

Senate T&E Committee
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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

June 10, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 143 - 147
Forest Products Institute
Video Lottery
Professional Technical Education

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
 HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:REP. ROD JOHNSON, HOUSE DISTRICT 45
 JOHN HAMPTON, CHAIR, OREGON FOREST INDUSTRIES
 COUNCIL/CEO, HAMPTON AFFILIATES
 RAY WILKESON, LEGISLATIVE REPRESENTATIVE, OREGON
 FOREST INDUSTRIES COUNCIL
 DENNY NIXON, INDEPENDENT OPERATORS AND VENDORS
 ASSOCIATION
 DETECTIVE DARYL DICK, PORTLAND POLICE BUREAU
 MAJOR DEAN RENFROW, DIRECTOR OF CRIMINAL
 INVESTIGATION DIVISION, OREGON STATE POLICE
 TOM HENDRIX, VIDEO HORIZONS, BEND
 GARY WILHELMS, DIRECTOR OF GOVERNMENT RELATIONS,
 U.S. WEST COMMUNICATIONS
 GORDON FULTZ, ASSOCIATION OF OREGON COUNTIES
 JIM DAVEY, DIRECTOR, OREGON LOTTERY
 DARRYL WARD, ASSOCIATE SUPERINTENDENT, VOCATIONAL
 EDUCATION, DEPARTMENT OF EDUCATION
 BOB BAUGH, ADMINISTRATOR, PARTNERSHIP, POLICY, AND
 PLANNING DIVISION/WORKFORCE DEVELOPMENT
 MANAGER, ECONOMIC DEVELOPMENT DEPARTMENT
 RICK LEVINE, ASSISTANT COMMISSIONER, COMMUNITY
 COLLEGES
 DAVE ALLEN, RESEARCH AND STATISTICS, EMPLOYMENT
 DIVISION

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 143, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:16 p.m.

HB 2419B (Forest Products Institute) - Public Hearing and Work Session

008 JOE CORTRIGHT: Presents Staff Measure Summary on HB 2419B (EXHIBIT A). Submits the Proposed -6 Amendments to HB 2419B (EXHIBIT B).

026 REP. ROD JOHNSON: Begins testimony in support of HB 2419B. Responds to the Proposed -6 amendments (EXHIBIT B). It looks to me that the net effect would be to take the institute out of the business of increasing public understanding and education about the forest products industry.

038 CHAIR FAWBUSH: The amendments do not eliminate that, they add to it. What do you think we ought to do? Basically, with these amendments, we are adding to the responsibilities of this institute, rather than take away their educational focus. We have added other focuses.

045 REP. JOHNSON: Lines 5, 6 and 7 is important language that appears to be taken out of this bill. There is a tremendous disservice being imposed on the timber industry, and other Oregonians, by other people around the country who are spreading disinformation about what we are doing with our forests. It is critical that we protect our number one industry by correcting the mis-impression that people are getting around the country. This bill would attempt to achieve that goal with an industry-based funding mechanism. To the extent that the Proposed -6 Amendments would handicap this institute from educating the rest of the country about our forests, I would suggest you reject the Proposed -6 Amendments and go with the original bill. I could not support importing a tax on the industry if I am not sure that it will do the job that I think needs to be done.

091 SEN. TIMMS: Exactly why are you opposed to the Proposed -6 Amendments?

093 REP. JOHNSON: In lines 14 and 15, it deletes lines 5, 6, and 7 on page 3 of the bill. These lines are the heart of the bill.

098 CHAIR FAWBUSH: In lines 16 and 17 of the amendments, we have basically replaced line 6. The operative Section of 11 is what you are really after; lines 1 through 4 on page 3. That remains intact.

104 REP. JOHNSON: I see the phrase "increasing public understanding". But the original bill give the institute the power to "enhance and provide support for Oregon's forest products by increasing public understanding of the industry and its issues and concerns and to help educate the public with respect

to the practice of forestry and the use and benefits of forest products."
Line 16 of the Proposed -6
Amendments says, "increase public understanding of the practice of
forestry". That is different than
understanding of the industry.

111 CHAIR FAWBUSH: You just read from Section 11. In Section 12 it lists a
number of things that the
institute may do. Under that there are about six or seven things. We have
detailed more out. Almost
all of the information will continue to be in Section 12. The educational
effort is driven by Section 11.

127 SEN. DUFF: I have a question about a public person being a member of
this board since that member
would not pay any fees. This is proposed in the Proposed -6 Amendments
(page 1, lines 10 and 11).

138 REP. JOHNSON: I believe this institute should be controlled by the
people who are putting their
money into it. I do not have a problem with a change that was adopted by
the House that an industry
labor representative be added to the board because that enables the workers
themselves be represented.

148 CHAIR FAWBUSH: There are three additional members suggested in the
Proposed -6 amendments.
The Dean of the School of Forestry, the Wood Products Competitiveness
Corporation chairperson (or
an appointee of EDD, if this corporation does not exist), and a public
member appointed jointly by the
Speaker and the President. All three of those are non-voting ex-officio
members only, precisely for the
reason you indicated, that they do not contribute financially.

159 SEN. HILL: How do you anticipate that educating the public would be
done?

160 REP. JOHNSON: I imagine that a television campaign would be the best
way to go but that is
expensive so I suppose an expert would need to be consulted on how we can
get the best exposure for
the least amount of money. Perhaps advertising in national publications,
etc. I think a lot of people
would volunteer to help if it was part of a coordinated effort.

181 SEN. HILL: So you would envision this as primarily a media campaign?

182 REP. JOHNSON: Primarily. We need to get our side of the story told to
the largest number of people
possible.

184 SEN. HILL: The industry is organized; why is this needed if the
industry could do it?

186 REP. JOHNSON: The industry is composed of a lot of independent small
firms that have a lot of
different opinions. Something like this could force them to come to
consensus. It will also help,
credibility-wise, as an Oregon-generated entity.

217 CORTRIGHT: Overviews Proposed -6 Amendments (EXHIBIT B).

250 JOHN HAMPTON: Presents testimony in support of HB 2419 (EXHIBIT C).

The demographics of Oregon are changing - it is becoming more metropolitan and there are more residents arriving here from out-of-state. That is one reason why it is important to have a mechanism to explain the benefits of good forestry management. The industry is constantly changing as circumstances warrant. Last year we had a special committee that reviewed important issues for the next decade. One important recommendation from that committee's deliberations is the apparent need for better understanding of the forest industry. That has resulted in HB 2419B. The version passed out by the House is ideal from the industry's perspective. But we are aware that there are those in the Senate that do not like commissions, per say, because of the complications they can cause. We are responsive to these concerns and interested in evaluating the proposed amendments. The industry has not yet been able to review these amendments and has no official position on them. However, we can poll our members and get back to this committee with a response. We are very anxious to get the facts in front of the people of the state. There is a lack of public understanding about the use of the forests. We have chosen the term "institute" because most commodity commissions also provide marketing information to their members as a central part of their mission. This is not the primary purpose of these funds; the funds will almost exclusively be used for public education. There may be a question on why the state should sanction a propaganda machine for an industry. There will be no propaganda coming from this institute. We will disseminate factual information that is backed up by solid research from OSU and other research organizations and our objective will be to inform the public on the real forest practices in the state of Oregon, the responsibility of those practices, and the public benefits of application of enlightened forest management policies. The institute would also disseminate details of state regulation of the industry, profiles of people in the industry, information about the high quality products manufactured. HB 2419, as passed by the House, is endorsed by every forest products trade organization in the state. These organizations need to review these proposed amendments. I would personally prefer that these amendments not be adopted; however, I realize that there are different interests in the Senate and I believe that these amendments are satisfactory and I will recommend them to my peer group.

399 HAMPTON: The industry is already taxing itself .21 cents per thousand on severance of forest products for OSU research. Half of that is funded by industry and half of it is funded by General Fund. This is important because of the research proposed on Page 2, line 10. A significant amount of money is already being invested in research and I don't want anyone to think that a lot more research could also be implemented by this. But there will be additional research needed, not covered by OSU, that is necessary for us to be able to explain forest practices to the public.

448 SEN. HILL: I don't understand why you need the legislature to set up an institute to do this.

455 HAMPTON: We have voluntarily raised \$500,000 annually and devoted those funds to public information program. That is inadequate. The benefits of a well-run public information program would accrue to all members of the industry - even those who do not voluntarily contribute to it. All of the associations are in support of this bill, which would ensure that all of the costs are shared equally of a public information program.

490 SEN. HILL: So, the issue is that some of your members don't voluntarily contribute and you are requesting a bill that would require them to pay for a public information campaign?

TAPE 144, SIDE A

028 HAMPTON: Most of the people who have not come to the meetings have had higher priority for their funds. But those same people are represented by the associations that support this legislation. The majority of the industry has agreed to assess itself. This would be an equitable way to share the cost of a program that would benefit everyone.

039 RAY WILKESON: The same argument could be made for all of the existing 28 commodity commissions. That is their purpose. Human nature is that people don't voluntarily "chip in" the money.

052 SEN. HILL: This is more than just membership in a commodity commission. You are talking about an educational process. If I don't feel that way about educating the public then I shouldn't be obligated to pay for it.

060 CHAIR FAWBUSH: That is one of the reasons for the proposed amendments. The amendments take it beyond the education of the public. It is not unusual for commodity commissions to engage in educating the public. Any commission, in order to assess itself across all industry members, has to have legislative approval. This institute would not be as interested in marketing as most commodity commissions, which has been their traditional focus - promotion of the product. But most commodity commissions have not branched out and engaged in research and education efforts. The amendments ensure that they will also engage in the traditional things that a commodity commission will do - especially working with the members to disseminate and distribute information. One of the questions is whether we should sanction an industry to tax itself. Another question is if the people of the industry should pay collectively for those services.

094 SEN. JOLIN: There is a phenomena going on around the country because the propaganda and the media has been biased, misleading, and inaccurate. The funding of this wouldn't be lopsided because

everyone in the industry would be participating. I envision that these supporters are interested in also communicating throughout the country. I think this type of proposal lends credibility to the job they have ahead. I think that we have seen an industry that has come before in an effort to be responsible with a new forest practices act and to change themselves.

136 SEN. HILL: Is there any idea of using this information beyond Oregon?

139 HAMPTON: We will primarily focus on Oregon. We don't believe that we would raise enough funds to make any major national impact.

148 CHAIR FAWBUSH: There is concern about the legislature having the approving authority to levy an assessment. You are interested in public education; others are interested in a true commodity commission. The forest industry has a number of different associations, but we are still interested in a focal point for better cooperation, dissemination of information to the members, etc. That is what we are asking for in the Senate. We are interested in a balance. What type of commitment will you make to other things besides disseminating information to the public?

167 HAMPTON: The majority of the funds would be spent on a public information program because that is where we believe there is the greatest need. But, there is room for improvement in other areas that are not duplicative of activities undertaken by other organizations. The kind of research would need to be crafted to avoid duplication of OSU research.

186 CHAIR FAWBUSH: There is also a strict prohibition against participating in any court action. Are you comfortable with that?

192 HAMPTON: I have no problem with that and I don't believe the industry will either. There is a separate organization that addresses legal issues, funding is raised differently and can be completely separate from the activities authorized by this bill.

195 SEN. DUFF: I wonder about the character of some of the media you read and what it is aimed at.

206 HAMPTON: The Oregonian six-article series was a very distorted view of the industry. We need to get our message out to the public to counteract that type of campaign.

224 SEN. HILL: Have you done any polling that indicates the industry has an image problem?

241 HAMPTON: We do polling and have some recent information. There is a very large margin of people that have no opinion and there is a great lack of understanding about what the industry is really doing in its stewardship of timber lands.

251 SEN. HAMBY: With respect to the amendments and the section governing the institute's activities with respect to state legislation, is there any intent on the part of the institute to affect federal legislation?

260 HAMPTON: We will not engage in campaigning for/against any legislation - state or federal - with these funds.

268 CHAIR FAWBUSH: Maybe we should insert "and federal" in the amendments.

270 SEN. DUFF: I am not sure that entire phrase is enforceable. That could be a violation of free speech.

271 CHAIR FAWBUSH: I think it is enforceable. This would be an institute funded by taxes; there is a difference between an entity of that nature and individuals.

275 SEN. JOLIN: There is a division in opinion between the rural and urban areas on this issue.

282 SEN. TIMMS: Does Washington have this same problem?

313 HAMPTON: Yes. The industry there is also adopting procedures to defend themselves.

315 SEN. DUFF: Are you going to disseminate public information about the forest health problems that are unique to the eastern section of Oregon?

319 HAMPTON: Yes, we will be informing the people of Oregon of the different ecologies that we have here. The infestation eastern Oregon forests are a classic point.

352 WILKESON: A section-by-section analysis of HB 2491 has been attached (EXHIBIT C). A lot of the commodity commissions fund lobbying efforts through the commission mechanism. That is permitted under state law. These amendments would prohibit that at the institute. I want to assure that this would not affect a generic education campaign that happened to be conducted during time of policy debate.

388 CHAIR FAWBUSH: The intent of that is not to disallow you to persuade the general public but not to have you persuading persons in Salem of your point of view with the funds.

397 WILKESON: That is understood. I just want it to be clear that that is a distinction between this and other commodity commissions.

400 MOTION: CHAIR FAWBUSH MOVES the adoption of the proposed -6 amendments (EXHIBIT B).

427 SEN. JOLIN: Even though the member is not a voting member, I have serious reservations about that member. I do not see the purpose of it.

432 CHAIR FAWBUSH: That was my recommendation. This is a group that wants to communicate with the public. What is wrong with having a public person helping with advice? This member will not vote, these are open meetings and, my opinion is that if the industry truly wants to communicate with the public, they can start by accepting input from a public member appointed jointly by the President of the

Senate and the Speaker of the House.

455 SEN. DUFF: None of the other commissions have a public member. They follow the public meeting law. I am suspicious of an industry organization that has a public member.

462 CHAIR FAWBUSH: I'm not. I don't think it hurts and, if it were up to me, I would have a public member on every board/commission that exists. It is an important component for balance.

486 SEN. TIMMS: Could you give me assurance that this bill will not be referred to the Senate Committee on Agriculture and Natural Resources? If so, I would support these amendments. But I am really opposed to them.

498 CHAIR FAWBUSH: I can assure you that without these amendments, the current subsequent referral to the Committee on Agriculture and Natural Resources will not be rescinded.

TAPE 143, SIDE B

030 SEN. HILL: Why don't we wait and see how HAMPTON's membership feels about the amendments.

039 CHAIR FAWBUSH: We can do that. But I just want people to understand our dilemma. In accordance with germaneness, this bill should have gone straight to the Committee on Agriculture and Natural Resources. We have gotten it to act on. Unless we address some of the concerns, it will be sent on to them. This is the best deal we have been able to put together. I would like to adopt these so that the industry knows what we have accepted for them to discuss.

051 SEN. TIMMS: Why is it necessary to adopt them, when we are not going to move the bill, before the industry looks at them?

054 CHAIR FAWBUSH: It would help all concerned to have the amendments adopted.

060 VOTE: Passes, 4-2. The proposed -6 amendments are adopted. Voting AYE: Senators HAMBY, J. HILL, TIMMS, and FAWBUSH. Voting NAY: Senators DUFF and JOLIN.

HB 3151 (Video Lottery) - Public Hearing and Work Session

091 CORTRIGHT: Presents Staff Measure Summary on HB 3151 (EXHIBIT D).

108 DENNY NIXON: Presents written testimony against HB 3151 (EXHIBIT E).

161 SEN. DUFF: What would you suggest to help the small vendors?

165 NIXON: The timeframe is the main factor. It would be difficult for them to arrange financing, get certified, etc. I am pleased with the amendment that would extend this to December 1. Financing will be difficult for them. A reasonable certification qualification and a service network.

178 SEN. HAMBY: Have commitments already been made?

185 NIXON: The Lottery Director has been very careful to try to contain this.

194 SEN. TIMMS: Am I clear that you would prefer the December 1 starting date? Would that be good enough or would you need more time?

196 NIXON: The additional 60 days would be very helpful, but we would like more time if we could. December is better than October.

201 SEN. HAMBY: I have a videotape on video gambling that addresses the apparent easiness of "fixing" the machines for winning. Do you have any response to that?

213 NIXON: I have not seen that video and could not respond to it. The equipment that I have personally seen is very secure - down to the logic boards being locked away without access unless recorded on a print-out.

235 DETECTIVE DARYL DICK: Presents written testimony in opposition to HB 315 1 (EXHIBIT F). If this legislation passes, the legislature needs to accept its responsibility

352 SEN. TIMMS: We have other types of gambling available and I have not seen any increase in law enforcement in regards to those types of gambling. What do you envision in enforcement in the Portland area if video poker is legalized?

374 DICK: We expect an increase in peripheral crimes when persons lose their money and try to recover it by criminal means.

392 SEN. HILL: You said something about a city should not be punished for not wanting to participate. Can you elaborate on what you meant by that?

398 DICK: There is a provision that if a county does not participate, it receives no distribution of receipts. The provision seems to be a political act to get Multnomah County to participate in order to pay for light rail.

430 CHAIR FAWBUSH: Light rail is subject to general lottery funds; it is not dependent on video poker. There is no association between them. Light rail will be funded whether or not this bill passes.

439 SEN. HAMBY: There is a concern about allowing locals to be able to opt out. If there were a provision in the bill to allow adequate funds for law enforcement to clean up the grey machines and a local opt out provision, with full assurances that this is only a portion of the lottery funds within the state, but that these revenues return to the participating counties, would you support that? Even if you did not participate, you would still receive funds to clean up the grey games.

466 DICK: Personally, I don't support any type of slot machines in the

state. Going further, placing these machines in close proximity to alcohol makes this a dual problem since there is so much suffering from dual addictive behavior.

TAPE 144, SIDE B

026 SEN. HAMBY: I believe that if this issue ever had a popular vote, video poker would not pass in the tri-county metropolitan area; however, in eastern Oregon and other rural areas it is seen as economic development. That is the dilemma.

032 DICK: I grew up in Heppner and a few years ago the former Hermiston mayor was endighted on racketeering when he set up a system throughout eastern Oregon through a vending company that he owned with tied to traditional organized crime.

040 SEN. DUFF: Eastern Oregon does not control Oregon. The people of Oregon voted for the lottery.

045 SEN. HAMBY: This is a different issue than the general lottery.

052 SEN. TIMMS: Gambling currently exists in eastern Oregon and has since I was young.

056 SEN. DUFF: I am distressed that light rail is not part of this. For me to get economic development in my district I would have to vote for this bill.

066 SEN. JOLIN: I agree with SEN. DUFF. I feel like I am being blackmailed. There is a \$14 million timber response that is vital to my district. If this does not succeed, then light rail is taken from the other line items in the general lottery package. That is the position we are in.

080 CHAIR FAWBUSH: Multnomah County may have outlawed grey games, but the rest of the state is full of them. Unfortunately, one of the ways to control these games is to legalize them. There is already a tremendous amount of gambling going on. The mayor of Heppner was involved in running some of these illegal grey games. This is a tremendous dilemma. In order to get some control, we have to legalize them. But, if we are going to use the funds for projects of statewide significance, the Portland metropolitan area is one of the major recipients and will continue to be. If they opt out, it probably doesn't make much sense to do the fund. If we require the games to go in across the state, there would be an increase in gambling in the Multnomah County area. Whether or not those persons would become addicted to some other form of gambling without this, we will never know.

099 DICK: There is a provision in the bill to eliminate the grey games. That would be a simple, effective way to deal with this state-wide. From a law enforcement standpoint, that is easy; politically, probably not.

108 CHAIR FAWBUSH: Some of us have wanted to do away with these machines for a long time and have been unable to legislatively.

113 MAJOR DEAN RENFROW: Presents written testimony on HB 3151 (EXHIBIT G).

138 CHAIR FAWBUSH: It has been difficult for law enforcement agencies to gain control of these grey games without an outright ban. If we were to pass this bill and the lottery people ran video lottery, would there still be a problem with enforcement? Would you still see illegal grey games?

150 RENFROW: I would suppose that some grey games would remain in concealment. I am confident that there would be attempted abuses within the lottery games. Our concern is in the extensive background investigations. There would also be attendant collateral crimes that may increase.

168 SEN. HAMBY: Has your legal counsel reviewed the definitions of grey games and are they comfortable with enforcement of that language?

171 RENFROW: Yes.

175 TOM HENDRIX: Presents testimony on HB 3151A. I am concerned with Section 5 that states that any manufacturing of these games will be considered a felony. There are several companies in the state that repair out-of-state machines. I am afraid that you will put some people out of business. It is going to hurt a lot more than it would help. There are some small operators in my area that are afraid of what is going on. Their banks will not loan money on these new games because they don't believe they are a good investment. I would hate to see you say that manufacturers would be committing felonies because these machines are legal in other places.

230 CHAIR FAWBUSH: I thought there was an exemption for manufacturers who ship the machines out-of-state?

232 CORTRIGHT: There is a provision in the Proposed Amendments to HB 3151A (EXHIBIT H) that have been drafted on behalf of the Lottery Commission that would allow an exemption for any devices but not operated in Oregon who has been approved under rules adopted by the Lottery Commission.

239 CHAIR FAWBUSH: There will be an exemption if the Committee adopts these amendments. How much more difficult would it be for an operator like yourself to manufacture the machines the Lottery Commission will use?

243 HENDRIX: When this first began, I was asked if there was a way to retrofit existing machines so they would be secure for the state. To do that would cost approximately \$1500 per machine. That was removed by the House. That would be a way for the state to still get the revenues and it would be

cheaper for the people who have the machines. We have done this in Montana and other places. This is a small manufacturing industry in Oregon. A manufacturer from Silverton has developed a machine, but to produce what the state will need will not be possible for us.

274 SEN. DUFF: How many different manufacturers are now producing machines?

275 HENDRIX: I don't know exactly. There are a lot of good technical shops in Oregon who are dealing with other states. I only know of one actual manufacturer of a machine like the lottery has requested. This is a very different type of machine than I am manufacturing. These machines range from \$3000 - \$5500. Throughout the country the large companies are the only ones who can provide these machines on such a scale. We have proposed a way to make the current machines legal.

305 SEN. TIMMS: Couldn't you set up a way under the Lottery Commission to lease those machines?

315 HENDRIX: I don't know who would do that. The small operators, small locations, have real concerns. I don't believe that these machines produce the revenues that the media is saying they do. They didn't in Nevada when I was there.

351 SEN. DUFF: I am concerned about the remarketing opportunity of the gray machines. Will the owners have an opportunity to re-sell these machines?

352 HENDRIX: People in states where this is legal have been calling and offering a very low price for the machines. The people know that their equipment is going to virtually be worth nothing.

375 GARY WILHELMS: Testifies in support of HB 3151A-10 amendments. This amendment, sponsored by SEN. DUFF, states that when the state procures telecommunications equipment, they consider how to leverage their purchasing power to enhance the telecommunications infrastructure within Oregon.

425 SEN. DUFF: If we do add video poker there is a tremendous opportunity to drive improved telecommunications statewide.

439 CORTRIGHT: Presents EXHIBIT H - "Delete Local Option".

464 CHAIR FAWBUSH: This bill was held over in order to give the county legislative committees the chance to meet. What was decided?

467 GORDON FULTZ: We met and discussed this amendment and a proposal to give the counties a share of revenues. We concluded that because there is such a need for the revenue, we will not stand in the way and agree to the local opt out provision being removed from the bill, realizing that we will receive some revenues.

478 SEN. HAMBY: What revenues will you receive?

480 FULTZ: We are looking at a percentage of the net proceeds that has not yet been fixed.

487 CHAIR FAWBUSH: The proposal is 2.5 percent of the net proceeds - based on \$10 million in the first biennium (if it were a full biennium). After this, it will just be a percentage amount.

495 SEN. HAMBY: Was there any discussion of a proposal that would have allowed an opt out provision, yet rewarded those counties that opted in without penalizing those that opted out?

TAPE 145, SIDE A

033 FULTZ: We heard concerns from members of this committee, House members, and leadership that if one county is allowed to opt out then it may disturb everything. We did not go into details of alternatives. This was not a unanimous vote; there was dissention.

040 SEN. HILL: What would the funds be used for?

042 FULTZ: We would be required to use the funds for economic development activities in the counties.

043 CHAIR FAWBUSH: It will probably be a back-out for counties that have economic development activities that are currently general funded.

048 SEN. HAMBY: I think it is questionable that there is a mandate to use these proceeds for economic development - there has not been a vote on video lottery, only general lottery.

054 CHAIR FAWBUSH: The way I understand it, the Lottery Commission is considering video poker as merely another type of lottery game. The only reason they have not done it as a lottery option prior to this is because of the existence of grey games.

061 SEN. HAMBY: When I asked a Deputy Attorney General about this, she told me I was correct.

063 MOTION: SEN. HILL MOVES that the local option be deleted.

VOTE: There being no objection, the local option is deleted.

065 CORTRIGHT: Continues presentation of EXHIBIT H - "Policy to Maximize State Revenue".

MOTION: SEN. HILL MOVES that the language to maximize state revenue be adopted.

VOTE: There being no objection, the local option is deleted.

071 CORTRIGHT: Continues presentation of EXHIBIT H - "Audit". The Lottery Commission is recommending a deadline of December 1992 for report completion.

084 JIM DAVEY: We believe that there will be start-up costs that may skew the numbers. The report may be available sooner than that, but we would request a December 1 completion date.

095 MOTION: SEN. HILL MOVES the language in EXHIBIT H be amended to include a report completion date of December 1, 1992.

VOTE: There being no objection, the December 1, 1992 date is adopted.

098 MOTION: CHAIR FAWBUSH MOVES adoption of the language in Exhibit H under "Audit", as revised above.

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

103 CORTRIGHT: Continues presentation of EXHIBIT H - "Separate Accounting".

115 MOTION: CHAIR FAWBUSH MOVES that the language in EXHIBIT H relating to separate accounting be adopted.

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

117 CORTRIGHT: Continues presentation of EXHIBIT H - "Antique Games".

126 MOTION: CHAIR FAWBUSH MOVES that the language in EXHIBIT H relating to antique games be adopted.

127 SEN. DUFF: Are these antique games currently being operated?

128 CORTRIGHT: It is my understanding these are currently being used for amusement, and by collectors and hobbyists.

131 CHAIR FAWBUSH: How many of those pre-1958 machines are still around?

132 HENDRIX: I don't ever see many at all. I haven't seen any on locations. They are usually just in peoples' homes.

140 CHAIR FAWBUSH: Under this amendment, the machines would be allowed to remain, but they could not be used for any gambling. Does this cause the Lottery any concerns?

141 DAVEY: No. There are not many around and we would recognize one quickly if it was in a lottery-approved establishment. This says it could only be used as a defense, not an exemption.

146 CORTRIGHT: We have received communication from persons who sell these games to hobbyists and who own them who inquired as to whether they would continue to be exempt under the law - as they currently are under the gambling device law. We have spoken to the Governor's Office, the Attorney General's Office, and the Lottery about this issue.

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

154 CORTRIGHT: Continues presentation of EXHIBIT H - "Effective Date".

158 CHAIR FAWBUSH: What is the reason for this amendment?

159 CORTRIGHT: It provides additional time for the phase-in of the games. It was recommended by the

Lottery and there has been testimony relating to this today.

160 CORTRIGHT: If this bill passes, when will the first video poker machine come on line?

162 DAVEY: We would attempt to get them in before this date; we anticipate starting the central system in late October or early November. But we want to assure that everyone that wants to participate has time to do so. This is a prudent date.

168 CHAIR FAWBUSH: If you start it in the first of November, some establishments will have grey games still operating for another month?

169 DAVEY: Yes. But the establishments that we are in would have a contract with us that assures the grey games are removed. There would not be an establishment with grey games and lottery games together.

176 HILL: Is December 1 an outside date?

177 DAVEY: We think that is a do-able date.

181 SEN. TIMMS: I am concerned about the transition period in the rural areas. What could we hurt by delaying the process? Couldn't they have the grey games until they could get lottery machines?

199 DAVEY: I believe that the whole system throughout the state should start at the same time.

210 MOTION: CHAIR FAWBUSH MOVES the adoption of the language in EXHIBIT relating to the effective date of the gray game ban.

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

213 CORTRIGHT: Continues presentation of EXHIBIT H - "Allow In-State Manufacturing".

220 SEN. DUFF: Does this include repair and service of machines?

221 CHAIR FAWBUSH: I would assume that repair and service of those machines would be closely followed.

226 SEN. DUFF: What about a machine that has been shipped here from out-of-state to be repaired, serviced, or reconditioned? This amendment would not cover that?

229 CORTRIGHT: This amendment is not clear that it would apply to machines that have been previously manufactured. It is also not clear that it would cover servicing of an out-of-state machine.

232 SEN. DUFF: That is a concern that was expressed in earlier testimony.

234 CHAIR FAWBUSH: After "manufactured", you could add the language "or serviced".

243 DAVEY: I think that language would be a good thing to add. We plan to administer this by rule to

assure that Oregon does not become the place to develop and market these games. But we do need to allow Oregon manufacturers and service people to continue to work on these games.

253 MOTION: SEN. HILL MOVES that after "manufactured" the words "or serviced" be added to the language in EXHIBIT H that relates to allowance of in-state manufacturing.

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

255 MOTION: CHAIR FAWBUSH MOVES that the language, as amended, in EXHIBIT H that relates to allowance of in-state manufacturing be adopted.

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

260 CORTRIGHT: Continues presentation of EXHIBIT H - "Preference for In-State Manufacturing".

263 DAVEY: We think this issue was addressed in HB 2066 which established in-state preferences for all of our purchases. I am uneasy telling independent businessmen to consider Oregon first; that is my only concern. At the lottery we are going to do that.

273 CHAIR FAWBUSH: There is no percentage advantage in this; it is not biased. This merely states that if all other things are equal, the Oregon business gets the business.

278 MOTION: CHAIR FAWBUSH MOVES that the language in EXHIBIT H that relates to preference for in-state manufacturing be adopted.

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

279 CORTRIGHT: Continues presentation of EXHIBIT H - "Location in OLCC Establishments".

292 SEN. TIMMS: I don't think that it is necessary to have a terminal within the sight of an employee.

299 CHAIR FAWBUSH: What is the Lottery Commission trying to achieve with this language?

300 DAVEY: I also have concern about the language "within the sight". This is a control issue. We will insist that it is in that location.

310 CHAIR FAWBUSH: What about language that would read "the terminal must be within the physical proximity and control of an employee."

317 SEN. TIMMS: I still prefer removing "and sight" and just leaving in "control".

318 CHAIR FAWBUSH: We don't want the machines off in some back room. The intent is to have the machines in a visible area. You don't want a private room just for the five machines. They are supposed to be integrated with the rest of the establishment's operations.

327 DAVEY: There could be a situation where they are in an age-controlled

area. They may need to be segregated from the rest of their business, but still controlled.

332 CORTRIGHT: You might want to look at the second sentence under Subsection (2) which says that the terminal may only be placed in that part of the premises that is restricted to minors and which is used primarily for the consumption of alcoholic beverages. That is also a restraint.

346 MOTION: CHAIR FAWBUSH MOVES to remove the words "and sight" from the language in EXHIBIT H that relates to location in OLCC establishments.

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

349 MOTION: CHAIR FAWBUSH MOVES the adoption of the language in EXHIBIT H that relates to location in OLCC establishments.

352 SEN. HAMBY: These will all be located in areas that are considered bars and taverns. Not in areas where just beer and wine may be sold?

357 CHAIR FAWBUSH: Bars, taverns, restaurants with lounges. None in restaurants that have a beer and wine license, right?

358 DAVEY: What is important here is that they are age-controlled areas. There will only be persons over 21 years old in these areas. I need to add one more language correction. Where it says "Class C restaurant", the correct title is "Class C dispenser or restaurant."

369 MOTION: CHAIR FAWBUSH MOVES that language within EXHIBIT H that refers to location in OLCC establishments be amended to add the words "dispenser or".

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

371 VOTE: There being no objection, the language in EXHIBIT H that pertains to location in OLCC establishments, as amended above, is adopted.

372 CORTRIGHT: Continues presentation of EXHIBIT H - "Telecommunications". This is the amendment proposed by SEN. DUFF.

384 MOTION: CHAIR FAWBUSH MOVES the adoption of language in EXHIBIT H that relates to telecommunications.

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

386 CORTRIGHT: That is the end of the amendments summarized in EXHIBIT H. You have also previously discussed other issues that you still may want to address. These issues are: 1) the penalty level - as the bill is written it is a Class C felony; 2) the impact of this bill on the proceeds of the amusement device tax (a \$100 fee that is currently allocated to YCC, counties, and state General Fund); and, 3) the limit on the number of games in a single establishment. There has been mention made of

a five-game limit, but, as I read the bill, I do not believe there is a current limit.

404 CHAIR FAWBUSH: We will discuss these issues one at a time. I would like to defer the issue of Class C felony to the Senate Judiciary Committee, where this bill will go next.

405 SEN. HAMBY: I would like the conceptual support of this committee that the penalty for possession of any gray game remaining in the state once this video lottery is implemented should be at least be the equivalent to that of Washington and California.

410 CHAIR FAWBUSH: What are their penalties?

411 DAVEY: We do not know what Washington's penalty is. We understand that it is a felony in California - I assume a Class C felony. The Attorney General's Office there recommended that we make it a Class C felony so I am assuming they are the same.

418 CHAIR FAWBUSH: That is what the language in the bill currently says. Let's leave that.

421 CHAIR FAWBUSH: It seems that these games should be subject to the amusement games tax the same as the other machines.

422 CORTRIGHT: The latest information we have from Revenue Committee is that HB 2550 (the omnibus Measure 5 corrections and adjustments bill) would clarify that these games and games of chance would be subject to the amusement device tax, which they are proposing an increase in (from \$100 to \$500 per year for games of chance).

432 CHAIR FAWBUSH: Is any action by this committee necessary then?

434 CORTRIGHT: You can acknowledge the Revenue Committee's action in this area or state your own intent and clarify in this bill that the machines be subject to that tax.

440 SEN. HILL: Testimony before this committee has been that the small operators are being driven out of business by these taxes and I thought we were going to take some of the burden off of these game owners. I wanted some of these proceeds to remove their tax burden.

457 General agreement among all committee members.

460 CHAIR FAWBUSH: That is a Revenue Committee issue. They can set a differential fee.

463 CORTRIGHT: That is what has been proposed - a differential fee that would be a five-fold increase in the fee for games of chance and holding the fee at \$100 per year for games of skill.

490 MOTION: SEN. HILL MOVES that the Chair of this committee communicates to the Chair of the Revenue Committee that these proceeds offset some of the burden on the persons who operate the skill games.

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

TAPE 146, SIDE A

026 CHAIR FAWBUSH: Should we put a five-game limit in the statute?

028 DAVEY: We had planned to set a five-game limit by administrative rule. There is no problem with us if it is in statute.

030 MOTION: CHAIR FAWBUSH MOVES conceptual language to assure a five-game limit per establishment in HB 3151A.

VOTE: There being no objection, the five-game per establishment limitation language is adopted.

032 SEN. DUFF: I have concerns about the small businesses in rural areas. Is there anything we can do?

037 CHAIR FAWBUSH: There are issues that the Lottery Commission will have control over. What are you planning?

040 DAVEY: We have tried very hard in our lottery games to be conscious about small businesspersons and we have many of them offering our games. We will look at a possibly graduated scale for areas where machines do not produce a lot of money - a possible smaller percentage coming to the state from those and a larger percentage from those that produce a lot of money. We want to be fair, but there will be a lot of competition, and we want everyone to have the same level playing field.

051 SEN. HAMBY: My preference would be that the Lottery Commission work with law enforcement and OLCC to ensure that there has been a decent record and that the activity is supported by those agencies.

057 SEN. TIMMS: What accounts are you going to contact about the opportunity of having video poker machines?

060 DAVEY: We will make every effort to contact everyone in the business - write to everyone with every licensed machines which explains how the process will work, the options that the establishment will have, contact persons, offer our services in reviewing contracts, including a provision that allows them to contract with us. We then plan to also have meetings throughout the state to discuss these issues.

075 SEN. TIMMS: Are you going to be able to show them the amount of volume they will need to offset the costs of operating the machine? Is that available?

078 DAVEY: We have a lot of information from South Dakota. As far as I can tell, anyone who has wanted to be in the business there is in it. There have not been financing

problems. There is definitely a difference in money generation between rural and urban areas and we want to have a formula that will take that difference into consideration.

085 CHAIR FAWBUSH: If I am a tavern owner who wants a machine, what will I do?

090 DAVEY: We are going to go through an extensive process to find a central computer system. Then we will certify game manufacturers - these people will have extensive background checks done on them. Then we certify operators, who also go through background investigations. Then we advise the retailers of their options and provide them with a chance to view the actual games. This whole process will be rigidly controlled by the State Police, the Lottery Commission, and the Attorney General.

105 SEN. HAMBY: This bill doesn't yet address the issues of penalties for tampering these machines. Please think about these things before this bill is heard by the Judiciary Committee.

112 MOTION: CHAIR FAWBUSH MOVES HB 3151A, as amended by Committee action (above), to the Senate Judiciary Committee.

115 SEN. HILL: I am not going to vote for this even though the process has been completed. Since the inception of the original lottery - which I supported and visualized as scratch tickets and "lotto" games, we have allowed off-track betting, sports betting, video poker, etc. The question is, what is going to happen next? There has been, in previous sessions, discussion of establishment of a "gambling zone" in Eastern Oregon. The more we get involved with gambling, the more you get involved with organized crime. It is easy to hold the carrot of these revenues for important projects. But there is something more important. When you think about what the best policy for Oregon would be, that should not be gambling. I will oppose this bill.

136 CHAIR FAWBUSH: A lot of us feel the same. I may not vote for it on the Senate Floor. We did have an obligation to do the best work on this that we could.

140 SEN. HAMBY: There is no commitment for us to keep the same vote from Committee on the Floor?

141 CHAIR FAWBUSH: None at all. Especially on this. I understand that. But we do need to move it out.

146 SEN. HAMBY: I had previously expressed concerns to MR. DAVEY about the pull tab lottery game and requested an amendment to this bill to ban them. MR. DAVEY has committed to me that this will be fixed.

156 VOTE: PASSES, 5-1. Voting AYE: SENATORS: DUFF, HAMBY, JOLIN, TIMMS, and FAWBUSH. Voting NAY: SENATOR J. HILL.

158 CHAIR FAWBUSH recesses the meeting at 5:52 p.m.

160 CHAIR FAWBUSH reconvenes the meeting at 7:36 p.m.

HB 3474 (Professional-Technical Education) - Public Hearing

156 TAMI MILLER: Presents "Summary of Workforce 2000 Programs and Awards" (EXHIBIT I).

200 MILLER: Presents Staff Measure Summary on HB 3474 (EXHIBIT J).

365 CHAIR FAWBUSH: Are there any things that were considered that did not make the cut and get in the bill?

373 BOB BAUGH: There are some things that did change on the list. One frame of reference is to look at what was funded last session. Two that were not recommend to continue were VISTO and peer counseling. The original proposals added up to \$16 million. There was a great deal of emphasis on professional technical education and what would be necessary to implement those components. Developing the list was a process of transformation, more than something being "dropped off".

427 DARYL WARD: Some of the concepts of the programs that were dropped were picked up in other programs. There is a greater emphasis on counselors and professional-technical instructors.

444 CHAIR FAWBUSH: What happens if stopped the lottery program? How many of these programs would continue? What is the long-term intent? Do we just continue to do this indefinitely?

463 BAUGH: During the budgeting process over the previous interim, there were requests for a number of these programs to be general funded that fell out because of Measure 5. The value of the connections being established by these programs will not cease to exist.

488 CHAIR FAWBUSH: What items on this list will stop providing benefits if the program stops?

TAPE 145, SIDE B

025 WARD: That question is addressed in the responses to the committee's questions (EXHIBIT K). Presents EXHIBIT K.

040 WARD: "If you go on to page 2, question 3, the 2+2 programs are funded with General Fund but they are one of the larger programs in this. This biennium, as REP. BUNN indicated to you, would complete the work we planned to do on 2+2. We are not going back and doing the same programs; these are new programs and will complete a very significant amount of those that we feel need to be connected throughout the state of Oregon. So, 2+2 this next biennium would complete the plans for connecting these programs." Once start-up is done, the local school district or community college will

pick those up."

050 WARD: "There is a category of programs there in the center (of page 2 of EXHIBIT K) that there is going to need to be some continuing work done as we move to other areas. For example, we've moved away from the heavy emphasis on technology education and doing more workplace readiness this year. There is going to be more of those kinds of efforts. But these efforts are going to be completed in their own self. Again, there is always other kinds of things that will come along and there is going to be a lot of effort on America's Choice - but these particular efforts will be finished."

057 WARD: "The bottom category (on answer #3, page 2, EXHIBIT K); those are programs that I sincerely believe are going to continue to have need for monies of some kind outside of the normal sources that provide the institutions that operate those programs. If it is a policy of the state to have those things happen, they are going to have to be paid for."

061 SEN. HILL: Do we have any assurance that the other items budgeted for by the agencies to pick them up?

073 WARD: "No, it is not for sure that they will be picked up. A thing like the Advanced Technology Center, if there is not major effort done in the community college budgeting, solving of Measure 5 type of issues and that type of thing, I think that would have a severe cut-back. Because that will not be self-sustaining at the end of this year, although there is a tremendous amount of support being garnered, I don't think it will be self-sustaining. Nor will the community-based skill centers. They will cut back if there is no funds for them, they will cut back and operate at a much reduced level."

080 SEN. HILL: Have the advanced technology centers been operating?

083 WARD: Yes. The one that is operating is a consortium of five colleges that is located primarily on the Clackamas Community College campus at Wilsonville. It has served business and industry persons in technology transfer.

094 SEN. HILL: So, the idea was to start these things and hope that they would prove valuable enough to be picked up and continued.

096 SEN. DUFF: What are the continuing education requirements for a community college teacher to retain their position?

100 WARD: There is not a technical legal requirement. If they do not stay updated in their field, then they cannot do their job. Each college has to have an instructor improvement for each instructor that covers instructor competencies and technical skills. The biggest thing we can do with the technical skill update activities is to bring the groups of instructors together. One individual college cannot provide for this

technical upgrading. If we can do it on a regional basis, we can bring in experts, etc.

116 SEN. DUFF: Is this a regular, ongoing program that doesn't require additional funds?

117 WARD: It requires additional funds if we are going to get the massive job done of getting the people up to where they need to be. We have not had significant programs in this area that have addressed this need.

120 BAUGH: This is a bridge between what is happening, HB 3565 (school reform), and community colleges. I view this as steps on the path to this change. This committee has been ahead of these efforts to change. These are programs to change the direction of education. Linking is necessary, delving into applied academics, give teachers opportunities to get together regarding curriculum and to get into the workplace through internship opportunities so they can translate what they learn back to the classroom. Those are the choices and process we went through to deciding what to fund.

144 SEN. DUFF: Can some of this be accomplished through specific academic requirements for instructors? Are we leaving a link out?

157 RICK LEVINE: There is an easy way for colleges to ensure skill upgrading. There is no certification process for vocational instructors. If instructors do not keep up with new technology, their curriculum gets stagnant. The program is then dead in the water. Instructors take it upon themselves to revitalize their knowledge. We are dependent on enrollment - students paying money to get something back (the technical expertise needed to get a job). Most of the community colleges collective bargaining agreements have stipulations for staff development.

183 BAUGH: There were standards for continuing education that were removed by the Legislature last session. This legislation is not designed to deal with that.

194 SEN. DUFF: Why do we need additional funds to stimulate that? I think it is a necessary part of a technical instructor's curriculum development.

204 WARD: Our secondary and community college instructors make a sincere effort to be a professional and upgrade themselves. We are trying to bring about massive change in professional-technical education. This committee has led that effort since 1987 when 2+2 was first implemented. Regarding the legal requirement, there did used to be one that required vocational instructors to receive three years of technical update each year. That was removed by the TSB C about six years ago upon counsel's advice since it was a requirement for vocational instructors that was not required of other instructors which we were not allowed to do.

247 CHAIR FAWBUSH: We started four skills centers last biennium. This biennium the request is to put

more funds into the four that we started and start one additional one. What happens if these receive no additional funds from the next session?

259 WARD: All four of the centers would continue but not with the broad expanse of services to the people that they now offer. These centers are serving a mix of people - youth, long-time unemployed adults, recently dislocated adults, etc. I think the centers would concentrate on one or more of those populations if they didn't receive funding. A large part of the center would continue because of the coalescence of services to make a major impact in service delivery.

282 SEN. JOLIN: Where are the skill centers located?

289 WARD: There is one at McMinnville that is cooperative between the Yamhill Education Service District and Chemeketa Community College; one in northeast Portland, operated by Portland Community College but with many other community organizations that also participate; one at Coos Bay, operated by Southwestern Oregon Community College; and one at Grants Pass, operated by Rogue Community College.

300 SEN. JOLIN: These are serving at-risk youth and adults, dislocated workers, and homemakers. In looking at those who are providing these services, I would hope that if we pursue additional skill centers that there is some consideration of where the greatest need is, particularly in regards to dislocated workers.

328 WARD: It is true that the two - Grants Pass and Coos Bay - have served the most dislocated workers. The one in northeast Portland serves a very long-time unemployed population and the one in McMinnville has served mainly Hispanics. These centers have taken on the nature of their communities.

354 SEN. HILL: The things that you have that should be picked up by state or local funds, how much buy-in was there from the organizations? Have they made a commitment to try and keep these going? Were they involved in putting them together?

364 BAUGH: There are two issues. The advanced technology centers and the community-based skill centers are continuations from last biennium. Part of the criteria in application for these were the questions you ask. How they would continue; who their partners were; what kind of match there will be, etc. That discussion has been continuing. The two different types of centers serve very different clientele. The skills centers will only survive through partnerships with other social service agencies with the cooperation of the community college. They have cooperated to do these centers. We received ten proposals for skill centers - it was the most popular request we had. We were not able to fund them all; other proposals were worthy. The long-term funding question has not been resolved.

395 WARD: The RFP that we issued had a criteria that every proposal has to show evidence of intent from education and job trainers, business, labor, and the community that programs implemented or improved will be continued.

414 SEN. HILL: How much impact will Measure 5 have?

416 WARD: We do not know for sure what the impact will be.

422 LEVINE: The skill centers were included as part of our General Fund budget request to the Governor; these requests were taken out. We then went to EDD and told them that if they were going to be continued we would need additional funds. We intend to submit these requests again for General Fund next biennium. Measure 5 has had an effect on this program.

440 BAUGH: The Workforce Quality Council will be making recommendations on program continuation funding. It has that mandate.

447 MILLER: There were some requirements in the old Workforce 2000 bill that are continued for matching funds - dollar for dollar. There was also a requirement that the funds be allocated competitively for skill centers and at least one-third of the funds go to rural areas, one-third to urban areas, and one-third to either depending on the best proposal.

TAPE 146, SIDE B

024 MILLER: There are four new programs in this legislation and one program with a new component. Describes them (from EXHIBIT J) - Career, Professional-Technical and Academic Counseling Program, Workplace Readiness, and Model Schools for America's Choice, and Activating Business and Trade Organizations. The Skill Center Program has a new component in training seniors for placement in businesses that are experiencing labor shortage. The other programs in EXHIBIT J (pages 2 and 3) were all funded last biennium.

052 SEN. DUFF: I am concerned about training seniors. What is the unemployment rate for high school graduates - ages 18-24?

060 DAVID ALLEN: We do not have that figure for the state. The national teenage unemployment rate is 2 1/2 times the average unemployment rate.

070 SEN DUFF: I think we should focus on that group of people, rather than spend funds to develop a new center to train seniors.

071 BAUGH: The proposal is more of a component of a program; not development of a new center to do that. Much of the centers' activity are focusing on displaced workers and unemployed youth that lack basic skills.

088 MILLER: Continues presentation of EXHIBIT J - page 4.

096 CHAIR FAWBUSH: How did the funds actually end up getting divided between rural and urban?

097 BAUGH: In excess of 40 percent went to rural areas.

099 WARD: 48 percent to rural areas; 52 percent to urban areas.

103 CHAIR FAWBUSH: What is the population split between those?

105 MILLER: Two-thirds of the state's population are in the urban areas.

113 MILLER: Continues presentation of EXHIBIT J - Page 4.

128 CHAIR FAWBUSH: How well did the matching requirements work?

129 BAUGH: It went well. Even hard-pressed rural areas were able to come up with matching funds. We had anticipated more waiver requests than we received. People made hard choices.

135 WARD: We did not end up with any waivers. We worked with the proposers and helped them find match in their areas.

140 SEN. TIMMS: What is documented hardship?

142 BAUGH: There were several things we considered - unemployment levels, schools in the safety net, etc.

154 WARD: Contributions came from a variety of sources: business and industry, private foundations, local district funds, community college district funds, and a number of other human service programs. We were excluded, by the Ways and Means Committee, from using federal Carl Perkins funds.

175 SEN. HAMBY: I think we need to discuss the split of urban/rural dollars. I would like to see the funds more based on need, regardless of the location.

180 CHAIR FAWBUSH: Does this ratio of one-third each cause you any constraints?

185 WARD: No. The RFP's criteria was based on an area's need. The urban-rural split was not considered until we re-reviewed the proposals after first recommendations on what to fund.

191 CHAIR FAWBUSH: If we did it on need, what type of criteria would you use? Unemployment rates could be one.

193 WARD: We asked them to document the need of the area. This includes the unemployment rate, lack of training programs, etc.

196 CHAIR FAWBUSH: I would think that any kind of need standard would drive more funds out into the rural areas.

198 BAUGH: During the process we tried to review the proposals in terms of what made the most sense. After we came up with the list, we found that it more than met the

one-third split.

214 SEN. HAMBY: I am not thinking about only using the unemployment rate.

226 MILLER: There are two areas of flexibility built into the bill. 1) The department is allowed to reduce those percentages if insufficient proposals are received; 2) the department can go to the emergency board and have funds reallocated from one program to another.

249 BAUGH: We did that once last biennium when we shifted \$50,000 from the Business Education Partnerships because the proposals were not worthwhile to a Skill Center.

260 MILLER: Continues presentation of EXHIBIT J - pages 4 and 5.

348 SEN. DUFF: How many model school projects will the \$700,000 be allocated to?

350 WARD: We can't really tell you that yet. I would think it could serve different kinds of models at various costs. We anticipate this would be competitive solicitation of projects.

372 SEN. HAMBY: Is there language that says it should be site base management?

374 BAUGH: That language is in HB 3565.

392 SEN. DUFF: I would think one of the objectives would be to spread these around the state.

395 WARD: We anticipate at least one urban and one rural. I would guess that we should be able to do a couple in each area.

410 SEN. JOLIN: What do you do when you have a community college that sits in an urban area that serves a large number of dislocated workers in rural parts of the college's district. How do you take that into consideration?

423 WARD: As we have looked at the urban-rural split requirements we look at where most of the students are going to be served. If most of the students are going to be served in the rural part of the district, we call that rural, even if the college is located in a urban area.

443 SEN. DUFF: Is it essential that the whole state be part of a community college district?

445 WARD: No. In 2+2 it certainly helps. Although we have made arrangements to link areas that are not served with a community college or a four-year institution. It is essential also in the ATC effort. Skill Centers need to be based in a community college that may have to serve outlying areas with that resource. The developmental sites for a model school do not have to require a community college. It might facilitate it.

TAPE 147, SIDE A

030 BAUGH: The model school program focuses on the reform of secondary

education. A small, rural school not served by a community college would be able to develop a model and submit their proposal.

039 WARD: We do not yet know what this model will look like. But we do know it will have to be flexible because the state will have to be served in a lot of different ways.

044 MILLER: Continues presentation of EXHIBIT J - pages 4 and 5.

092 CHAIR FAWBUSH: How many agencies will have responsibility for funds in this program?

093 MILLER: There are six agencies: EDD, Office of Community College Services, Department of Education, Division of Vocational Education, the Scholarship Commission, and the Employment Division.

126 MILLER: Continues presentation of EXHIBIT J - page 5.

136 CHAIR FAWBUSH: Will the Workforce Quality Council have any ability to oversee how these funds will be spent or will it be outside their control?

140 MILLER: The council will not have the authority to reallocate funds between or among programs/projects. That is the responsibility of EDD with the Council's advice. The Council will assume the responsibilities of the Workforce Advisory Council.

146 CHAIR FAWBUSH: What authority will they have? How will they get anybody to pay attention to them?

148 MILLER: The Council has a number of other responsibilities. They will be reviewing the operating budgets and plans of each member agency. It does not have control over the funds.

156 BAUGH: The responsibility comes because we have to report to them for operating budget review and program review. They will be making recommendation to this Committee on what comes next. That is the authority - review of budgets and programs.

165 SEN. HILL: They have no real authority over you.

169 MILLER: The Council could voice their concerns, but ultimately EDD is responsible for allocation of funds. They cannot change that decision.

174 BAUGH: We want to have a council member reviewing these programs as soon as possible.

181 CHAIR FAWBUSH: These programs are not tied in so that the Council has any actual control over how the money is allocated.

185 SEN. HILL: These are programs, not an agency. They would not have direct authority.

203 SEN. TIMMS: There are so many departments involved in this. Cooperation is the key to making this

whole thing work.

218 SEN. DUFF: They will have enough to do without all these other issues.

224 WARD: The proposed -3 Amendments that the sponsors originally presented to the House Trade Committee contained a provision where the Workforce Quality Council would assume more responsibility and would "pick up" at mid-year of the biennium on EDD's responsibility. The House Committee thought that the Workforce Quality Council was going to have enough of a job to do this biennium.

236 BAUGH: The key to this is the budget review. This budget review authority has never been granted to such a broad-based council in a way never done before. They will be making some very serious recommendations. You have established, with HB 3133, that they do have authority to make recommendations to the legislature. That is a key fundamental difference.

258 CHAIR FAWBUSH: If I had my way, there would be dollar allocations included and the Workforce Quality Council would do that.

260 SEN. TIMMS: I would agree with that next session.

266 SEN. DUFF: These sound like good programs but in my part of the state I don't know how well they will apply. How do you gear up a technical training program for very few people/jobs.

272 MILLER: Continues presentation of EXHIBIT J - page 5.

312 CHAIR FAWBUSH adjourns the meeting at 9:11 p.m.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Staff Measure Summary on HB 2419B, presented by Joseph Cortright, 2 pages

EXHIBIT B -Proposed -B6 Amendments to HB 2419, presented by Joseph Cortright, 2 pages

EXHIBIT C - Written testimony on HB 2419B, presented by Tom Hampton, 5 pages

EXHIBIT D -Staff Measure Summary on HB 3151A, presented by Joseph Cortright, 3 pages

EXHIBIT E - Written testimony on HB 3151A, presented by Denny Nixon, 2 pages

EXHIBIT F - Written testimony on HB 3151A, presented by Daryl Dick, 3 pages

- EXHIBIT G - Written testimony on HB 3151A, presented by Dean Renfrow, 3 pages
- EXHIBIT H - Proposed Amendments to HB 3151A, presented by Joseph Cortright, 3 pages
- EXHIBIT I - Summary of Workforce 2000 Programs and Awards, presented by Tami Miller, 2 pages
- EXHIBIT J - Staff Measure Summary on HB 3474A, presented by Tami Miller, 5 pages
- EXHIBIT K - Questions on HB 3474, presented by Daryl Ward, 3 pages