

# SENATE COMMITTEE ON GENERAL GOVERNMENT

March 31, 2005  
3:10 P.M.

Hearing Room B  
Tapes 53 - 56

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

**MEMBER EXCUSED:** Sen. Vicki Walker

**STAFF PRESENT:** Judith Callens, Committee Administrator  
Linda K. Gatto, Committee Assistant

**MEASURES/ISSUES HEARD:**

SB 511 – Public Hearing  
SB 498 – Work Session  
SB 155 – Reconsideration and Work Session  
SB 156 – Reconsideration and Work Session  
SB 310 – Work Session – Invited Testimony  
SB 752 – Work Session – Invited Testimony  
SB 984 – Work Session – Invited Testimony  
SB 986 – Work Session – Invited Testimony

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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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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 53, A</b>		
005	Chair Shields	Calls the meeting to order at 3:12 p.m. Announces that SB 150 will be set over. Opens the public hearing on SB 511.
<b><u>SB 511 – PUBLIC HEARING</u></b>		
020	Judith Callens	Committee Administrator. Reviews the provisions of SB 511.
007	Sen. Ryan Deckert	Senate District 14. Submits and reviews prepared testimony in support of SB 511 ( <b>EXHIBIT A</b> ). Provides a background on the energy assistance program and proposed redirection of funds.
117	Jerralynn Ness	Executive Director, Community Action Washington County. Submits and reads prepared testimony in support of SB 511 ( <b>EXHIBIT B</b> ) which explains how the Community Action energy assistance program works.
200	Dana Galaxy	Community Action. Submits and reads prepared testimony in support of SB 511( <b>EXHIBIT D</b> ).
249	Chair Shields	Recesses the public hearing on SB 511 (see Tape 55, A #385). Opens the work session on SB 498.
<b><u>SB 498 – WORK SESSION</u></b>		
278	Judith Callens	Committee Administrator. Explains the provisions of SB 498 and reviews the changes in the -1 and -2 amendments ( <b>EXHIBIT E</b> ).
306	Chris Warner	Legislative Director for Governor Kulongoski. Submits a copy

of a letter from Governor Kulongoski to State Lottery Director Dale Penn (**EXHIBIT F**).

365 Sen. Verger Asks if there has been spot checking with businesses on what would be a fair return on investment.

372 Warner Responds the data is being looked over and the final recommendation is anticipated next week.

400 Sen. George Referring to (**EXHIBIT F**) asks why pass a bill telling them what to do when the Governor has confidence in them.

413 Warner Responds that he is not here to speak to the bill only to discuss the commission process and the Governor's input.

424 Chair Shields Affirms the testimony is to provide background.

434 Sen. George States when the lottery was passed it was for economic development. Asks what would be the impact if the amount was reduced.

443 Warner Responds that it is hopeful the commission will look at the data and to the retailers to maximize the revenue.

433 Chair Shields States that he spoke with Dale Penn earlier in the day. Reviews the proposals from the Lottery Commission, the Restaurant Association and Stand for Children.

**TAPE 54, A**

041 Chair Shields Asks are there any new pieces that can break the log jam.

051 Warner Responds that whatever decision is made someone will be unhappy.

073 Cathy Sansoni Advocate, Stand for Children. States that the children in Oregon schools are being short changed. Comments on the shorten number of school days, loss of crucial reading programs, buildings needing repair, and larger class sizes.

099 Dana Hepper Testifies in support of the 20% proposal on line games and 28% on video poker.

113 Chair Shields States that SB 498 will be heard again on Tuesday and voted on at that time. Comments that there is no "moral high ground" in gambling. Closes the public hearing on SB 498 and opens a work session on SB 155 for the purpose of reconsidering the previous vote.

**SB 155 RECONSIDERATION AND WORK SESSION**

149 Sen. George **MOTION: Moves to RECONSIDER the vote by which "SB 155 was moved to the floor with a DO PASS AS AMENDED recommendation" for the purpose of referring the measure to the Committee on Ways and Means.**

158 **VOTE: 3-0-2**  
**EXCUSED: 2 - Starr B., Walker**  
**Hearing no objection, declares the motion CARRIED.**

166 Chair Shields  
Sen. George **MOTION: Moves SB 155 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the Committee on Ways and Means.**

167 **VOTE: 3-0-2**  
**EXCUSED: 2 - Starr B., Walker**  
**Hearing no objection, declares the motion CARRIED.**

170 Chair Shields Closes the work session on SB 155 and opens a work session on SB 156 for the purpose of reconsidering the previous vote.

**SB 156 – RECONSIDERATION AND WORK SESSION**

171	Sen. George	<b>MOTION:</b> Moves to RECONSIDER the vote by which “SB 156 was moved to the floor with a DO PASS AS AMENDED recommendation” for the purpose of referring the measure to the Committee on Ways and Means.
177		<b>VOTE:</b> 3-0-2 <b>EXCUSED:</b> 2 - Starr B., Walker <b>Hearing no objection, declares the motion CARRIED.</b>
182	Chair Shields Sen. George	<b>MOTION:</b> Moves SB 155 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the Committee on Ways and Means.
184	Sen. B. Starr	Informs the committee of his intention to seek an opinion from Legislative Counsel regarding the constitutionality of the measure.
192		<b>VOTE:</b> 4-0-1 <b>EXCUSED:</b> 1 – Walker <b>Hearing no objection, declares the motion CARRIED.</b>
192	Chair Shields Chair Shields	Closes the work session on SB 156 and opens a work session on SB 310, SB 752, SB 984 and SB 986.

**SB 310, SB 752, SB 984, and SB 986 - WORK SESSION – INVITED TESTIMONY**

245	Brenda Rocklin	Interim President and CEO of SAIF Corporation. Submits prepared testimony ( <b>EXHIBIT G</b> ) in response to the testimony delivered by John DiLorenzo Jr., on March 29, 2005.
244	Rocklin	Addresses the committee stating that past appearances before the committee have been intended to provide pertinent information. Expresses disappointment that a discussion with Mr. DiLorenzo had not taken place prior to his testimony on Tuesday. Believes that many of the concerns raised during that testimony could have been addressed and are non-issues.
320	Rocklin	Begins reading testimony referring to Attachment 1 on page seven regarding the mysterious e-mail referenced in Mr. DiLorenzo’s testimony.
358	Chris Davie	Government Affairs Director, SAIF Corporation. Begins reading testimony regarding the renegotiation of the AOI contract ( <b>EXHIBIT G, Page 2</b> ).
400	Davie	Displays a stack of papers that represents the documents that were provided to Mr. DiLorenzo in January 2005. Refers to Attachment 3-3 ( <b>EXHIBIT G, Page 11</b> ).
450	Chair Shields	Asks where it indicates this is for new business.
456	Davie	Answers in the center of the page and continues to read testimony.
<b>TAPE 53, B</b>		
042	Rocklin	Begins with testimony regarding Auditing of Group Contracts ( <b>EXHIBIT F, Page 4</b> ). States that on February 15, 2005 she made a recommendation to Governor Kulongoski and to this committee that all SAIF’s group contracts should be audited over the coming year. Suggests that Associated Oregon Industries (AOI), Associated General Contractors (AGC) and Associated Oregon Loggers (AOL) address the concerns Mr. DiLorenzo raised regarding campaign contributions.
100	Rocklin	Concludes testimony discussing management and oversight of

		SAIF Corporation and states that SB 310 contains key general provisions.
106	Rocklin	Addresses Attachment 5 which relates to campaign contributions <b>(EXHIBIT F, Page 20)</b> .
113	Sen. George	Comments on e-mails as contracts. States he is disturbed by the choice of words used in response to legitimate concerns. Notes that he is concerned about continued lobbying.
134	Rocklin	Responds that many of the issues raised by Mr. DiLorenzo would be of concern on the face. States she believes that if Mr. DiLorenzo had talked to her she could have clarified those concerns.
154	Chair George	Confirms that Mr. DiLorenzo has had to go to court to get information.
157	Rocklin	Responds not since August 12, 2004.
156	Sen. Verger	States that Ms. Rocklin is defending people who have left the organization and believes that those people who made the decisions should be subpoenaed.
180	Chair Shields	Believes that the former executive would take the fifth amendment. Sen. Walker has suggested subpoenaing Mr. Thurber.
192	Sen. Verger	Responds that an individual that is requested to provide clarity and then takes the fifth amendment makes a non verbal statement.
221	Craig Honeyman	Executive Director, Associated General Contractors (AGC). Submits and reads prepared testimony on group workers' compensation program <b>(EXHIBIT H)</b> .
243	Chair Shields	Asks are they in a never ending cycle of contracts.
264	Jessica Harris - Adamson	Legislative Affairs Manager, AGC. Answers affirmatively.
266	Honeyman	Continues reading testimony regarding how money under the AGC group contract is spent <b>(EXHIBIT H, Page 2)</b> . Refers to the addendum showing the services provided by AGC <b>(EXHIBIT H, Page 10)</b> .
314	Harris-Adamson	Reviews the clarifications in the Partnership Services Addendum <b>(EXHIBIT H, Page 7)</b> .
307	Sen. B. Starr	Ask for a comparison of the contract with SAIF and the prior contract with Liberty.
337	Honeyman	Responds it was before his time as executive director but can say that the board switched to SAIF because of SAIF's focus on loss control, claims staff, providing return to work consultants and a less expensive premium.
357	Harris-Adamson	Adds that AGC has claims specialists that are specialized in the construction industry. The specific mention of safety services were not in the Liberty agreement.
381	Chair Shields	Refers to page two and the fuel costs. Requests information on the typical day of a loss control consultant.
395	Honeyman	Responds there are nine loss control consultants in a Ford Explorer SUV equipped with safety education materials.
421	Chair Shields	Asks what happens on unannounced visits.
422	Honeyman	Answers that they walk the job site and make notes on OSHA violations or potential hazards and consult with management about concerns and the services that AGC provides.
439	Sen. Verger	Asks if Ms. Harris-Adamson was involved in the contract negotiations.

460	Harris-Adamson	Answers no.
461	Sen. Verger	Asks if at any time AGC suspected that there were poor business practices.
479	Honeyman	Explains that he is not aware of anything in the current or prior administration that would cause concern.
<b>TAPE 54, B</b>		
035	Sen. B. Starr	Asks if the agreement with SAIF has been audited by an outside independent audit.
039	Honeyman	Responds that they have been audited and are open to and prepared to cooperate with an audit.
043	Sen. B. Starr	States that for AGC members this is a successful program. Asks how the relationship with SAIF would change if SAIF became a private company.
061	Harris-Adamson	Responds there has not been discussion with an actuary. Members are concerned about what would happen.
073	Sen. B. Starr	Responds that the reality is changes will happen anyway and no one knows how this will change relationships.
090	Chair Shields	Refers to the drop in claims frequency. Requests that he resume testimony summarizing response to specific allegations.
093	Honeyman	Continues with testimony; states that the board of directors and members are infuriated by the political allegations. Emphasizes that no monies are used for political purposes.
170	Honeyman	Concludes testimony in support of reasonable reforms to SAIF and SB 310.
208	Sen. George	Asks what part of SB 310, SB 752, and SB 984 will damage SAIF.
206	Harris-Adamson	Responds that SB 310 is positive bill to resolve credibility issues and AGC believes there needs to be transparency. Expresses concern that SB 984 would make SAIF the insurer of last resort. States that AGC does not have a position on SB 752. Explains why AGC opposes SB 986 which would eliminate group programs.
275	Richard Butrick	President and CEO, Associated Oregon Industries, (AOI). Submits and reads prepared testimony in response to Mr. DiLorenzo's testimony from Tuesday and with attached copies of documents related to political contributions, IRS forms, news articles and the text of Measure 38 ( <b>EXHIBIT I</b> ).
353	Butrick	Refers to the summary statement of contributions and expenditures filed by Oregonians for Accountability ( <b>EXHIBIT I, Page 8</b> ).
426	Butrick	Continues to read prepared testimony referring to an Oregonian news article ( <b>EXHIBIT I, Page 99</b> )
<b>TAPE 55, A</b>		
003	Butrick	Continues to read prepared testimony ( <b>EXHIBIT I, Page 6</b> ).
026	Chair Shields	Refers to page seven and inquires if Mr. Butrick is suggesting that the committee is wasting their time.
033	Butrick	Responds that he personally does not believe the suggested bills will improve SAIF, workers safety or the cost of doing business with SAIF.
036	Chair Shields	Asks if that includes SB 310.
037	Butrick	Answers that he supports SB 310 because it puts SAIF in the same position that other state agencies are in.
045	Chair Shields	Refers to the middle of page seven and states that it implies the committee is wasting time on the SAIF issue.

063	Butrick	Responds that his name was called out on the Tuesday and this affects the 23 people that work at AOI.
075	Chair Shields	Requests information on AOI.
081	Butrick	Responds that he has testified in detail before. States that in 1965 AOI carried the three-way system; without AOI Liberty Northwest and over 100 other insurance companies in Oregon would not be here.
101	Chair Shields	Comments on the nature of the testimony received.
104	Butrick	Responds that as Sen. B. Starr mentioned, legislative oversight will become part of the culture. Adds that understanding a \$400 million a year entity, with over 800 employees covering 30,000 to 40,000 employers plus their employees is not time wasted.
114	Sen. B. Starr	Asks if AOI has contracts with any other insurer.
123	Butrick	Answers affirmatively, the retail association had a contract with Liberty Northwest until 1991.
130	Sen. B. Starr	Asks has the group agreement with SAIF been audited in the past and is he concerned about it being audited in the future.
136	Butrick	Responds that he does not believe it has happened and he has no problem if it does happen.
152	Sen. George	Asks does he believe that in the past five years that the conduct by SAIF has been above board and in the public interest.
148	Butrick	Responds that his relationship with the former SAIF corporation was cordial, straight forward, and argumentative at times.
176	Sen. George	States these bills are for clarity, accountability, openness and fairness because this is a government entity.
190	Butrick	Responds it is the governor's responsibility to place board members with Senate confirmation.
214	Jim Geisinger	Associated Oregon Loggers, Inc. Submits prepared testimony in opposition to the provisions of SB 986 ( <b>EXHIBIT J</b> ). Discusses the services provided by the loss-control consultants. Comments on insurance cancellations ( <b>EXHIBIT J, Page 3</b> ) and concludes these are reasons why SAIF needs to remain. States support for SB 310.
360	Sen. B. Starr	Asks if his agreement with SAIF has ever been audited.
364	Geisinger	Responds there is a clause that SAIF can audit at any time. States he does not know if they have been audited prior to the renewal of their contract.
385	Chair Shields	Closes the public hearing on SB 310, SB 752, SB 984 and SB 986. Reconvenes the public hearing on SB 511.

**SB 511 – PUBLIC HEARING**

391	Julie Brandis	Executive Director AOI Foundation. Testifies in opposition to SB 511 because of sensitivity issues regarding the public purpose trust fund.
420	Ossie Rose	Representing Oregon Association of Education Service Districts (ESD). States that when the audits were done, long-term dept was entered into on the assumption these monies would continue to pay off the debt ( <b>EXHIBIT C</b> ).
463	Jeff Bissonnette	Fair and Clean Energy Coalition. States that SB 511 pits low income people against schools and it mixes two funds that were specifically designed for different purposes. Acknowledges the ultimate goal of SB 511 and suggests either SB 81 or SB 408 as a vehicle focusing on the low income bill pay assistance.

**TAPE 56, A**

029	Chair Shields	Suggests talking with Senator Deckert for compromises.
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037	Sen. Verger	States that the money is divided five ways and 10% is for energy conservation in schools. Asks what that includes besides audits.
046	Rose	Refers to the report <i>SB 1149 Positive Impacts</i> , and explains it includes HVAC systems, lights, whatever the audit recommends to save energy.
050	Sen. Verger	Asks are funds used for the projects.
053	Rose	Answers affirmatively.
055	Sen. Verger	States that the energy trust gets about \$50 million a year.
059	Bissonnette	Informs that the portion going to schools for the audits and support for the projects is about \$5 - \$6 million a year.
071	Sen. Verger	Comments that the bill states the audits are done and the money should be shifted to assist low income families.
083	Bissonnette	Replies the money was intended to support the audits and implement the audit recommendations over the ten year life span.
090	Vice Chair George	Asks have PCB Ballast (polychlorinated biphenyls) and digital controls updates been completed in the older buildings.
101	Rose	Answers no. States that in Portland 60% of the audits are complete and have projects started.
105	Vice Chair George	Asks if the remaining projects are funded.
106	Rose	Answers no. Expresses there is concern if the funding is withdrawn because the commitments have been made.
109	Bissonnette	States that the public purpose dollars are collected and spent in the service territories of Portland General Electric and Pacific Corp.
113	Vice Chair George	Clarifies the dollars must be spent in the school districts in those areas. Closes the public hearing on SB 511 and adjourns the meeting at 5:45 p.m.

## **EXHIBIT SUMMARY**

- A. **SB 511, prepared testimony, Senator Ryan Deckert, 2 pp**
- B. **SB 511, prepared testimony, Jerralynn Ness, 21 pp**
- C. **SB 511, Statewide report impact of SB 511, Ossie Rose,**
- D. **SB 511, prepared testimony, Dana Galaxy, 1 p**
- E. **SB 498, -1 and -2 amendments, staff, 2 pp**
- F. **SB 498, letter from Governor Kulongoski to Dale Penn, Chris Warner, 1 p**
- G. **SAIF, prepared testimony, Brenda Rocklin, 20 pp**
- H. **SAIF, prepared testimony, Craig Honeyman, 10 pp**
- I. **SAIF, prepared testimony and attached documents, Richard M. Butrick, 114, pp**
- J. **SB 986, prepared testimony and correspondence, Jim Geisinger, 4 pp**