

SENATE COMMITTEE ON GENERAL GOVERNMENT

January 20, 2005 Hearing Room B
3:00 PM Tapes 1 - 2

Corrected 10/25/05

MEMBERS PRESENT: Sen. Frank Shields, Chair
Sen. Gary George, Vice-Chair
Sen. Bruce Starr
Sen. Vicki Walker

MEMBER EXCUSED: Sen. Joanne Verger

STAFF PRESENT: Judith Callens, Committee Administrator
Gary Roulier, Committee Assistant

MEASURES/ISSUES HEARD & WITNESSES:

Adoption of Committee Rules - Organizational Meeting
Adoption of Committee Bills - Work Session
SB 310 - Public Hearing
Brenda Rocklin, State Accident Insurance Fund (SAIF)
Chris Davie, SAIF
John DiLorenzo, Jr., Oregonians for Sound Economic Policy
Ernest Delmazzo, Injured Worker's Alliance

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.

TAPE/#	Speaker	Comments
TAPE 1, A		
005	Chair Shields	Opens the meeting at 3:07 p.m. Opens organizational meeting to adopt committee rules.
<u>ADOPT COMMITTEE RULES – ORGANIZATIONAL MEETING</u>		
015	Judith Callens	Administrator. Presents (EXHIBIT A) and explains the provisions of the model committee rules, to include the requirement for 48 hours notice.
031	Sen. Walker	MOTION: Moves to ADOPT the proposed Committee Rules dated 1/20/05. VOTE: 4-0-1 EXCUSED: 1 – Verger
036	Chair Shields	Hearing no objection, declares the motion CARRIED.
042	Chair Shields	Discusses proposed committee work plan and areas of emphasis.
063	Sen. Walker	Asks whether the committee will work on workers' compensation issues.
074	Chair Shields	Responds that the committee is scheduled to work on State Accident Insurance Fund issues. Discusses the proposed work plan with Sen. Walker.
081	Chair Shields	Closes the organizational meeting, and opens a work session to introduce committee legislative concepts (LC).
<u>INTRODUCE COMMITTEE BILLS – WORK SESSION</u>		
083	Judith Callens	Committee Administrator. Presents (EXHIBIT's B, C, and D) , and explains the provisions of LC drafts 63, LC 64, and LC

129	Sen. George	1664. MOTION: Moves LC's: 63, 64, 1664 BE INTRODUCED as committee bills.
131		VOTE: 4-0-1 EXCUSED: 1 – Verger Hearing no objection, declares the motion CARRIED.
	Chair Shields	Closes the work session and opens a public hearing SB 310.
135	Chair Shields	
	<u>SB 310 – PUBLIC HEARING</u>	
147	Chair Shields	Introduces committee staff.
172	Brenda Rocklin	Interim President and Chief Executive Officer of the State Accident Insurance Fund Corporation (SAIF). Presents (EXHIBIT E) and testifies in support of SB 310.
214	Chris Davie	Government Affairs Director, SAIF Corporation. Presents a brief history of SAIF Corporation, to include the enabling legislation.
253	Davie	Discusses background of making SAIF a public corporation in 1979.
274	Davie	Summarizes the recent changes in the board of directors at SAIF.
313	Chair Shields	Asks if the recent changes in board membership have affected the corporation.
324	Rocklin	Responds the there is a learning curve for the new members. Comments on the strategic planning that is scheduled for the future.
330	Davie	Continues discussion of SAIF, to include market share, numbers of policy holders, and forecasted numbers of claims.
335	Chair Shields	Comments that it would be helpful to know how much SAIF has paid out in some of their “biggest” claims.
344	Davie	Responds that one claim will eventually cost \$10 million. Adds that SAIF is required to be “fully funded.”
383	Davie	Summarizes the number of SAIF employees and their various office locations.
395	Rocklin	Discusses the work of interim committees and the principles developed (EXHIBIT E, Page 2) . Adds that the reasoning behind SB 310 is contained within these principles.
	TAPE 2, A	
012	Rocklin	Outlines the proposed changes to the statutes outlined in SB 310.
027	Chair Shields	Asks whether the intent is to specifically state the SAIF mission statement in statute, and whether other insurance companies have this type of mission statement.
047	Rocklin	Responds that she is not aware of the mission statements of other insurance companies.
051	Chair Shields	Notes that this mission statement would “set a standard.” Asks how it would affect operations of SAIF.
077	Rocklin	Responds that SAIF should set the standard. Adds that the proposed statutory mission statement is already the SAIF internal mission statement, but the bill would put the mission statement into law.
087	Sen. George	Questions whether there would be any additional liability related to this mission statement.
097	Rocklin	Answers that this particular mission statement should apply to the system, and that the industry standard should be to treat injured workers fairly, ethically, and to pay claims promptly.
111	Sen. George	Asks if there is an implication of additional costs with the inclusion of the mission statement into statute.

115	Rocklin	Responds that she does not think there will be any additional costs.
137	Rocklin	Discusses the section of SB 310 dealing with budget oversight. Notes that the proposal is a “middle ground,” providing some legislative oversight without the necessity of undergoing the budget approval process of other state agencies.
175	Rocklin	Comments that there is a benefit for the legislature to be familiar with the SAIF budget.
197	Sen. George	Asks about the lobbying efforts on behalf of SAIF, and whether the lobbying costs will be “open and transparent.”
209	Rocklin	Responds yes, and adds that SAIF Corporation is accountable to the legislature, the Governor, and the people, and will respond to requests for information.
223	Sen. George	Notes that he wanted to get on the record the fact that the board would not have the authority to go into “executive session,” and would in fact comply with public meeting law.
232	Rocklin	Answers with an explanation of the provisions dealing with public meetings and executive sessions in SB 310.
252	Sen. Starr	Asks how the changes contained within SB 310 compares with how the legislature treats other state agency budgets.
261	Rocklin	Responds that SAIF is a public corporation, and is a business competing in a public marketplace. Thus, the budget has to be responsive to the marketplace.
283	Sen. Walker	Asks for an update on SAIF contracts.
303	Rocklin	Summarizes that SAIF is in the process of reviewing all of the contracts. Adds that the SAIF board is much more involved in the contract process.
322	Sen. Walker	Notes that she is interested in knowing where SAIF is in their discussions with the Department of Justice regarding contacts.
337	Rocklin	Outlines status, to include contracts with Health Services, Associated General Contractors and Association of Oregon Industries (AOI).
373	Sen. Walker	Asks if witness could provide the committee with a list of contracts, the terms of those contracts, and which contracts are currently being negotiated.
383	Rocklin	Presents (EXHIBIT F) and responds that the list would not be considered a “trade secret,” and that a similar list will be presented to the SAIF board on Monday, January 24, 2005, and she would be happy to provide the list to the committee.
TAPE 1, B		
001	Sen. Walker	Comments that she attended a recent court hearing regarding SAIF public records, and asks for an update on discussions about dividend payments.
005	Rocklin	Responds that SAIF will comply with the law, and summarizes an opinion that was recently issued by the Department of Justice. Discusses the status of court cases.
022	Sen. Bruce Starr	Asks about executive session and which meetings would be exempt from the open meeting statute.
028	Rocklin	Responds that the two occasions where the SAIF board could go into executive session would be to discuss pending litigation and confidential personnel matters.
035	Sen. Bruce Starr	Notes that the executive session statutes are much broader, and whether the SAIF board would be covered by the state statute, or the provisions of SB 310.

044	Rocklin	Discusses the litigation exception which allows the board to go into executive session. Continues discussion with Sen. Bruce Starr regarding executive session exceptions.
074	Sen. Bruce Starr	Notes that the proposed legislation seems to create a large exception to the public meeting law, particularly with respect to “trade and commerce.” Discusses these exceptions with Rocklin.
093	Rocklin	Relates that the Department of Justice will interpret that particular provision. Adds that she will need to get back to the committee on the provision.
101	Rocklin	Summarizes the role of the board of directors in oversight. Comments on the sections of SB 310 (sections 2 and 6) that deal with public records.
122	Rocklin	Notes that there are two exceptions to the public record law within the bill: client records and employer account records.
154	Rocklin	Explains the normal process for a citizen to obtain public records, and how it differs from a request for records from SAIF.
174	Rocklin	Continues to summarize other provisions of the bill.
190	John DiLorenzo, Jr.	Oregonians for Sound Economic Policy (OSEP). Presents (EXHIBITS G and H) and testifies in opposition to SB 310.
245	DiLorenzo, Jr.	Summarizes the history of court proceedings relating to a request for public records from SAIF.
290	DiLorenzo, Jr.	Talks about SAIF’s dividend policy. Comments that SAIF has used its “dividend policy in a predatory fashion,” and has distributed dividends in a “discriminatory fashion.”
321	Chair Shields	Asks what the phrase “distributed dividends in a discriminatory fashion” refers to.
325	DiLorenzo, Jr.	Responds that SAIF has used its dividend policy in order to attempt to corner various segments of the market.
352	DiLorenzo, Jr.	Summarizes a document (EXHIBIT H, Section 4 and 5) which shows an exemption from public disclosure.
TAPE 2, B		
011	Chair Shields	Closes the committee meeting and opens a subcommittee meeting for the purpose of taking testimony.
013	Sen. George	Expresses a desire to receive a recording of the testimony.
025	DiLorenzo, Jr.	States that this bill makes SAIF opaque, rather than transparent. Discusses a compromise to the proposed bill which is being drafted in Legislative Counsel.
053	DiLorenzo, Jr.	Notes that, given the absence of legislative budget oversight of SAIF, “enhanced transparency” is essential. Adds that nothing within the bill will bring back accountability to SAIF.
072	Chair Shields	Closes the subcommittee meeting and opens a full committee meeting.
075	DiLorenzo, Jr.	Continues to summarize SAIF contracts and other SAIF documents contained within (EXHIBIT H) . Notes the various instructions from a public relations firm for policyholders to contact specific legislators.
112	Sen. George	Notes that the parties assigned to contact him in fact did so.
117	DiLorenzo, Jr.	Refers to letters contained within (EXHIBIT H) .
143	DiLorenzo, Jr.	Comments on the public relations strategies of SAIF, and adds that SAIF should not be engaged in public opinion manipulation.
167	Sen. George	Recalls past activities on the part of SAIF to shape public opinion.
173	DiLorenzo, Jr.	Summarizes SAIF group contracts, specifically with AOI.
203	DiLorenzo, Jr.	Continues with discussion of the SAIF contract with AOI.

222	DiLorenzo, Jr.	States that this SAIF contract with AOI has generated controversy, and notes that this type of relationship would continue to be allowed under the present language of SB 310.
253	DiLorenzo, Jr.	Urges the committee members to wait until they have a full menu of legislative proposals concerning SAIF.
272	Chair Shields	Comments that he will hold questions for the witness until the entire committee can be in attendance.
299	Ernest Delmazzo	Executive Director, Injured Worker's Alliance. Testifies that the organization has no position on SB 310. Notes that they do support the increase of the board size to seven members.
322	Delmazzo	Adds that they would like to have an injured worker representative on the SAIF board of directors. Notes that they would like to see adequate protection for injured worker's records.
373	Sen. Walker	Expresses an interest in the SAIF Corporation Group Program profile, and would like to look into this at a future meeting.
392	Chair Shields	Closes the work session and adjourns the meeting at 4:57 p.m.

EXHIBIT SUMMARY

- A. Rules, General Government Committee, staff, 1 p**
- B. Introductions, LC 63, staff, 4 pp**
- C. Introductions, LC 64, staff, 20 pp**
- D. Introductions, LC 1664, staff, 27 pp**
- E. SB 310, prepared statement, Brenda Rocklin, 21 pp**
- F. SB 310, spreadsheet, Brenda Rocklin, 3 pp**
- G. SB 310, prepared statement, John DiLorenzo, Jr., 11 pp**
- H. SB 310, notebook, John DiLorenzo, Jr., 96 pp**