

SENATE REVENUE COMMITTEE
MARCH 9, 2005 8:30 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Rick Metsger
Senator Charles Starr, Vice Chair

Members Excused: Senator Gary George
Senator Floyd Prozanski

Witnesses Present: Sen. Vicki Walker, District 7
Kate Richardson, State Treasurer's Office

Staff Present: Paul Warner, Legislative Revenue Officer
Mazen Malik, Economist
Barbara Guardino, Committee Assistant

TAPE 61, SIDE A

005 Chair Deckert Calls meeting to order at 8:35 a.m. Committee will move through Oregon Investment Council bills sponsored by Sen. Vicki Walker.

WORK SESSION, SB 302

014 Paul Warner Bill limits the number of terms members can serve on the Oregon Investment Council. Ensures minutes are available to the public.

021 Warner Committee discussed 3 potential amendments. Today there is only one, the 302-1 amendments (**EXHIBIT 1**). Deletes lines 43-45 on page 2 in Section 6. This deletes the monthly meetings requirement. The other 2 amendments have not been drafted.

056 Kate Richardson Comments, the proposed amendment to add the qualification for a PERS Board crossover member doesn't work. State Treasury will address this issue later.

062 Chair Deckert Does not oppose bill but is lukewarm. Is concerned that good people might be eliminated from serving as chair.

070 Sen. Vicki Walker Responds, in the council's past, lack of term limits led to concerns and resulted in loss of millions of dollars. Other advisory councils have term limits because power can corrupt.

119 Sen. Metsger **MOTION: MOVES ADOPTION OF SB 302-1.**

122 Chair Deckert **ORDER: THERE BEING NO OBJECTIONS THE CHAIR SO ORDERS.**
VOTE: 3-0-2
MEMBERS VOTING AYE: METSGER, C. STARR, CHAIR DECKERT
EXCUSED: PROZANSKI, GEORGE

- 124 Sen. Metsger **MOTION: MOVES SB 302 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**
- 126 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS.**
VOTE: 3-0-2
MEMBERS VOTING AYE: METSGER, C. STARR, CHAIR DECKERT
EXCUSED: PROZANSKI, GEORGE

PUBLIC HEARING, SB 718

- 129 Mazen Malik Gives overview of SB 718. Directs members of Oregon Investment Council to declare conflicts of interest in writing no later than one business day after discovering conflict. See Staff Measure Summary (**EXHIBIT 3**).
- 147 Malik Directs members' attention to Background for SB 718 (**EXHIBIT 4**). No revenue or fiscal impact.
- 154 Sen. Walker Testifies in support of SB 718. Diana Goldschmidt served on the OIC and there was a lengthy investigation regarding her decision to authorize an investment in Texas Pacific Group while her husband was being offered a job there. An investigation found a series of coincidences but no wrongdoing. Ms. Goldschmidt knew several days in advance that there would be a conflict of interest but didn't disclose it to the council. This led to embarrassment for the council and called into question their integrity. This bill imposes a 24-hour (one business day) notice of potential conflict of interest. SB 994 sponsored by State Treasury would require a 72-hour notice.
- 224 Sen. Metsger Asks why 24 hours is critical as opposed to 72 hours.
- 222 Sen. Walker Responds, the sooner the better.
- 243 Richardson State Treasury shares Sen. Walker's concern about conflict of interest. There is already a statute pertaining to conflict of interest. Conflict doesn't arise until there's an actual vote. That knowledge was not available to the staff in the Goldschmidt case. Had it been available, the committee would have taken different action. Also, no deals had been struck so there was no legal conflict of interest. This created perception problems, however.
- 288 Richardson Bill gives notification of the possibility of a potential conflict of interest. Because of that, Treasury is concerned about a 24-hour timeline. SB 994 allows 3 days, also a short timeline, but more reasonable than one business day. Also, the proposed \$1,000 civil penalty would be as severe as not disclosing at a vote.
- 345 Sen. Walker Understands Ms. Richardson's concerns, but does not think \$1,000 is a big penalty. Also, in the days of fax and e-mail, anyone can meet these timelines in writing.

PUBLIC HEARING, SB 994

- 375 Malik Gives overview of SB 994. Prohibits members of Oregon Investment

Council from certain partnerships (**EXHIBIT 5**). Covers partnerships with members and their spouses.

427 Richardson Speaks to Section 2 of SB 994. It attempts to address a situation that could arise. It is directed toward a member or spouse. Director of PERS and State Treasurer are listed separately. Treasurer wishes to delay this provision in the bill.

TAPE 62, SIDE A

045 Richardson There are protections in place for addressing conflicts of interest. Requests a delay of the delay bill. Requests amendments in Section 2. Also, is still interested in Section 3.

056 Sen. Metsger Questions Richardson concerning Section 2. What constitutes a partnership for OIC?

066 Richardson Explains, a general partner is the one who makes the investment. OIC is one of the limited partners. It can't make investments.

079 Sen. Metsger Follow-up questions on what constitutes a partnership.

099 Richardson Responds.

124 Chair Deckert Warns, the committee should be careful not to tie the hands of the state too dramatically on where it can invest.

131 Richardson Agrees. OIC does not have this exactly right. It could create more embarrassment. Current review is going to these types of issues. Would like to postpone bill to avoid exchanging one problem for another.

151 Sen. Walker Defers to Treasurer's Office on their judgment on Section 2. As Sen. Metsger pointed out, Section 2 could create potential problems. Still believes there should be a civil penalty. Is open to reasonable discussion.

191 Chair Deckert Thanks Sen. Walker for her work. She researched this issue well. Adjourns the meeting at 9:17 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 302, Proposed Amendments to Senate Bill 302, 3/7/05, Warner, 1 pp.
2. SB 302, Legislative Fiscal Office, Minimal Expenditure Impact Statement, 3/8/05, Warner, 1 pp.
3. SB 718, Staff Measure Summary, 3/9/05, Malik, 1 pp.
4. SB 718, Background for SB 718, 3/8/05, Malik, 2 pp.
5. SB 994, Staff Measure Summary, 3/9/05, Malik, 1 pp.
6. SB 841, SJR 29, SB 974, SJR 23, SJR 19, SJR 2, Reserve Fund Bills, revised 3/9/05, Warner, 1

pp.