

Senate T&E Committee
April 24, 1991
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SB 997 - WKS

SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

April 24, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 90
Key Industries

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
 SEN. SCOTT DUFF
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

MEMBERS EXCUSED:

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

WITNESSES:DAVE LOHMAN, SENIOR DEPUTY DIRECTOR, ECONOMIC
DEVELOPMENT DEPARTMENT
LYNN YOUNGBAR, LEGISLATIVE LIAISON, ECONOMIC
DEVELOPMENT DEPARTMENT
KEN MADDOX, EXECUTIVE DIRECTOR, SOFTWARE ASSOCIATION
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 90, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:30 p.m.

SB 997 (Key Industries) - Work Session

005 CORTRIGHT: Presents -2 amendments to SB 997 (EXHIBIT A) and the staff
hand-engrossed -2
amendments (EXHIBIT B). Submits a copy of article from The Oregon entitled
"Workers Play Big
Role In Management of Warn Industries Inc." (EXHIBIT C).

057 MOTION: The CHAIR moves to adopt the -2 amendments to SB 997.

VOTE: Being no objection the -2 amendments are adopted.

067 CHAIR FAWBUSH: Is there a value to establishing basic electronic communication system within those networks?

072 DAVE LOHMAN: Setting up an electronic bulletin board for communication between businesses in industry sectors makes sense. There is \$100,000 within their budget (Small Business Program) to begin to do some of the things MADDOX has proposed.

114 LYNN YOUNGBAR: Key industry programs identified a need to be industry driven in order to participate in a network. I would think that electronic communication would come up in any discussion regarding communication among them.

123 CHAIR FAWBUSH: On Section 3 there are 6 items to focus on. If we added a 7th that was something like Mr. Cortright has in mind that might make that a possible focus.

124 CORTRIGHT: This would be a new subsection 7 under Section 3 reading, "Providing for methods of electronic communication and information dissemination among firms and groups of firms to facilitate network activity."

136 MOTION: The CHAIR moves to insert a new subsection 7 in Section 3 which reads, "Providing for methods of electronic communication and information dissemination among firms and groups of firms to facilitate network activity."

VOTE: Being no objection the above amendment is adopted in concept.

142 SEN. DUFF: The other idea that we talked about was to have access to statewide data bases. That would be something else that could be put into Section 3.

181 SEN. JOLIN: There is also another Telecommunications Communications policy bill that is directly relating to the states data systems and centralizing those.

192 LOHMAN: General Services is changing their procurement procedures and moving away from just sending out information to qualify bidders. They are instead putting all that information on an electronic network and trying to establish stations around the state in addition to having call in possibilities. This puts the onus on the business to be checking periodically to see what is available that they might be interested in.

204 KEN MADDOX: I would add a couple of things about the software association, it is comprised of mostly very small companies that have had the same difficulties accessing information that other small

companies in the state have had. That has to do with the government contracts acquisition program and other opportunities to do business and also access to information about upcoming events.

235 LOHMAN: The cost of doing something like this is something to consider.

239 MADDUX: The estimate is \$50,000 for hardware and software for the system (for a biennium).
Management costs \$100,000 per year for the first two years.

261 MOTION: The CHAIR moves SB 997, as amended, to the floor with a Do Pass recommendation, rescinding Ways and Means.

VOTE: By roll call vote (6-0) SB 997, as amended, passes to the floor with a Do Pass recommendation, rescinding Ways and Means. Voting AYE: SENATORS DUFF, HAMBY, HILL, JOLIN, TIMMS and FAWBUSH.

310 CHAIR FAWBUSH adjourns the meeting at 4:00 p.m.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - -2 amendments to SB 997, submitted by Joe Cortright, pgs. 2.

EXHIBIT B - Staff engrossed -2 amendments, submitted by Joe Cortright, pgs. 3.

EXHIBIT C - Article from The Oregonian, "Workers Play Big Role in Management of Warn Industries Inc.," submitted by Joe Cortright, pgs. 2.

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SB 562 - PH & WKS

SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

April 24, 1991Hearing Room 343
4:30 P.M.State Capitol
Salem, OR

Tapes 91 - 93
Lottery Allocation

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CO-CHAIR
 SEN. SCOTT DUFF
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

GUEST MEMBERS:REP. RAY BAUM, CO-CHAIR
REP. MARGARET CARTER, VICE-CHAIR
REP. JERRY BARNES
REP. CEDRIC HAYDEN
REP. DAVE MC TEAGUE
REP. BOB PICKARD

MEMBERS EXCUSED:REP. VERA KATZ

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

WITNESSES:REPRESENTATIVE BEVERLY STEIN, DISTRICT 14
TAMRA BUSCH-JOHNSEN, EXECUTIVE DIRECTOR, BUSINESS-
EDUCATION COMPACT OF WASHINGTON COUNTY
DR. JAMES HAGER, SUPERINTENDENT, BEAVERTON SCHOOL
DISTRICT
BOB BOTHMAN, DIRECTOR, RURAL TRANSPORTATION, OREGON
DEPARTMENT OF TRANSPORTATION
DENNY MOORE, TRANSIT DIVISION, OREGON DEPARTMENT OF
TRANSPORTATION
ROGER MARTIN, OREGON TRANSIT ASSOCIATION

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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 91, SIDE A

000 CO-CHAIR FAWBUSH convenes the meeting at 4:30 p.m.

HB 2614 (Lottery Allocation) - Public Hearing

013 REPRESENTATIVE BEVERLY STEIN: Testifies in support of SB 800. Submits "The 1991 Human Investment Legislative Package" (EXHIBIT A) and an article from the Washington Record (EXHIBIT B).

Alternative Education Funding (Community Schools) (SB 806)

100 SEN. HAMBY: Last session we received some funds to form business education compacts.

125 TAMRA BUSCH JOHNSEN: Testifies in support of business education compacts (EXHIBIT C).

230 DR. JAMES HAGER: Presents testimony in support of SB 806 (EXHIBIT D).

311 REP. CARTER: Do you think it is viable to be dealing with alternative concepts along with what you are already trying to do?

319 HAGER: Absolutely. The regional school concept is only one of many that we are doing.

335 SEN. DUFF: Would it be possible to finance this through the "funding follow the student" approach?

345 HAGER: There needs to be a core to assure every child has an equal opportunity to benefit.

364 CO-CHAIR FAWBUSH: What are you going to do with the funds you have?

370 HAGER: We have \$4 million for capital construction projects. We are actively involved with Portland Community College and we are involved in the revamping of old elementary schools.

430 TAMI MILLER: How does the Business Education Compact fit with the Community Schools?

435 BUSCH-JOHNSEN: We served as a catalyst to bring the group together in the sense of a non partisan way. The compact served almost as a host.

447 HAGER: The compact broke the turfdom and territoriality and that served as the catalyst for us to talk about kids not the advantage of the system.

TAPE 92, SIDE A

Compact Leadership Academy

040 BUSCH-JOHNSEN: Presents testimony on Compact Leadership Academy (EXHIBIT E).

082 MILLER: What other funds do you get?

085 BUSCH-JOHNSEN: Membership dues, contracted services through vocational technical consortium, foundation money and corporate contributions.

IISME

100 TAMRA BUSCH-JOHNSEN: Presents information booklet describing IISME (EXHIBIT F) and IISME information sheet (EXHIBIT G).

150 BUSCH-JOHNSEN: Presents Statewide IISME Proposal (EXHIBIT H).

Rural Transportation

220 REP. CARTER: Sen. Hamby and I have been looking at ways in which we could deal with this issue of urban rural split and at the same time come up with something that is needed across the state. Transportation is an issue that can be dealt with in both urban and rural communities.

240 BOB BOTHMAN: Testifies in support of transportation and the link with economic development.

320 DENNY MOORE: Presents map of the rural transit systems (EXHIBIT I), "Oregon's Public Transportation Fleet" (EXHIBIT J), and "Public Transportation Capital Matching Assistance" (EXHIBIT K).

440 ROGER MARTIN: Testifies in support of funds for transportation.

TAPE 91, SIDE B

030 MARTIN: Continues testimony in support of transportation.

070 SEN. JOLIN: The question is not whether or not to fund light rail; the question is how to fund it?

097 REP. CARTER: I don't like the idea of video lottery, but it is looking better daily.

100 CO-CHAIR FAWBUSH: What would it take to do a moderate fund for transportation systems for matching?

111 MARTIN: Between \$8 and \$10 million per biennium.

116 MOORE: We could use \$10 million a year and start showing a fleet that is not only replaced on some kind of systematic basis, matched with what federal dollars are available we could do it mostly up front. We are in the hole today \$20 million. \$5 to \$10 would set you on a program of fleet replacement.

130 SEN. TIMMS: Transportation is important to economic development in rural and urban areas. We have lost rail, air, and are hurting in freight. We need a study to look at all areas. We have never set

a policy to stick with year after year and make something work.

HB 2614 (Lottery Allocation) - Work Session

219 CORTRIGHT: Presents "Lottery History" (EXHIBIT L).

260 CORTRIGHT: Presents memo regarding "Status of Video Lottery" (EXHIBIT M).

354 CO-CHAIR BAUM: There is sentiment in the Governor's office that before she does anything different then the previous Governor, concerning video poker, she would have to have the counties included in some meaningful way.

372 CO-CHAIR FAWBUSH: The Governor is interested in 2 things: 1) there cannot be any grey games and we have to be able to police it affectively, 2) there needs to be a portion of the revenues for local counties, maybe with law enforcement.

420 CORTRIGHT: Continues presentation of EXHIBIT M.

TAPE 92, SIDE B

020 SEN. HILL: I am not real comfortable with this video poker focus in general.

024 CO-CHAIR FAWBUSH: Is there enough interest to move in this direction? I am sensing that we have a fair majority on both sides.

026 SEN. HILL: The part that we are going to play in video poker is allocating the money.

030 CO-CHAIR FAWBUSH: Assuming that this is something we are going to consider there are some things we need to talk about. The first question is one of backfill. It seems imperative that if we start up a new game, that if you are going to dedicate the funds from this new game to capital construction projects, that you have to make sure that the regular lottery has enough money. Are you interested in starting this game as a dedicated fund for large capital construction projects of statewide significance?

045 REP. PICKARD: It seems that we would want to backfill the amount that is not coming into the regular lottery because of the loss of players to video poker.

058 REP. BARNES: I would like to see the money treated as something separate. I think the capital construction fund is fine. I do think a percentage should go to local government.

065 SEN. HAMBY: If the video goes through and we have a 50% drop in lottery and if we take the low end estimate for revenues for video poker I think we can still fulfill our commitments on this list. It will not tie our hands if we put the revenue into the general pot.

083 CHAIR FAWBUSH: The big issue is capital construction. At the inception of the lottery the big issue was capital construction for higher education. We did \$33 million worth of construction for them over 3 years. Then we did the convention center, which I would argue has had more than regional significance. We had prisons last time and now we have the light rail request and requests from OMSI and Shakespeare, the aquarium at Newport and maybe some things in the Oregon Trail. There are a number of projects that come in every session that deal with capital construction. We end up doing these project but we do them with bonds. With the prisons you are seeing \$7 million a biennium for 5 bienniums that we have to pay off. Light rail would be \$16 million a biennium for 20 to 25 years. By doing this we are using up larger pieces of available lottery supplies for a number of biennium. The thought was that if you identify a clearly identifiable capital construction fund you then are able to save the general lottery income for the type of projects dedicated to economic development that we tend to change from biennium to biennium.

140 SEN. HAMBY: We need to look at what the market is going to say when they look at lottery funds being used for bonding.

147 CORTRIGHT: That is something that the state treasurer has tested with bond council and the financial analysts. The existing lottery has been operating for 5 years and are deemed to have a track record and have reasonable certainty of a certain level of income. As long as we are only looking at a portion of that to back stop bonds the opinion of the financial analyst is that that it is a very secure source of revenue. Video poker which has not operated yet right now is not likely to be of use in pledging against bonds but that isn't to say that the money from it cannot be used to retire bonds or in the future be used to pledge bonds.

178 CO-CHAIR FAWBUSH: You would have to guarantee the light rail out of the lottery. That is why you would backfill the payment for light rail with this so you have a double guarantee that it will be covered. We have to commit \$16 million for light rail and \$7 million for prisons from the regular lottery but if we supply that money from video poker we then have \$23 million in unallocated funds. So you need to think about allocating that money in advance. In the main lottery bill we have to include how we want to deal with the overage and underage.

202 SEN. HILL: By backfill, do you mean we would get an idea of how much the regular lottery would have made and then dedicate the funds to that loss.

207 CO-CHAIR FAWBUSH: Just like Sports Action was done last biennium.

212 SEN. HILL: My concern is that after Sports Action was done the lottery got hurt overall. I think that there was some backlash from people that we may be getting to far into gambling.

247 SEN. TIMMS: If we do away with the gray games, we are going to diminish gambling in Oregon.
Where did they get the \$50 to \$100 million dollar figure?

284 CO-CHAIR FAWBUSH: People are gambling at that level today on video poker games. This will actually help us control the illegal gambling that is going on. I think the question is how do you make that estimate in the second biennium?

340 REP. HAYDEN: We had that lottery director to the House Republican Caucus recently. He said they would not issue a license for more than 5 machines but what about the next lottery director? This is an undue burden on those most unable to pay. We are just getting rid of the competition. I will vote no on every occasion I can.

360 CO-CHAIR FAWBUSH: We need to ask the lottery people whether or not we would see a shift or if there would be an absolute increase.

365 SEN. HAMBY: Most states that have been in the lottery business a long time have learned to dedicate 3% of all proceeds to the treatment of gamblers and the mental health costs.

374 SEN. TIMMS: We have gambling in this state now and the gray games are the best money-making item in the taverns. They are collecting millions of dollars.

413 SEN. DUFF: Has the lottery commission done such a survey?

420 CORTRIGHT: There has not been market research done.

422 SEN. TIMMS: Let's hear from the enforcement side of this not just the people who are promoting gambling.

438 SEN. DUFF: This does not limit it to video poker.

445 REP. BARNES: I am familiar with what the non profit organizations do. We need to resolve this video poker issue and get a consensus before getting to heavily into light rail.

TAPE 93, SIDE A

028 CO-CHAIR FAWBUSH: I want to hear if you are interested and if you want it dedicated. Those issues need to be resolved. If you dedicate it then the Governor is concerned with some share for the county and then the percentage of bond versus direct pay.

039 SEN. HILL: If this is reality, I will not refuse to deal with it. When you talk about light-rail I know that it will be the biggest capital construction project we will have and that it will benefit the state, I can buy into that. Capital construction goes where the people are and that is good for me here in Salem. We have set up ways to make sure that lottery money is split up evenly between rural and urban areas. I just want to be sure that is done.

062 CO-CHAIR FAWBUSH: We can write in a proportional distribution or, if this works and you generate money from that, there will be \$23 million in regular lottery freed up that can also be geographically distributed. You are right that large capital construction projects are where the people area. We need to address that.

072 SEN. HILL: We have been able to do light rail out of the lottery. I am looking at trying to do things that will promote our economy and it bothers me to do something different than economic development. That project may not be the best use for economic development. I am concerned that we will just dedicate that money to capital construction without looking at other ideas.

105 CO-CHAIR FAWBUSH: My only concern is to not get back into the situation we are in now tying up lottery money with bonds. If you would put a prohibition on bonding with lottery dollars I would agree with that.

114 REP. BARNES: I have a responsibility to the people in my district who do not care if Portland gets anything. But I am also an Oregon state legislator so I am also responsible to every Oregonian and this is my conflict. My suggestion would be that maybe we should appoint members to get together and work this out with the lottery people.

138 CO-CHAIR FAWBUSH: It is an issue that everyone is interested in so maybe we should keep it in front of the full committee. I am concerned about bonding.

174 CHAIR FAWBUSH adjourns the meeting at 6:45 p.m. .

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - "The Human Investment Legislative Package," submitted by Rep. Beverly Stein, pgs. 1.

EXHIBIT B - Article from the Washington Record, submitted by Rep. Beverly Stein, pgs. 2.

EXHIBIT C - Testimony in support of SB 806, submitted by Tamra Busch-Johnsen, pgs. 3.

EXHIBIT D - Testimony in support of SB 806, submitted by Dr. James Hager, pgs. 2.

EXHIBIT E - Compact Leadership Academy, submitted by Tamra Busch-Johnsen, pgs. 7.

EXHIBIT F - IISME information, submitted by Tamra Busch-Johnsen, pgs. 8.

EXHIBIT G - IISME benefits, submitted by Tamra Busch-Johnsen, pgs. 1.

EXHIBIT H - Statewide IISME Proposal, submitted by Tamra Busch-Johnsen, pgs. 5.

EXHIBIT I - Map of the rural transit systems, submitted by Denny Moore, pgs. 1.

EXHIBIT J - "Oregon's Public Transportation Fleet," submitted by Denny Moore, pgs. 1.

EXHIBIT K - "Public Transportation Capital Matching Assistance," submitted by Denny Moore, pgs. 1.

EXHIBIT L - "Lottery History," submitted by Joe Cortright, pgs. 1.

EXHIBIT M - "Status of Video Lottery," submitted by Joe Cortright, pgs. 10.