

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

May 6, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 173-175 Professional-Technical Education Rural Institute Staff  
Presentation Wood Products Staff Presentation Timber Response Plan Video  
Lottery

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:MICHAEL HOLLAND, COMMISSIONER, OFFICE OF COMMUNITY COLLEGES  
DEBBIE LINCOLN, DEPUTY COMMISSIONER, OFFICE OF COMMUNITY COLLEGE  
SERVICES BILL WYATT, OREGON BUSINESS COUNCIL BILL BRALEY, JOB TRAINING  
PARTNERSHIP ACT, ECONOMIC DEVELOPMENT DEPARTMENT MARGE KAFOURY, CITY OF  
PORTLAND JIM DAVEY, DIRECTOR, OREGON STATE LOTTERY STEVE CAPUTO, DEPUTY  
DIRECTOR, OREGON STATE LOTTERY JERRY JUSTICE, ASSOCIATION OF COUNTIES

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 173, SIDE A

001 CHAIR BAUM convenes the meeting at 8:12 a.m.

HB 3474 (Professional-Technical Education) - Work Session

012 MIKE HOLLAND: We would like to respond to some of the issues raised  
by Sen. Hamby. Community Colleges requested funds for equipment in 1989  
because of serious instructional equipment shortages. When the money  
was released to Community Colleges it became a part of Community College  
General Fund. As reports came back from the individual colleges about  
equipment expenditures, many expenditures from "lottery" funds were  
undistinguishable from "general" fund. For us, that was not a problem  
for two reasons. The first reason is that the definition for a  
permissible expenditure was broad and permissive. The more important  
reason is that as we reviewed equipment expenditures, we were sure that  
there was \$6 million in uncontested, non-controversial equipment  
purchased. Senator Hamby was obviously less comfortable with the less  
diffuse accounting than our office was. We can assign those  
expenditures separately if you want.

057 REP. KATZ: "Reside diffusely". Does that mean items financed by other means than lottery funds? What does that mean?

059 HOLLAND: It means that the colleges all have a general fund for equipment expenditures. What we were trying to do with the lottery funds was get additional resources to buy instructional equipment. If you prefer us to sort it that way we can it. For the lists that you received of proposed expenditures for 1991-93, some of them have lottery funds and general funds on the same lists. The lists that you received was a very rough list produced by the colleges.

084 REP. PICKARD: Given the material that you got back your office was comfortable with the way the funds were spent. Since there is a plan this time will you be even more comfortable with the expenditures this time?

097 HOLLAND: Yes. I think the projections for 1991-93 are good. We might even go a step further and prior to the release of funds from quarterly lottery revenues have the colleges confirm their planned expenditures with our office.

103 REP. PICKARD: Maybe it would be a good thing for the colleges to separate the lottery from general fund dollars so that it is easier to review.

110 HOLLAND: We should be able to do that next time.

111 MILLER: We have letters from Community Colleges that state "this is how we will spend lottery dollars". Are you saying that the colleges have mixed up their general fund equipment purchases with lottery fund purchases and these need to be sorted out so that instructional equipment purchases can all be matched with lottery dollars and other equipment from the general fund?

127 HOLLAND: We can do that for the next biennium. We can also do that for this past biennium by re-characterizing and making sure the definition is attached to the equipment expenditures that are non-controversial. The equipment money was to provide an addition resource for instructional equipment and \$6 million of the funds was expended on non-controversial instructional equipment. The accounting on the campus level for this was diffuse.

143 MILLER: I have been told that for some of the community colleges the lottery funds were all of the funds that they received for equipment last biennium. How would you be able to say those colleges had General Fund purchases that were acceptable?

150 DEBBIE LINCOLN: In 1989 we indicated that we would ask the colleges for a statewide match. We would look at all of the local funds spent on equipment and match that to the \$6 million. The reason for that was because a couple of the very small colleges (in particular, Tillamook Bay) would have difficulty coming up with an additional 35 percent to match that. Tillamook Bay is probably the only college that did not make its match. It spent all of its lottery money on instructional computers in its Tillamook Bay and Nehalem centers but it was not able to come up with enough of its own money to make the 35 percent match. Because of that, we required a statewide match. If you added all of the capital outlay expended by all of the colleges, you would exceed the match we discussed in 1989.

168 MILLER: For those colleges that did not receive any other funds except lottery funds for equipment purchases, you would not be able to show that any acceptable equipment substitutions were made from General Funds.

179 LINCOLN: The only college that didn't have money to fall back on bought only unquestionable equipment. There are a lot of items on the lists that look questionable on the surface that are perfectly legitimate. Any item that is questionable, we can find enough unquestionable purchases in that particular colleges capital outlay for that year.

193 REP. KATZ: For accountability and public relation purposes those accounts need to be separated very clearly.

204 HOLLAND: We will attend to that.

216 CHAIR BAUM: Recesses work session on HB 3474.

Staff Presentation - Rural Institute

235 MILLER: Submits Staff Measure Summary on SB 713A (EXHIBIT A), Rural Institute Draft Budget (EXHIBIT B), and summarization of rural institute (EXHIBIT C). Overviews SB 713A - the Rural Revitalization and Leadership Development Act.

325 REP. KATZ: There is an American Leadership Forum network that has done that without state resources. Why can't we piggyback on what the forum has done in Oregon and provide them with state resources to provide that kind of assistance?

335 BILL WYATT: There is the ambition to work with the American Leadership Forum and the other leadership organizations and not start from scratch. Developing the curriculum of the program takes a lot of work and we intend to use what is out there.

350 REP. KATZ: There would already be some structure. Is the leadership forum not interested in taking the lead on this?

357 WYATT: The two programs do have some differences. The community-based factor is different. These two activities - community development and leadership training - must go hand-in-hand. The purpose of creating the Institute, aside from the partnership opportunities, is that this is a 10 to 15 year struggle we are heading into. We are suggesting some intervention occur for Oregons' rural areas. The ALF would be very useful in the development of this.

402 REP. CARTER: It would be a good idea if ALF could take this on as a project and they could infuse some of their knowledge. This could also cut down on some of this program's expenses. How long has the Community Initiatives program been operating?

430 MILLER: The program was established in 1989. Focus groups have been held in communities and the idea of a quasi-private program discussed. The response to that suggestion has been positive. From that information and the information we have about communities that have received assistance it appears to have been very successful and very well received by the rural areas.

459 REP. KATZ: I want to see some objectives, goals, and measurements,

to see whether they have been achieved over a period of time and it should be benchmarked over a period of time.

480 MILLER: I am sure we could add some benchmarks to the bill.

TAPE 174, SIDE A

033 WYATT: The Business Council has hired an organization to develop a "business plan" for the Institute. We wanted to develop some specific measurements - as specific as you can get in a program that is designed to influence communities over a long period of time. I hope that within the next week we will have a copy of this plan.

050 REP. CARTER: I agree with the importance of the long-term effects of leadership ability.

061 MILLER: Presents EXHIBIT A.

096 REP. KATZ: The Governor's budget includes \$2 million for community assistance. Would funds for this bill be in addition to that?

100 MILLER; Of that money \$1.7 would go to the Communities Initiatives program. In the lottery allocation bill will be a line item that would include that \$1.7 million.

112 REP. HAYDEN: I see a 15-member board developing. The objective of the program is to train people to be "movers and shakers", but I think that the people who are going to volunteer are going to be from other states and who are probably already "movers and shakers", with an agenda, but their agenda will not be the same as the community's. You will not truly going to have representatives of the community.

130 MILLER: The intent of those who have designed this bill is that the representation on the Board (EXHIBIT C) is to be from rural Oregon.

Staff Presentation - Wood Products

170 CORTRIGHT: Overviews creation of Joint Interim Committee on Forest Products Policy and their final report (EXHIBIT D).

200 REP. HAYDEN: The Forest Service is cutting back on their workforce due to fewer timber sales. How can we address that?

212 CORTRIGHT: I don't believe that the national forest service employees are included when we estimate "timber" jobs lost. Taking those jobs into account makes the situation even more critical. The secondary, value-added wood products industry is the only segment of the industry that has been adding jobs even though the available resource has been declining.

227 REP. HAYDEN: Why can't we lobby to keep the national forest workers in Oregon as other states lobby to keep military bases open? We need to keep those salaries in Oregon.

230 CORTRIGHT: Nothing suggests that can't be done.

256 CORTRIGHT: Submits EXHIBIT E. Overviews the secondary wood products industry. The recommendation from the Northwest Policy Center is to work with those firms and develop their needs. There are five goals: 1) work closely with the existing small firms in the industry;

2) recognize the diversity of the industry; 3) focus on process of helping firms and not the end products; 4) whatever initiative the State puts in place it should be industry-owned and industry-driven; and 5) seriously address the scale of the effort - recognize that those firms are going to have to compete with the rest of the nation and the rest of the world.

354 CORTRIGHT: Presents Staff Measure Summary on SB 364 (EXHIBIT F) and SB 364 (EXHIBIT G).

TAPE 173, SIDE B

030 CORTRIGHT: Continues presentation of EXHIBITS F and G.

038 REP. CARTER: How does the secondary wood products industry feel about this concept?

042 CORTRIGHT: We have pre-tested a lot of these policy ideas in the focus groups and response was very positive. Presents survey (EXHIBIT H).

076 REP. BARNES: The Interim Committee recommended forming a "commission", but SB 364 forms a "corporation".

084 CORTRIGHT: Calling it a "corporation" makes it seem less governmental and more private-sector oriented.

092 CORTRIGHT: We received testimony from a number of people in support of this proposal.

107 REP. KATZ: We have heard criticism of this concept. What is the reason for that?

114 CORTRIGHT: I think the Senate Committee spent a good deal of time discussing the networking portion of the bill. There were members who were very strong advocates of this concept and it became a central issue of the bill. This produced some disagreement and animosity. This was worked out by making the network a piece of the bill. There were three different bills combined into the bill you see now.

HB 2251 (Timber Response Plan) - Work Session

160 CHAIR BAUM: The Proposed -6 Amendments (EXHIBIT I) include all of the Committee's discussions so far. Does the Committee mind having language in the bill allowing monies to be spent on those that are or are about to be dislocated?

165 CORTRIGHT: The definition starts on Page 1, Line 18.

168 CHAIR BAUM: EDD requested this be added.

179 CORTRIGHT: The intent would be to give EDD more flexibility in Section 6 - a means of reaching dislocated workers before they lose their jobs.

194 BILL BRALEY: That is correct. The earlier you can get to dislocated timber workers the more useful the intervention will be. There has been difficulty in accessing federal funds early enough and we want to assure accessibility of state resources as soon as possible.

206 MOTION: CHAIR BAUM MOVES the adoption of a conceptual amendment to add a provision to that section to allow funds to be used for timber workers who are about to be dislocated because of plant closures.

209 VOTE: There being no objection, the conceptual amendment is adopted.

HB 2682 (Video Lottery) - Public Hearing and Work Session

228 CORTRIGHT: Overviews HB 2682. This bill has been discussed as a potential vehicle to discuss video lottery issues. The amendments adopted in concept dedicate the proceeds to a Capital Trust Fund, backfill the regular lottery allocation first, establish a sunset of July 1, 1983 for allocations to the Capital Trust Fund, allocate funds to retire COP's (\$25 million) for prisons and \$60 million for the State's share of light rail construction, impound any revenues generated above those amounts, and allocate a portion of the revenues generated to law enforcement and treatment.

266 CHAIR BAUM: We also discussed a percentage for counties but did not determine what that would be.

316 CORTRIGHT: Presents "Video Lottery Estimated Flow of Dollars" EXHIBIT J.

360 REP. KATZ: I want to know the total amount of cash generated out of the machines.

366 JIM DAVEY: MR. CAPUTO will address this question.

368 STEVE CAPUTO: Those numbers are an estimate of the amount of cash that goes through the machines. In South Dakota, of the money that went into the machine they cash out two-thirds. That would be approximately \$220 million annually.

415 CORTRIGHT: That would mean that approximately \$660 million in cash went into the machines and approximately \$440 million was used for cash prizes. This would mean about \$1 billion, 166 million in credits played, rather than cashed up.

438 CAPUTO: Our experience in Oregon may be different than that of South Dakota. These numbers will vary by game. These numbers are very rough estimates.

456 REP. KATZ: There are cities and counties who passed ordinances in opposition to the legislation that we passed last session authorizing a video lottery. It is important for us to note where those jurisdictions are on this issue. They need to share that with us. I have heard rumors that these jurisdictions are now in favor of this since they will be receiving a share of the proceeds.

TAPE 174, SIDE B

030 REP. KATZ: I voted for this last session and then was criticized by city and county colleagues. I want to know how these county commissioners and city councilors feel about this. If I or the Committee does not hear differently, I am going to assume that they "support" this idea. Can anybody respond to my concern?

041 MARGE KAFOURY: As background on the City's position on gambling.

The City outlawed gambling devices within the City of Portland in 1951. Following passage of video lottery in 1989, the Lottery Commission described its intent to establish video poker in the tri-county area. This resulted in a resolution that was passed unanimously by the City Council in August 1989 requesting that the Oregon Lottery Commission not impose video poker against the wishes of the City. Now that this issue is up again the Council is divided.

062 REP. KATZ: If this Committee does not hear from the individual Council members - City of Portland and Multnomah County - by a letter signed by all, this Committee will assume that the city and county is in support of this legislation.

067 JERRY JUSTICE: There was a letter presented on Friday in the State and Federal Affairs Committee hearing on HB 3151 (Video Poker) signed by the Chair of the Multnomah County Commission. Are you aware of that and is that satisfactory?

078 REP. KATZ: I am aware of it and it is not satisfactory. I want all five commissioners to tell us how they feel about this issue. I want to know the price of principals.

087 JUSTICE: I will convey the message.

089 REP. HAYDEN: It is my understanding that cities and counties would not have the discretion to opt out of video poker. Is this true?

093 DAVEY: HB 3151A currently has a provision that allows counties a period of time in which they may choose to opt out of participation. Within 60 days after July 1 they can write the Lottery Commission and state that they don't want to participate in the game. If the county ops out they take the cities with them.

109 REP. KATZ: How do the cities get the resources if the funds are directed for light rail and prison construction? Is the share to the counties then divided by the cities?

116 CHAIR BAUM: We have not discussed that.

117 DAVEY: The only discussion I have heard was in the Joint Trade and Economic Development Committee meeting last Tuesday night.

120 REP. KATZ: So we have that responsibility.

121 CHAIR BAUM: It is either us or the Lottery Commission and we need to decided that.

126 DAVEY: We would put any earnings from this game into the Economic Development Fund for distribution. We would not distribute money directly to counties or cities unless you specifically directed us to do that.

130 REP. KATZ: It is possible, then, that the counties don't get any of the action?

127 DAVEY: Yes.

135 REP. KATZ: As a legislator I would want to have clear discussion on this and what those funds to the counties will go to. Finally, I need

to know how law enforcement feels about this proposal. I have not heard anything from them and the silence is disturbing to me.

144 REP. BARNES: I would like to hear from the Association of Oregon Counties and the League of Oregon Cities. One of the things that has developed is this could pit the cities against the counties. This Committee needs to be very specific on this.

159 JUSTICE: The AOC has endorsed HB 3151A. It was introduced at the request of the Oregon State Sheriff's Association and has been endorsed by them also. The Counties also recognize that this bill is the likely bill for the funding appropriation, and have endorsed the concept of it.

171 REP. KATZ: The Sheriff's Association supports the banning of the gray games. Do they also support the introduction of state games?

176 JUSTICE: That is correct.

178 REP. KATZ: Why do we need to provide them with funds for enforcement of this if they already support it.

179 JUSTICE: The support comes with the assumption of receiving law enforcement dollars. They have reviewed the concept (three stages). Stage 1: Establishment of criminal penalties for possession of an unregistered game (gray game ban). Stage 2: Implementation of 1989 legislation. Stage 3: The revenue from those state-operated games would have a component coming back to local government which took into account an unspecified dedication of funds for law enforcement and prosecutorial activities.

205 REP. HAYDEN: Would it be fair to then say that the Sheriff's Association does not support a ban on all video machines - both the gray games and any state-operated ones?

208 JUSTICE: That is not the way the question was posed to them.

218 REP. KATZ: If they didn't receive resources to deal with video poker would they have taken the position they took? Was that deal struck before or after?

214 JUSTICE: It would be my sense that they see the number one benefit coming to them from the elimination of the gray games and the elimination of expense and difficulties in undercover investigations, etc. That is not to say that there was not considerable support from the Sheriff's Association that a portion of the revenues generated from the implementation of a state-run game return to the locality.

247 REP. KATZ: We need to ask those same questions of the Sheriff's Association and the police chiefs.

249 KAFOURY: Since the City of Portland has had a ban on these machines since 1951, the issue of imposing a state-run lottery to drive out the gray games did not apply. The advent of the new games would create a new element that we don't know have to deal with now. This would be a brand new problem for Portland's police.

275 CHAIR BAUM: This is a problem in Union County now. I find it difficult to believe that there are no recreational video poker machines in the largest city in Oregon.



290 KAFOURY: We do license card games in some establishments but the machines are banned.

336 CHAIR BAUM: I would like to hear from the cities and the counties as to what they expect and want out of the proceeds.

341 KAFOURY: I have not yet heard any discussion of any monies to cities for law enforcement of video poker games; I have heard of law enforcement funds going to counties.

349 JUSTICE: I would not even attempt to put down a bottom line figure. There are still a number of discussions to be held before the final appropriation process is concluded. The initial distribution to counties was 55 percent. Your committee's discussion was approximately 13 percent. This is part of a continuing discussion in which we will agree. The counties feel very strongly that there should be a county share.

377 CHAIR BAUM: Right now, of the 12 percent left over after prizes are paid, according to this allocation of net proceeds, the State receives three percent of the total, some goes to administration, and the rest goes to video operators. Using that scenario, where would counties fit?

393 DAVEY: It is our understanding that it would come out of the \$54.7 million (annually). That would be funds available for government.

400 CHAIR BAUM: I thought that was the State's share. Now we are hearing that some of that will be split with counties. We need to understand that.

385 REP. KATZ: We are talking about \$660 million in the machines; \$440 million for cash prizes; and the State ends up with less than \$50 million. I there anybody negotiating for the State?

448 DAVEY: The existing fees are \$100 for the recreational operation of the machine - that is currently administered by the Department of Revenue.

490 REP. KATZ: How many machines are licensed?

495 DAVEY: Approximately 10,000 are estimated under this program; there are approximately 5,000 currently.

TAPE 175, SIDE A

035 REP. BARNES: Do you need more flexibility on the percentage returned to operators - i.e., start them out with eight percent and then as it becomes more successful, drop it down to six or seven percent?

043 DAVEY: That is exactly what they have done in South Dakota. They started at a government share of 20 percent that has been recently raised to 25 percent. The Lottery there has the flexibility to go up to 35 percent. That is basically what we have heard from machine operators, tavern owners, etc. It is certainly our Lottery Commission's plan to monitor the expense of operating these games and allow a reasonable return on investment - which will initially be significant because of the new machine requirement - but then fine-tune that rate returning to government.

055 REP. BARNES: These machines generate a significant amount of revenue for the tavern owners.

057 DAVEY: That is one of our considerations. We want to maximize the amount of revenue for the state. Twenty-five percent return would be a minimum. Our revenue estimates are half of what they receive in South Dakota. We may generate a considerably larger amount than those very rough estimates. I would recommend that the Lottery Commission set the range at the appropriate level based on financial data.

077 REP. BARNES: I don't want the State to ruin a small business by taking away some of their revenues.

086 REP. KATZ: What is the cost of a machine?

087 DAVEY: Approximately \$5,000. We estimate you could offset the cost of a machine in a couple of years. This machine might take money away from other things they do - other video games, pool, etc.

101 CHAIR BAUM: We want to get real specific. This bill may become unnecessary if we put it into the lottery bill (HB 2614 and SB 562).

120 CHAIR BAUM adjourns the meeting at 10:15 a.m.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Staff Measure Summary on SB 713A, submitted by Tami Miller, 3 pages

EXHIBIT B -Summary Rural Institute Draft Budget, submitted by Tami Miller, 1 page

EXHIBIT C - Rural Economic Development Proposal, submitted by Tami Miller, 4 pages

EXHIBIT D -Final Report of the Joint Interim Committee on Forest Products Policy, submitted by Joe Cortright, 16 pages

EXHIBIT E -Improving the Vitality of Oregon's Secondary Wood Products Sectors, submitted by Joe Cortright, 74 pages

EXHIBIT F -SIS on SB 364A, submitted by Joe Cortright, 2 pages

EXHIBIT G - SB 364A, submitted by Joe Cortright, 7 pages

EXHIBIT H - Memo on Survey of Forest Products Firms, submitted by Joe Cortright, 2 pages

EXHIBIT I -Proposed -6 Amendments to HB 2251, submitted by Rep. Ray Baum, 8 pages

EXHIBIT J - Video Lottery Estimated Flow of Dollars, submitted by Joe Cortright, 1 page