

## SENATE COMMITTEE ON GENERAL GOVERNMENT

February 10, 2005  
3:10 P.M.

Hearing Room B  
Tapes 14 - 15

**MEMBERS PRESENT:**      **Sen. Frank Shields, Chair**  
                                 **Sen. Bruce Starr**  
                                 **Sen. Vicki Walker**

**MEMBER EXCUSED:**      **Sen. Gary George, Vice-Chair**  
                                 **Sen. Joanne Verger**

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

**MEASURES/ISSUES HEARD:**  
                                 **HCR 3 – Public Hearing and Work Session**  
                                 **HB 2255 – Public Hearing and Work Session**  
                                 **HB 2263 – Public Hearing and Work Session**  
                                 **SB 155 – Public Hearing**  
                                 **SB 156 – Public Hearing**

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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.

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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b><u>TAPE 14, A</u></b>		
002	Chair Shields	Opens the meeting at 3:17 p.m. and opens a public hearing on HCR 3.
<b><u>HCR 3 – PUBLIC HEARING</u></b>		
010	Sen. Rick Metsger	State Senator, District 26. Testifies in support of HCR 3, which celebrates the 100 <sup>th</sup> anniversary of the town of Welches, Oregon.
024	Chair Shields	Discusses some of the history of the area of Welches with Sen. Metsger. Closes the public hearing and opens a work session on HCR 3.
<b><u>HCR 3 – WORK SESSION</u></b>		
040	Sen. B. Starr	<b>MOTION: Moves HCR 3 be sent to the floor with a BE ADOPTED recommendation.</b> <b>VOTE: 3-0-2</b> <b>AYE: In a roll call vote, all members present vote Aye.</b> <b>EXCUSED: 2 - George, Walker</b> <b>The motion CARRIES.</b> <b>SEN. METSGER will lead discussion on the floor.</b>
057	Chair Shields	Closes the work session on HCR 3 and opens a public hearing on HB 2255.
<b><u>HB 2255 – PUBLIC HEARING</u></b>		
059	Judith Callens	Administrator. Explains the provisions of the bill.
069	Chuck Taylor	Legislative Counsel. Explains that the bill is a technical correction which deletes a reference to a repealed statute.
076	Sen. Verger	Declares a potential conflict as she owns a manufactured home.

083 Chair Shields  
**HB 2255 – WORK SESSION**  
084 Sen. B. Starr

Chair Shields

091 Chair Shields

**HB 2263 – PUBLIC HEARING**

092 Callens

101 Taylor

112 Sen. Verger

125 Chair Shields

**HB 2263 – WORK SESSION**

126 Sen. B. Starr

Chair Shields

141 Chair Shields

**SB 155 – PUBLIC HEARING**

149 Callens

154 Roy Turnbaugh

187 Chair Shields

191 Turnbaugh

201 Sen. B. Starr

217 Turnbaugh

231 Chair Shields

240 Turnbaugh

252 Sen. B. Starr

254 Turnbaugh

263 Chair Shields

267 Jeff Morgan

Closes the public hearing and opens a work session on HB 2255.

**MOTION: Moves HB 2255 to the floor with a DO PASS recommendation.**

**VOTE: 3-0-2**

**AYE: In a roll call vote, all members present vote Aye.**

**EXCUSED: 2 - George, Walker**

**The motion CARRIES.**

**SEN. B. STARR will lead discussion on the floor.**

Closes the work session on HB 2255 and opens a public hearing on HB 2263.

Explains the provisions of the bill.

Comments that the bill corrects the date in the landlord-tenant statutes.

Declares a potential conflict

Closes the public hearing and opens a work session on HB 2263.

**MOTION: Moves HB 2263 to the floor with a DO PASS recommendation.**

**VOTE: 3-0-2**

**AYE: In a roll call vote, all members present vote Aye.**

**EXCUSED: 2 - George, Walker**

**The motion CARRIES.**

**SEN. SHIELDS will lead discussion on the floor.**

Closes the work session on HB 2263 and opens a public hearing on SB 155.

Explains the provisions of the bill.

State Archivist. Presents written testimony (**EXHIBIT A**) and testifies in support of SB 155.

Asks what it means when the agency says that they are paying rent.

Responds that the agency pays uniform rent on the Archives Building to the Department of Administrative Services (DAS).

Asks if the agency has the ability to make this rent payment part of the biennial budget process.

Answers that the archives are one hundred percent funded by the Central Government Service Charge (CGSC). Adds that the CGSC also funds the legislative assembly and the Governor's office, and the federal government does not allow state assemblies or governors to assess federal funds.

Asks if the issue of enabling the assessment of federal funds is the most significant issue.

Agrees and explains that the agency can assess federal funds either through direct billing for services or through a direct cost allocation agreement.

Asks if the agency would save on rental costs if the bill is passed.

Answers that during times of budget decreases in the general fund, they are forced to take the cuts out of program areas because of the high cost of rent.

Asks how much the federal government would be paying.

Director, Secretary of State Business Services Division. Answers that the agency would assess based on the percentage of federal

		funds relative to the total state budget. Discusses the effect on rent with Chair Shields.
298	Sen. B. Starr	Asks if this assessment would be for federal funds that are already being accessed by the state.
303	Turnbaugh	Answers that this is not “new money.” Explains that it takes money from federal funds and puts it into the general fund. Adds that 23 states use this process for their archives.
324	Sen. B. Starr	Asks if it is “fair” to assess based on full time employees, rather than the work generated by particular agencies.
334	Turnbaugh	Explains that those agencies with requirements to maintain federal records have needs that are “extraordinarily complex.”
351	Sen. B. Starr	Asks whether they could assess fees based on a “service rendered” basis.
377	Turnbaugh	Answers that every agency creates records, and generally the more employees, the greater the number of records generated.
388	Sen. Verger	Asks for a clarification on where the “money shift” takes place.
402	Turnbaugh	Responds that, at the moment, it comes from the General Fund. The proposal is to replace that general fund money with federal funds.
417	Chair Shields	Wants clarification on “where the funds come from.”
<b>TAPE 15, A</b>		
011	Chair Shields	Desires to examine this issue with the Ways and Means Committee.
015	Turnbaugh	Notes that this issue is part of the Ways and Means process as a program option, and the requirement for the legislation is that statutes will need to be amended.
020	Sen. Verger	Expresses that it would be good to reduce this “pull on the general fund.”
030	Chair Shields	Closes the public hearing on SB 155 and opens a public hearing on SB 156.
<b><u>SB 156 – PUBLIC HEARING</u></b>		
039	Callens	Explains the provisions of the bill which allows the Secretary of State to conduct financial and performance audits of school districts and education service districts..
047	Bill Bradbury	Secretary of State. Presents written testimony ( <b>EXHIBIT B</b> ) and testifies in support of SB 156. Notes that K-12 education represents one of the largest budget items in the General Fund.
083	Bradbury	Stresses that while the Secretary of State’s Office can audit school districts, the issue is how those audits are funded.
111	Bradbury	Explains the reasoning behind “performance audits,” which would focus on performance in the classroom.
148	Bradbury	Notes that it is “not surprising” that some would object to performance audits, but stresses that Oregon spends over \$5 billion on K-12 education.
181	Chair Shields	Asks why the agency does not audit local school districts.
187	Bradbury	Responds that they have done audits of the Department of Education but local school districts are a local form of government. Now, however, they receive over two-thirds of their education money from the state.
203	Sen. Verger	Asks about the discussion in the media of education service districts (ESD), and stresses that audits could point out positive things that are occurring.
222	Bradbury	Agrees that there is no question that audits can be beneficial.
252	Chair Shields	Asks for an example of a “typical audit.”

257	Cathy Polino	State Auditor, Secretary of State. Presents written testimony <b>(EXHIBIT C)</b> and testifies in support of SB 156. Provides examples of audits conducted by the agency to include a series of audits of prison construction.
304	Polino	Stresses the ability to discover “best practices” that can be shared with all school districts.
313	Sen. Verger	Asks if the agency has the people on staff to perform these audits.
320	Polino	Responds that there is a program option package in the budget proposal for ten additional auditors. Adds that the bill contains a funding mechanism and that it is critical to have this mechanism established.
364	Chair Shields	Asks if the agency has every audited the largest school district in the state.
371	Polino	Responds that they have not, but notes that private auditing firms have done performance audits for the Portland School District.
402	Chuck Bennett	Confederation of Oregon School Administrators (COSA). Testifies in opposition to SB 156.
<b>TAPE 14, B</b>		
009	Bennett	Notes that this bill would represent a substantial change to the law.
029	Bennett	Opines that the Secretary of State wants to do performance audits but asks “to what standard”
065	Bennett	Reemphasizes the fact that the bill needs to spell out the standards.
103	Sen. B. Starr	Notes that the Secretary of State already has the authority to do these audits so the question really is who pays the bill.
116	Bennett	Responds that Section 1 of the bill does contain language that grants authority. Discusses methods of payment with Sen. Starr.
138	Sen. Verger	Comments that she is concerned about decisions being made regarding education by people “outside the profession,” and agrees that we should have a debate about what the standards should be.
167	Chair Shields	Notes that every agency “puts up” with audits and asks why the schools would be exempt.
174	Bennett	Answers that the schools are a local government entity and that schools are “not a state agency.”
209	John Marshall	Oregon School Boards Association. Testifies in opposition to SB 156. Notes that this is “not a new issue,” and reviews the history of the “scope” of audits of school districts.
242	Marshall	States that there is an opportunity to expand the scope of required audits to look into performance issues. Gives examples of hidden costs to school districts to support audits.
282	Marshall	Talks about the Secretary of State offering an “array of services” to school districts for a fee. Restates concerns about standards.
325	Marshall	Explains the differences between allocation of funds to state agencies versus allocation to school districts.
374	Marshall	Stresses the importance of these decisions being made at the local school district level.
397	Marshall	Expresses concerns over the estimated audit costs.
413	Chair Shields	Asks if the school administrators are willing to discuss this issue.
<b>TAPE 15, B</b>		
010	Marshall	Responds that there are discussions over how to balance these issues in a rational manner.

022	Sen. Verger	Expresses that the audits may be defined too loosely, but reemphasizes the possible benefits of performance audits.
053	Parry Ankersen	Oregon Society of Certified Public Accountants. Testifies in opposition to SB 156 and lists some technical issues with the bill.
083	Ankersen	Notes that the Portland Public School District has a full-time performance auditor. Stresses that performance audits can be performed by entities other than the Secretary of State's office.
104	Sen. Verger	Asks for clarification on whether the witness considers the issue to be that the Secretary of State is in competition with the private sector.
118	Ankersen	Reviews the language of the bill which seems to put the Secretary of State in the "driver's seat."
123	Laurie Wimmer	Oregon Education Association. Testifies with "qualified support" of SB 156.
161	Whelan	Reflects on ways to restructure the bill that would limit cost and scope.
182	Sen. B. Starr	Notes that the committee needs to have the constitutional issues clarified with regard to the Secretary of State's authority to audit these entities.
200	Chair Shields	Emphasizes the need to examine the Attorney General's opinion.
207	Chair Shields	Closes the public hearing on SB 156 and adjourns the meeting at 4:59 p.m.

## **EXHIBIT SUMMARY**

- A. SB 155, written testimony, Roy Turnbaugh, 1 pp**
- B. SB 156, written testimony, Bill Bradbury, 1 pp**
- C. SB 156, written testimony, Cathy Polino, 2 pp**