 49 pages

EXHIBIT M - Staff Measure Summary on HB 3219, submitted by Joseph Cortright, 1 page

EXHIBIT N - Fiscal Impact Statement on HB 3219, submitted by Joseph Cortright, 1 page

