

## SENATE COMMITTEE ON GENERAL GOVERNMENT

February 22, 2005  
3:10 P.M.

Hearing Room B  
Tapes 20 - 21

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

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

**MEASURES/ISSUES HEARD:**  
HCR 5 – Public Hearing and Work Session  
State Accident Insurance Fund Report – Informational Meeting

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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>TAPE 20, A</b>		
003	Chair Shields	Opens the meeting at 3:13 p.m. and opens a public hearing on HCR 5.
<b><u>HCR 5 – PUBLIC HEARING</u></b>		
022	Judith Callens	Administrator. Explains the provisions of the bill.
042	Sen. Laurie Monnes Anderson	Senate District 25. Testifies in support of HCR 5.
060	Sen. Verger	Expresses support for the bill.
070	Chair Shields	Closes the public hearing and opens a work session on HCR 5.
<b><u>HCR 5 – WORK SESSION</u></b>		
079	Sen. B. Starr	<b>MOTION: Moves HCR 5 be sent to the floor with a BE ADOPTED recommendation.</b>
		<b>VOTE: 5-0-0</b>
		<b>AYE: In a roll call vote, all members present vote Aye.</b>
	Chair Shields	<b>The motion CARRIES.</b>
		<b>SEN. MONNES ANDERSON will lead discussion on the floor.</b>
088	Chair Shields	Closes the work session on HCR 5 and opens an informational meeting on a report from the State Accident Insurance Fund.
<b><u>STATE ACCIDENT INSURANCE FUND REPORT – INFORMATIONAL MEETING</u></b>		
109	Brenda Rocklin	Interim President, State Accident Insurance Fund Corporation (SAIF).
130	Chair Shields	Outlines the purpose of the briefing and asks members to list specific areas of concerns.
143	Sen. Walker	Requests information on contracting and lobbying, executive salaries, and fraud referrals.
158	Sen. Verger	Comments that Rocklin has been sent into the company to clean up what other people had done.
182	Sen. Walker	Adds that while Rocklin has done a good job, this report will

194	Rocklin	have value as it will review those areas needing attention. Asks whether Sen. Walker was interested in executive salaries and oversight of those salaries, or if she deems these issues as separate.
204	Sen. Walker	Responds that her concern is with the statement that the board has exercised strong supervision of the president.
212	Rocklin	Begins a summary on fraud referrals within SAIF.
244	Rocklin	Continues with reviews of fraud referrals within SAIF.
284	Sen. Walker	Asks for specific information regarding a particular investigation.
290	Rocklin	Responds with the information and discusses the case with Sen. Walker.
334	Rocklin	Reviews sections of the deposition in question, past practices and the connection with performance measurement.
347	Sen. Walker	Asks about a 1991 practice to pay bonuses for bringing the numbers of claims down.
384	Rocklin	Responds that she has not examined practices back that far. Discusses these past practices with Sen. Walker.
<b>TAPE 21, A</b>		
012	Rocklin	Begins a discussion of SAIF contracts.
053	Rocklin	Reviews contracts that the SAIF board is required to review prior to approval.
070	Chair Shields	Asks how SAIF got into a position where the board was not reviewing specified contracts.
089	Rocklin	Answers that she is not aware of how the situation developed.
113	Chair Shields	Comments that these past practices are disturbing. Asks whether a culture of arrogance somehow developed within SAIF.
136	Rocklin	Responds that the current executive staff is well aware that the SAIF board has an important role to play.
160	Sen. Verger	Asks if the makeup of the board is the same.
162	Rocklin	Responds with a review of the board membership.
167	Sen. Verger	Notes that the board, at some point, would have seen a list of the contracts.
170	Rocklin	Answers that a detailed examination of the budget would have revealed the existence of the contracts.
187	Sen. Verger	States that some budgets are large and complex, and the contracts might not be readily apparent.
198	Rocklin	Comments that it is apparent that the former board members did not focus on the contract area, and instead delegated reviews to the past president.
210	Sen. Walker	Asks when the Governor plans to fill the remaining two board positions.
225	Rocklin	Answers that she does not have a set time frame.
231	Sen. Walker	Asks who the SAIF president reports to.
235	Rocklin	Responds that the position serves at the pleasure of the board of directors.
243	Sen. Walker	Reviews the removal of the past president and the specific statutory authority.
267	Rocklin	Summarizes advertising contracts.
307	Chair Shields	Comments that a lot of things are on hold, waiting for the rest of the board seats to be filled.
316	Sen. B. Starr	Asks if they have any issues with the work that the advertising agency did for SAIF.
334	Rocklin	Answers that a review indicated that SAIF could do some of the work internally and they also needed to develop an advertising

363	Sen. B. Starr	strategy. Asks if the issue is that new leadership at SAIF do not see past advertising practices as appropriate.
381	Rocklin	Responds that is correct.
388	Sen. Walker	Reviews a series of letters to the editor developed by the advertising agency.
404	Rocklin	Notes that while the letters were developed by the advertising agency, SAIF does not consider that to be "advertising."
<b>TAPE 20, B</b>		
013	Sen. Walker	Continues a review of past advertising strategies involving legislators.
023	Rocklin	States that there is a question of semantics as to what constitutes "advertising," and that they did address that strategy and want to move forward in a different direction.
034	Sen. Verger	Notes that these past practices seem to demonstrate a total disregard for the value of money.
049	Sen. George	Stresses that he is concerned that the paper trail between SAIF and advertisers will not be transparent to the public.
061	Rocklin	Responds that those are public records and are available to the public. Adds that there are some exceptions such as claimant files or employer account records.
076	Sen. George	Asks how we can be assured that an audit would be unbiased.
079	Rocklin	Answers that they will have outside auditors review group contracts.
096	Sen. Verger	Asks about the mutual consent clause contained with the Victory Group contract.
099	Rocklin	Responds that is not a standard contract clause but it was a "SAIF template."
107	Sen. Walker	Reviews the termination provision within a former Victory Group contract and asks if Cecil Tibbets approved this new language.
129	Rocklin	Refers to the termination paragraph now contained within the contract.
137	Sen. Rocklin	Asks about the two contracts for Mr. Goldschmidt and Mr. Campbell and why they were seen as good contracts to retain.
154	Rocklin	Summarizes a Department of Justice review of the contracts and what she assumed the lobbying efforts would entail.
165	Sen. Walker	Recaps past efforts to rectify public records issues with SAIF.
184	Rocklin	Concludes that there is nothing within the law that would preclude SAIF from using an outside lobbyist. Adds that, unlike other agencies, SAIF competes in the marketplace.
214	Chair Shields	Comments on SAIF lobbyist performance.
218	Sen. Walker	Asks about the model guidelines for lobbyists being developed and whether they conform to Department of Administrative Services model guidelines.
222	Rocklin	Responds that SAIF is currently operating within those guidelines.
233	Sen. Walker	Asks if this is an issue to be discussed with the present board rather than waiting until the full board is in place.
236	Rocklin	Answers that they will present the guidelines at the next board meeting.
239	Sen. Walker	Asks if there are other contracts that contain a mutual consent clause.
241	Rocklin	Answers that she was not able to find other contracts with this particular clause.

256	Sen. Verger	Asks how confidence can be restored in SAIF.
284	Rocklin	Responds that the problems were at the top and emphasizes that SAIF employees were doing a good job for Oregon's injured workers.
315	Rocklin	Discusses expectations for the top management within SAIF.
346	Rocklin	Stresses that the current board is providing appropriate oversight.
370	Sen. Verger	Asks for a summary of the backgrounds of the SAIF board members.
376	Rocklin	Summarizes the board member backgrounds.
414	Sen. George	Talks about a culture at SAIF which he described as "arrogant" and asks what assurances they would have that these past political campaigns would not be conducted in the future.
<b>TAPE 21, B</b>		
022	Rocklin	Responds that they are auditing the contracts to assure that these practices are not continued.
047	Sen. Walker	Asks about past SAIF board minutes and discussions involving the Associated Oregon Industries contract.
063	Rocklin	Answers that they are reviewing the contract and summarizes the negotiations.
086	Chair Shields	Notes that the discussions regarding the contracts may be altered based on public knowledge of SAIF practices with regard to contracts.
103	Rocklin	States that the SAIF board is concerned with payment for a magazine that contains such a large amount of political comment.
120	Chair Shields	Asks if these contracts have been analyzed to determine that the state is getting the most for the dollars invested.
136	Rocklin	Responds that an outside audit will make those determinations.
143	Sen. Verger	Notes that she would have an interest in whether they are putting these contracts out for competitive bidding.
150	Sen. George	Expresses concern over a state agency performing an editorial function, and wants assurances that undue influence on legislators won't be brought to bear in the future.
161	Rocklin	Answers that the agency would simply be an advertiser and would not control editorial content.
174	Sen. George	Reviews a past occurrence where advertising purchases were made to influence policy.
188	Rocklin	Assures the senator that is not the proper way to run an advertising campaign.
194	Sen. George	Asks whether the advertising emphasis will be on selling insurance.
196	Rocklin	Responds that they want to sell insurance and also want to inform Oregonians about SAIF.
214	Rocklin	Reviews diversity issues and cultural competence within SAIF.
240	Chair Shields	Comments on the failure to perform injured worker surveys in Spanish until recently.
261	Sen. George	Comments on some of the medical practices preferred by foreign workers.
275	Chair Shields	Reviews experiences with refugees from the former Soviet Union.
314	Sen. Walker	Expresses concern that SAIF executive salaries are "high," and asks how salaries are determined.
352	Rocklin	Responds with a summary of how salaries are set within SAIF. Adds that they are working with an outside company to look at compensation levels.

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Chair Shields

Closes the informational meeting and adjourns the meeting at 5:05 p.m.

**EXHIBIT SUMMARY**

**None Submitted**