

HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

January 16, 2001
8:30 am

Hearing Room D
Tapes 3 - 4

MEMBERS PRESENT: **Rep. Jerry Krummel, Chair**
 Rep. Chris Beck, Vice-Chair
 Rep. Patti Smith, Vice-Chair
 Rep. Alan Bates
 Rep. Alan Brown
 Rep. Bill Garrard
 Rep. Jim Hill
 Rep. Deborah Kafoury
 Rep. Jeff Kruse
 Rep. Carolyn Tomei

MEMBER EXCUSED: **Rep. Kelley Wirth**

STAFF PRESENT: **Matt Wingard, Committee Administrator**
 Patrick Brennan, Committee Assistant

MEASURE/ISSUES HEARD: **Overview of State-Owned Real Property-**
 Inventory, Surplus, Leasing, Disposal
 HB 2098 Public Hearing

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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
TAPE 3, A		
004	Chair Krummel	Calls the meeting to order at 8:31 a.m.
<u>OVERVIEW OF STATE-OWNED REAL PROPERTY-</u>		
<u>INVENTORY, SURPLUS, LEASING, DISPOSAL</u>		
024	Skip Morton	Manager, Property Distribution Centers, Department of Administrative Services (DAS). Explains the process by which the state sells surplus properties. Outlines the differences between the sale of federal and state properties. Indicates that the state charges a small service fee when processing properties for sale. Says that the equipment sold by the state varies widely and includes aircraft, food processing equipment, and other large items. Explains that more than 80 percent of the money raised by the sale of surplus property goes back to the agency from where the property originated. States that the program partners with local governments and acts as a central clearinghouse.
068	Morton	Says that state agencies and local governments are eligible for the program. Describes the requirements for how long property must be held and/or used by an agency before it can be sold. Comments on the attention that the program's auctions on www.ebay.com has received. Says that the auctions have resulted in state property being sent worldwide. Provides a definition of real property.
106	Rep. Garrard	Inquires who is liable for the property after it is sold.
111	Morton	Responds that the liability for state surplus property is handled

		by DAS Risk Management, which performs a review of each transaction to determine liability.
119	Rep. Kruse	Asks whether a department can simply sell its own surplus furniture.
124	Morton	Answers no and reiterates that all property sales must be performed by DAS Property Distribution. Clarifies that local governments are allowed to sell their own surplus property after a certain period of time.
131	Rep. Kruse	Requests clarification whether agencies sell surplus property to Property Distribution or whether they simply transfer it to them.
136	Morton	Compares the property transfer process to consignment until the item is sold, at which time the money earned becomes a source of revenue for the agency.
144	Rep. Kruse	Presumes that agencies replace surplus property such as desks immediately after they are transferred to DAS. Wonders how books become balanced when there is such an apparent disconnect between expense and revenue streams.
152	Morton	Replies that property acquisitions do not necessarily show up on agency documents, nor do agencies always receive the authority to make such expenditures.
164	Rep. Kruse	Asks if DAS Property Management deals with confiscated property and, if so, where the revenue generated by their sale is sent.
168	Morton	Replies affirmatively, adding that the revenue generated is sent to the agency that referred the property to DAS.
170	Rep. Brown	Asks how long an agency is required to hold federal property before it can be sold.
175	Morton	Answers that the time requirement depends on the size and value of the item.
180	Rep. Beck	Asks if DAS Property Management is responsible for the sale of land as well as property.
182	Morton	Clarifies that land is sold by another entity.
186	Rep. Kruse	Inquires as to the value of the current property inventory.
191	Morton	Estimates the inventory value at \$2 million.
195	Chair Krummel	Recalls a recent purchase of fire fighting helicopters and asks whether they are examples of property being brought into the state inventory.
207	Morton	Replies that the example offered by the chair is part of the Federal Excess Property Program and is a good example of state property that is acquired.
216	Rep. Bates	Says that federal agencies typically make sure to spend any surplus funds immediately prior to the end of the budget cycle. Asks if there are incentives to compel agencies to hold on to property as long as possible or not to spend their entire budgets.
236	Morton	Agrees that there is generally a flurry of agency spending near the end of each biennium, adding that it is perhaps speculation to say it is not legitimate spending.
267	Dave Wright	Business Services and Realty Manager, Oregon Department of Parks and Recreation (OPRD). Provides the committee with informational materials (EXHIBIT A). Describes the process by which the state disposes of real property. Says that most surplus lands held by the state is parks, for which OPRD developed a classification system years ago to sort properties. Says there is currently no surplus land, adding that OPRD would still consider

		selling or trading a portion of a park if doing so furthered the public interest. Indicates that previous sales have depleted the inventory of suitable park land. Explains that outside factors sometimes prohibit outright sale of land, such as is the case with those acquired as federal recreation lands.
306	Rep. Beck	Asks whether the submitted list is all-inclusive or whether there are other properties that could someday be disposed of.
314	Wright	Replies that the list is all-inclusive.
323	Rep. Garrard	Asks what determines whether a property is surplus. Wonders who might be interested in buying land already zoned as a park.
334	Wright	States that OPRD generally does not sell many excess properties, adding that only three have been sold in the 14 years he has been with the department. Indicates that he generally identifies properties that can be involved in the planning process. Says the state has a sale process for public auction that requires advertising and competitive bidding. Mentions that most state parks are not zoned specifically for use as a park.
371	Rep. Tomei	Inquires about leased properties.
374	Wright	Replies that several properties are on long-term lease from the federal government, including most reservoirs. Says that the Bureau of Reclamation typically selects a federal partner, such as the Army Corps of Engineers, to provide funds for upkeep.
TAPE 4, A		
002	Rep. Kruse	Asks how much of the Willamette River Greenway is considered riparian.
005	Wright	Replies that most of the greenway and all frontage for the Willamette River is riparian.
010	Rep. Kruse	Notes that the land is in use despite the fact that it is owned by the state.
013	Wright	Explains that the land is allowed to be used as farm land until such time that other uses are deemed appropriate. Indicates that most of the lands were acquired during the 1970s when federal funding was available. Says many leases have been terminated since then.
030	Rep. Kruse	Assumes that it is not the intention to turn the Willamette River into a park, but rather to ensure its integrity as a riparian zone. Wonders if termination of leases is a result of conditions in lease agreements.
038	Wright	Replies affirmatively, indicating that termination of a lease is generally in response to a tenant breaking a lease agreement. States that farmers are allowed to work land in return for being good stewards to it.
048	Rep. Kruse	Asks whether lessees are being held to higher standards than are other occupants of riparian lands.
052	Wright	Answers that in some cases they are held to higher standards, adding that farmers are typically willing to be good stewards of the land.
060	Rep. Kruse	Submits that there is no consensus on a definition of good management of riparian lands. Presumes that much of the property listed in the handout is undeveloped.
066	Wright	States that only a small percentage of the land is undeveloped.
070	Rep. Hill	Asks whether there is a program for creating parks in Washington County.
074	Wright	Replies affirmatively and describes the process by which parks

		are created.
077	Chair Krummel	Requests confirmation that lessees must follow the same rules that the state must follow.
086	Wright	Replies that the rules farmers who lease state land must follow are the same as all other farmers in the state on similar lands. Says the state works with lessees to help them meet standards. Mentions that federal funds are available for conservation plans. Clarifies that the tighter restrictions are on buffer zone lands for which the farmers do not pay rent.
101	Chair Krummel	Asks whether farmers have access to rivers that abut their land.
105	Wright	Replies affirmatively.
107	Chair Krummel	Asks whether a farmer could install a boat dock on such a river.
108	Wright	Replies they could not, as they would only be allowed to take actions that are consistent with farm practices.
120	John Wales	Statewide Facilities Coordinator, DAS. Submits written copies of testimony (EXHIBIT B). Describes the state inventory of surplus property. Says the state is both the largest landowner and tenant in the state, with 2.6 million acres of land and 16.6 million square feet of office space. Clarifies that much of the acreage is submerged land. Indicates that the Division of State Lands (DSL) has only recently begun tracking some of the land as part of the Capital Lands Advisory Board, which oversees long-term facility planning. Reviews guidelines for management, maintenance, repair, and long-range facility planning.
187	Rep. Hill	Inquires whether any calculations have been performed regarding the 6,000 parcels of land that will be used for road projects and right-of-way.
191	Wales	Replies that such information has been requested from the Oregon Department of Transportation (ODOT).
208	Rep. Hill	Asks if the parcels are considered surplus land for ODOT.
211	Wales	Clarifies that the responsibility for determining the proper use of state lands lies with the agency to which the lands are allocated. States that once lands are deemed unnecessary, the agency notifies DAS which then acts as a clearinghouse and provides notice to other agencies regarding the available land. Adds that if no other agency stakes a claim to the land it is put up for sale by competitive bid.
262	Wales	Clarifies that adequate notice must be provided at all stages. Indicates that requirements may be attached to the proceeds acquired through the sale of state lands, such as for reinvestment into the Common School Fund.
282	Rep. Hill	Asks whether state agencies holding surplus lands are in compliance with statute prohibiting them from holding more land than is necessary.
286	Wales	Responds that DAS does not perform oversight of agency use of lands.
296	Rep. Beck	Requests a list of properties not owned by ODOT or DSL. Inquires whether there is a list of potential surplus properties, such as Fairview in Salem, which can be distributed for the public.
314	Wales	Replies that there is no such list currently in existence, as DAS generally is made aware of the properties immediately before they are eligible for sale. Explains that the Fairview property has received media attention as a surplus property, as has the

		Dammasch Hospital in Wilsonville. Acknowledges that such a list could be created in theory.
334	Rep. Beck	Requests confirmation that there is no database of surplus properties.
343	Wales	Confirms that there is no such database, adding that agencies have requested that one be created.
359	Rep. Kruse	Opines that the term “surplus” is problematic, since such properties could be part of a long-range plan, such as a planned future expansion of a prison onto neighboring property. Asks whether sale of property automatically rolls into state facility fund. Inquires what constraints are placed on proceeds from sales.
393	Wales	Says that most agencies place restrictions on proceeds, though he does not have any specific examples.
TAPE 3, B		
004	Rep. Kruse	Comments on the diversity between agencies.
018	Chair Krummel	Wonders whether it is appropriate for DSL to hold on to property in the hopes that future re-zoning may increase its sale value.
025	Wales	Responds that DSL holds property for the purpose of increasing revenues and asset value. Assumes it would be a consistent and reasonable strategy to take advantage of value derived from re-zoning.
035	Chair Krummel	Offers a hypothetical example of holding on to property in hopes that its value will increase.
046	Wales	Asserts that the private sector does this and that it is a sound investment strategy.
052	Rep. Beck	Notes that the state may sell a property only to find out later that its value has increased significantly as a result of a re-zoning that it could have benefited the state, rather than the new owner of the land. Submits that agencies should review options for pursuing re-zoning prior to committing a property to sale as surplus.
077	Chair Krummel	Comments that DSL has been successful in postponing sale of parcels in the past.
090	Art Fish	Facilities Division, DAS. Distributes testimony and informational materials (EXHIBIT C). Discusses the process for dispensation of the Dammasch and Fairview properties. Considers the merits of reuse or demolition of the on-site facilities. States that both properties are unique and will require a great deal of creativity to redevelop. Indicates that both properties are currently surrounded by heavy residential development.
142	Fish	Reviews the dispensation of the Fairview property. Describes the process by which the facility is being mothballed. Says the state will work with the City of Salem to solve development challenges in hopes of increasing the value of the property and moving it into private development. Reviews the situation concerning the Dammasch property. Mentions that it was originally designated as a site for a women’s correctional facility. Mentions that Metro recently brought the entire area into the urban growth boundary. Refers to a web site listed in the materials.
197	Fish	Mentions that real estate experts have been brought in to help create the strategy for developing the property. Mentions that ODOT is preparing a study that has bearing regarding access to

the Interstate 5 corridor. Concludes that the property will soon be ready for transaction.

222 Rep. Hill Requests an estimate as to when the Dammasch property is likely to be sold.

224 Fish Replies that DAS hopes to transact on it by the end of 2001. Says that absent a sale, DAS would like to at least come to agreement on developing the property for when the deal finally closes.

237 Rep. Beck Asks whether leasing the property has been considered as an alternative to sale.

257 Fish Replies that leasing has not been considered as a long-term solution, but that that there has been some short-term leasing to intermediary tenants. Explains that DAS has been instructed specifically to sell the Dammasch property, adding that he is not certain about the Fairview property. Supposes that some of the buildings could have long-term uses, perhaps by nonprofit organizations.

285 Rep. Beck Asserts that if state government seeks to emulate private business it should consider common options such as leasing. Clarifies that he is not a proponent of leasing the property, but that he believes it should be considered as an option.

315 Fish Offers to consider the leasing option. Acknowledges that the state is not the best realtor, as it is not interested in taking capital risks, which is why agencies are typically compelled to looking at alternative uses of property before consenting to sale. Hypothesizes that the properties could be sold in smaller parcels. Opens a public hearing on HB 2098.

325 Chair Krummel

HB 2098 PUBLIC HEARING

330 Matt Wingard Committee Administrator. Gives a brief description of the bill. Says the measure extends the 9-1-1 telephone tax for an additional eight years. Indicates that testimony was submitted to staff for distribution to the committee members (**EXHIBIT D**). 9-1-1 Program Manager, Oregon State Police (OSP). Testifies in support of HB 2098 (**EXHIBIT E**). Describes the 9-1-1 service, its creation, development, and features. States that continuation of the tax is critical in allowing OSP to upgrade the system to accommodate wireless telephone users.

345 Ken Keim

TAPE 4, B

032 Rep. Hill Asks whether the program will be running a surplus this biennium.

036 Keim Replies affirmatively, estimating the surplus to be about \$10 million. Clarifies that that is an existing balance that will likely be utilized to accomplish the upgrades to the system.

039 Rep. Hill Wonders why 56 answering points are used.

042 Keim Responds that the number of asking points has actually been reduced to make the system more efficient. Says studies have been performed to allow for local control.

051 Rep. Hill Mentions that Umatilla County utilizes only four answering points. Asks how many answering points are in Washington County.

053 Keim States that Washington County uses two answering points. Says that the original program allowed for local control, which included a determination of what is the most feasible program for local areas.

059	Hasina Squires	Associated Public Safety Communication Officers, Inc. Testifies in support of HB 2098 (EXHIBIT F). Describes the system for emergency assistance that existed prior to the development of the 9-1-1 service. Says the first 9-1-1 service was implemented in Milton-Freewater, going statewide through legislation passed in 1979. Indicates that the program was controversial due to the lack of an adequate funding mechanism and lack of local government and business support. Mentions that the reporting system was mandated later, on the premise of local control. States that having a permanent funding source has spurred enhancement of the program.
097	Rep. Hill	Asks whether there is a statewide system spending plan detailing how revenues from the 8-year extension will be used. Asks if the tax will be used to fund operations as well as upgrade equipment.
108	Keim	Replies that statute and administrative rule provide direction for allocating the funds. Comments on the need to keep up with new technologies coming online. Reiterates that the system needs to be able to respond to anyone in need, even if they are calling from a wireless telephone. Mentions that current technology allows a caller's location to be pinpointed to within 70 meters but that in the future that will be improved to less than 10 feet.
131	Rep. Hill	Notes that the bill, if approved by the committee, will be sent to the Committee on Ways and Means for funding. Says he has no intention of opposing the 9-1-1 system but expresses hope that it will go forward in a coordinated manner. Asks when the improvements are scheduled to be completed.
146	Keim	Laments that fact that technology is in a constant state of flux means that the program must constantly adapt to new developments in telecommunication technology.
158	Larry Niswender	Analyst, Legislative Fiscal Office (LFO). Provides a fiscal analysis for HB 2098 (EXHIBIT G). Explains that some counties may be able to find more efficient ways to utilize dispatch services, as has been done in Hillsboro. Says that technology is creating a trend toward allowing greater consolidation of service. Suggests that the measure could be reviewed by the Senate Committee on Information Management and Technology (IMT) in the future. Indicates that OSP has a balance of \$31million for the 9-1-1 program. Describes how revenue is generated through the tax and sent down to the counties.
210	Niswender	Requests that this committee, the House Committee on School Funding and Tax Fairness/Revenue, and the Senate IMT Committee review HB 2098 prior to it entering the budgetary process.
262	Rep. Garrard	Asks if there is a process by which local governments can provide feedback on the use of the funds brought in through the 9-1-1 tax.
267	Niswender	Replies that such feedback is limited and irregular.
280	Rep. Bates	Mentions that he has utilized the 9-1-1 service extensively in his non-legislative career. Asks whether the tax is the sole funding mechanism for the program.
286	Niswender	Replies affirmatively, barring particular local funding programs.
294	Rep. Bates	Asks whether local governments provide funding.

298	Keim	Indicates that local governments provide, on average, about 75 percent of the funding necessary to run the program. Says he is unaware of any federal funding mechanism for the 9-1-1 program.
306	Rep. Bates	Wonders whether 75 cents per telephone line will be sufficient throughout the eight-year duration of the tax extension.
313	Keim	Replies that it appears to be sufficient at this time, adding that it will be reviewed in the future.
321	Rep. Bates	Presumes that the legislature could bring the issue back again in the future if additional funding becomes necessary.
331	Chair Krummel	Requests confirmation that the tax is applied to every single telephone line, even those dedicated solely for data transmission.
334	Keim	Clarifies that the charge is imposed on every line with flat business services, since telephone companies cannot be certain how a particular line is being utilized.
340	Chair Krummel	Says that even in residential areas there are a number of second telephone lines that are not in use as voice transmission lines. Wonders why Umatilla has four call distribution centers while Washington County has but two.
356	Keim	Replies that the discrepancy is primarily a matter of local control. Indicates that additional call centers do not warrant additional funding, as the funds are distributed on a per-capita basis.
382	Chair Krummel	Asks whether the program is fully funded.
385	Keim	Replies that local governments kick in a little extra to make up for shortfalls, but that the programs are sufficiently funded to get the job done.
407	Chair Krummel	Agrees with keeping a reserve fund but says that there should be no carryover when some services are insufficiently funded.
418	Keim	Indicates that the reserve funds are being used to upgrade to enhanced 9-1-1 service.
433	Chair Krummel	Requests a copy of the comprehensive report on the 9-1-1 system. Indicates that the complexity of the issue warrants that the committee bring HB 2098 back for additional consideration at a later time. Mentions that HB 2234 will also be brought back for a hearing at a later date. Adjourns the meeting at 10:20 a.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Matt Wingard,
Committee Administrator

EXHIBIT SUMMARY

- A – State-Owned Property, testimony, Dave Wright, 7 pp.**
- B – State-Owned Property, testimony, John Wales, 2 pp.**
- C – State-Owned Property, testimony and materials, Art Fish, 5 pp.**
- D – HB 2098, testimony, Kevin Campbell, 2 pp.**
- E – HB 2098, testimony, Ken Keim, 2 pp.**
- F – HB 2098, testimony, Hasina Squires, 13 pp.**

G – HB 2098, fiscal report, Larry Niswender, 7 pp.