

## **HOUSE COMMITTEE ON AUDITS**

**February 15, 2005 Hearing Room D**

**8:30 A.M. Tapes 23 - 24**

**MEMBERS PRESENT: Rep. Jerry Krummel, Chair**

**Rep. Tom Butler, Vice-Chair**

**Rep. Diane Rosenbaum, Vice-Chair**

**Rep. Alan Brown**

**Rep. Jackie Dingfelder**

**STAFF PRESENT: Jim Keller, Committee Administrator**

**Kellie Whiting, Committee Assistant**

### **MEASURES/ISSUES HEARD:**

**HB 2474 – Public Hearing**

**Introduction of a Committee Measure – Work Session**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
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## TAPE 23, A

002 Chair Krummel Calls the meeting to order at 8:41 a.m. and opens the public hearing on HB 2474.

### **HB 2474 - PUBLIC HEARING**

006 Jim Keller Committee Administrator. Reads HB 2474. Refers to the price list of goods and services **(EXHIBIT A)**.

021 Michael Freese State Printer for the Department of Administrative Services. Testifies in opposition of HB 2474. States that the bill is pre-emptive and does not change the existing condition. Submits and reads from prepared testimony **(EXHIBIT B)**.

073 Rep. Butler Inquires about the vendor collected administrative fees in regards to the federal government and asks if there are other states that participate on a regular basis.

082 Freese Responds that the Federal Government, General Services Administration and the Western States Contracting Alliance do participate in the Vendor Administrative Collecting Fee (VACF).

090 Rep. Butler Inquires if there other states that participate.

093 Freese Responds that there are.

094 Rep. Butler Comments that there are a number of fees imposed by the Department of Administrative Services and inquires if the state contracts with private companies and adds a VCAF.

103 Freese Cannot comment.

105 Rep. Butler Inquires if VCAF only applies with printers in regards to Oregon State Government.

110 Rep. Butler Inquires if there were VCAF charged to any other agencies found in **(EXHIBIT A)**.

114 Jim Keller Responds it has not been reviewed yet.

116	Rep. Butler	Requests Laurie Warner to provide the information regarding administrative fees charged by the Department of Administrative Services (DAS).
131	Rep. Butler	Requests DAS's response in regards to the VCAF. States that they are not transparent.
156	Grover Simons	Representing the Pacific Printing and Imaging Association. Testifies in favor of HB 2474. Submits and reads from prepared testimony <b>(EXHIBIT C)</b> . Submits and reads from the opinion of Lee Johnson <b>(EXHIBIT D)</b> . Refers to the notice to vendor <b>(EXHIBIT E)</b> .
273	Dave Crosby	President of Shelton Turnble Printers Eugene, Oregon. Testifies in favor of HB 2474. Comments that Shelton Printers does business with the state. States that the bill is in favor of business.
322	Rep. Butler	Inquires if the printing plant is informed of the potential of the VCAF.
330	Crosby	Responds they were notified by e-mail in August.
350	Rep. Butler	Inquires if they consider the service charge when they are put on the list to do business.
361	Crosby	Responds that it was rescinded shortly after they received notice that they would have to add on the additional fee.
365	Rep. Butler	Inquires about the collection process they have to collect outstanding bills and what is the rapport with the local businesses they print for.
390	Crosby	Responds that the invoice for the state has to be approved by the department it is being printed for. Comments they have had outstanding invoices that were not approved to be paid for a considerable amount of time.

**TAPE 24, A**

002	Rep. Butler	Inquires if they are they bidding against someone else when printing checks for the state.
009	Crosby	

		Explains that the state contracts are on a bidding procedure. States that the state produces a purchase order and they produce the service.
013	Rep. Butler	Comments that this is an additional cost for the vendors. Inquires if when they win a bid, do they anticipate an additional fee. Inquires how sensitive the printing business is to the price fluctuation.
028	Crosby	Responds that he did not research the process.
033	Rep. Butler	Comments that this situation is a price sensitive issue. Inquires if they could respond to the treasury about being unable to honor that price.
039	Crosby	Responds that he is not prepared to answer and will follow up on any questions he is unable to answer.
049	Chair Krummel	Inquires if they are expected to remit payment back to the state within 15 days in regards to paid or unpaid purchase orders they receive.
074	Crosby	Concurs.
098	Chair Krummel	Inquires if they would have a problem with the committee amending HB 2474 to pertain to all vendors of the state.
101	Crosby	States he feels that this is a hidden tax and it would certainly be up to the committee to do what they feel necessary.
103	Rep. Brown	Inquires if they had any outstanding invoices at the time of the notice and if they had to pay the fees.
108	Crosby	Responds that they did.
154	Rep. Butler	Inquires about anticipation for vendors, in regards to the fees.
162	Freese	Responds the intent of the policy was to implement a forward approach and could not breach the contract itself. States that it would not have affected active contracts.
181	Rep. Butler	Inquires how they demonstrate the cost.
189	Freese	

Explains that they have to demonstrate the price change and DAS would agree to change the price of the contract.

194	Rep. Butler	Inquires if that is adequate identification.
200	Freese	Responds that they cannot re-open or change the terms of the contract.
203	Rep. Butler	Inquires about the anticipation for outstanding printing invoices for the accounts receivable.
224	Freese	Comments agencies that are not paying the bills on time is something they take seriously.
233	Chair Krummel	Inquires if a growing cost would be grounds for re-opening a contract and go back out to bid.
244	Freese	Responds that a contract can be for a longer duration to provide the best price.
257	Rep. Rosenbaum	Inquires about the business cards being printed by the Prison Labor Project.
268	Freese	Responds there are minimal contracts with the Department of Corrections.
270	Chair Krummel	Requests staff to draft a letter to DAS regarding VACF or any additional fees. Requests Mr. Freese, Mr. Simmons and Mr. Crosby to talk and negotiate about the issue of fees for service and report back to Chair Krummel and Rep. Butler by March 4th, 2005.
370	Chair Krummel	Closes the public hearing on HB 2474. Refers to LC Draft 1832 <b>(EXHIBIT F)</b> .
398	Rep. Butler	Inquires about the intent and recommends that support and direction should be for all agencies.

**TAPE 23, B**

006 Chair Krummel

Responds that the LC Draft is a response to an audit report specific to the State Landscape Architect Board.

- 032      Chair Krummel      Comments that once the draft becomes a bill he could request the bill to come to the Audits Committee.
- 041      Chair Krummel      Opens a work session for the purpose of an introduction of committee measure.

#### **INTRODUCTION OF A COMMITTEE MEASURE - WORK SESSION**

- 044      Rep. Butler      **MOTION: Moves LC 1832 BE INTRODUCED as a committee bill.**

- 050      **VOTE: 5-0-0**

**Chair Krummel      Hearing no objection, declares the motion CARRIED.**

- 051      Chair Krummel      Closes the work session on introduction of a committee measure and adjourns at 9:43 a.m.

#### **EXHIBIT SUMMARY**

- A. HB 2474, Price List of Goods and Services, staff, 88 pp
- B. HB 2474, prepared testimony, Michael Freese, 1 pp
- C. HB 2474, prepared testimony, Grover Simmons, 2 pp
- D. HB 2474, written opinion of Lee Johnson, Grover Simmons, 4 pp
- E. HB 2474, notice of VCAF to vendors, Grover Simmons, 1 pp
- F. Introductions, LC Draft 1832, staff, 3 pp