

# HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

February 8, 2001  
8:30 AM

Hearing Room D  
Tapes 15 - 16

**MEMBERS PRESENT:**     **Rep. Jerry Krummel, Chair**  
                              **Rep. Chris Beck, Vice-Chair**  
                              **Rep. Patti Smith, Vice-Chair**  
                              **Rep. Bill Garrard**  
                              **Rep. Jim Hill**  
                              **Rep. Deborah Kafoury**  
                              **Rep. Jeff Kruse**  
                              **Rep. Steve March**  
                              **Rep. Carolyn Tomei**  
                              **Rep. Kelley Wirth**

**MEMBER EXCUSED:**     **Rep. Alan Brown**

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

**MEASURE/ISSUES HEARD:**     **HB 2117 Public Hearing**  
                                      **HB 2122 Public Hearing and Work Session**  
                                      **HB 2121 Work Session**  
                                      **HB 2119 Work Session**

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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 15, A</b>		
004	Chair Krummel	Calls the meeting to order at 8:42 a.m.
<b><u>HB 2117 PUBLIC HEARING</u></b>		
011	Matt Wingard	Committee Administrator. Gives a brief description of the bill. Says the bill requires the Oregon Investment Council (OIC) member who fills the position representing the Public Employees Retirement Board to be a member of the Public Employees Retirement System (PERS). Indicates that the measure requires OIC to follow board salary and reimbursement laws when compensating the PERS member of OIC.
022	Edwards	Oregon State Treasurer. Testifies in support of HB 2117. Provides background information regarding the role of the 11-member PERS Board, which the Governor appoints. Explains the membership requirements for OIC. Indicates that OIC is the fiduciary of the funds invested by PERS, which total approximately \$40 billion. Says     HB 2117 ties PERS investments to fiduciary laws that govern investment management.
065	Edwards	Indicates that the measure was brought forward by former-Treasurer Jim Hill. Explains how the bill changes the PERS Board membership appointment process. Acknowledges that there are amendments that will be proposed by a later witness and that he supports those amendments.
084	Rep. Tomei	Asks why the Governor should appoint the position.

087	Edwards	Replies that the Governor has traditionally made appointments to the entire board, so it makes sense to appoint the board member assigned to OIC as well.
094	Rep. Hill	Wonders if there is a problem that is resolved by HB 2117. Mentions that the Senate will still confirm the appointment as it does with most gubernatorial appointments.
106	Edwards	Reiterates that all PERS Board members are currently appointed by the Governor and confirmed by the Senate.
117	Rep. March	Notes that the measure compensates the members differently.
121	Edwards	Says he is uncertain whether PERS Board members are compensated, aside from per diem.
130	Rep. Beck	Comments that the committee should be provided a list of PERS Board and OIC members.
137	Edwards	Offers to provide the requested information.
140	Chair Krummel	Wonders how OIC will be different if the Governor is given the ability to appoint any PERS Board member to serve on it.
146	Edwards	Says there are currently three public members of the PERS Board, one of which must be appointed to serve on OIC. Explains that HB 2117 would remove the requirement that a public PERS Board member be appointed to serve on OIC. Asserts that the bill offers the Governor more discretion.
159	Rep. Garrard	Asks whether Treasurer Edwards supports the measure.
164	Edwards	Expresses support for the amendments that will be proposed. States that opening up the appointment process should not be problematic. Emphasized that the fiduciary requirements of OIC limit its actions.
175	Tricia Smith	Oregon School Employees Association (OSEA). Testifies in support of conceptual amendments ( <b>EXHIBIT A</b> ) to HB 2117. States that it is important that PERS members be represented on OIC, but that it is also important that all OIC members be properly qualified. Asserts that the conceptual amendments do not go far enough, as the Governor should not be restricted to PERS Board members when appointing OIC members.
226	Mary Botkin	Association of Federal, State, County, and Municipal Employees (AFSCME). Testifies in support of the proposed conceptual amendments to HB 2117. Indicates that statute refers only to compensation for expenses with regard to OIC members. Acknowledges the time demands of serving on OIC and the PERS Board. States that gubernatorial appointments make the most sense, as they are subject to Senate confirmation, which provides an appropriate amount of public oversight.
267	Rich Peppers	Oregon Public Employees Union (OPEU). Testifies in support of the proposed conceptual amendments to HB 2117 ( <b>EXHIBIT B</b> ). Echoes the comments of Ms. Smith and Ms. Botkin.
274	Beth Ann Darby	Oregon Education Association (OEA). Testifies in support of the proposed conceptual amendments to HB 2117. Asserts that the amended measure will allow the Governor to choose the best-qualified person to sit on OIC.
296	Steve Manton	City of Portland. Testifies in opposition to HB 2117 and the proposed conceptual amendments ( <b>EXHIBIT C</b> ). States that OIC functions well in its current configuration and should be allowed to continue doing so.
318	Chair Krummel	Requests confirmation that Mr. Manton opposes both the bill and the proposed amendments.

324	Manton	Explains that not all PERS Board members deal with finances. States that the best situation is to appoint to OIC a member of the private sector who can speak to the council's financial concerns.
346	Steve Lanning	American Federation of Labor-Congress on Industrial Organization (AFL-CIO). Testifies in support of the conceptual amendments to HB 2117 ( <b>EXHIBIT D</b> ). States that the measure will allow an active PERS member to have a voice on OIC.
368	Rep. Kafoury	Asks what problem HB 2117, as amended by the conceptual amendments, seeks to address.
370	Lanning	Replies that the amended bill will allow the Governor more flexibility in making appointments to OIC.
377	Rep. Kafoury	Inquires whether AFL-CIO has seen OIC as not reflecting the concerns of its members in the past.
382	Lanning	Emphasizes the importance of representation and says that while the measure would not require AFL-CIO representation on OIC, it would not prohibit it.
393	Chair Krummel	Asks whether it would be problematic if no action were taken.
400	Lanning	Reiterates a desire to see HB 2117 passed as amended by the conceptual amendments.
<b>TAPE 16, A</b>		
011	Chair Krummel	Closes the public hearing on HB 2117. Says that additional information and testimony should be received before action is taken on the bill.
017	Rep. Beck	Submits that a more compelling case must be presented for the committee to take action.
024	Rep. March	Comments on a possible change to the measure.
037	Chair Krummel	Opens a public hearing on HB 2122.
<b><u>HB 2122 PUBLIC HEARING</u></b>		
041	Randall Edwards	Oregon State Treasurer. Testifies in support of HB 2122 ( <b>EXHIBIT E</b> ). Explains that the bill is a housekeeping measure dealing with when and if refunding bond plans must be submitted to the State Treasurer.
071	Rep. Hill	Mentions that the -1 amendments have been submitted to the committee ( <b>EXHIBIT F</b> ).
075	Chuck Smith	Responds that the amendments deal primarily with school bonds. Explains that the state operates the State School Bond Guaranty Act, which allows school bonds to receive the state's AA bond rating. Mentions that the state will have \$800 million in bonds guaranteed by March 2001. Mentions that the -1 amendments allow extension of the payment period to reflect the maturity date of the bond.
117	Edwards	Recalls that the legislature created the State School Bond Guaranty Act in 1997 and that it has helped many school districts save money in interest payments. Notes that the ability of schools to borrow money would be hindered should the state's bond rating drop.
127	Rep. Kruse	Mentions that there have been several districts that have passed school bonds since the creation of the program. Inquires how many of those districts have applied for the program.
132	Edwards	Replies that virtually all school bonds are now run through the program.
140	Ken Armstrong	Seattle Northwest Securities. Testifies in support of the -1 amendments ( <b>EXHIBIT G</b> ) to HB 2122. Concurs that the bill is

a housekeeping measure, adding that the inclusion of the –1 amendments will take the place of another bill that would otherwise be forthcoming.

161 Chair Krummel

Closes the public hearing and opens a work session on HB 2122.

**HB 2122 WORK SESSION**

165 Rep. Hill

Points out that line 22 of the amendments direct deletion of the numeral “2” on line 29 of the bill, but says there are actually two such numerals. Asserts that the mistake is minor and is not likely to be problematic.

188 Rep. Kruse

Agrees that the error is a technical oversight and can be corrected by Legislative Counsel.

192 Rep. Kruse

**MOTION: Moves to ADOPT HB 2122-1 amendments dated 2/8/01.**

198 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

203 Chair Krummel

**MOTION: Moves HB 2122 to the floor with a DO PASS AS AMENDED recommendation.**

203 Rep. Kruse

208 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

210 Chair Krummel

**MOTION: Moves HB 2122 be placed on the Consent Calendar for floor consideration.**

210 Rep. Kruse

214 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

224 Chair Krummel

Closes the work session on HB 2122 and opens a work session on HB 2121.

**HB 2121 WORK SESSION**

228 Chair Krummel

Indicates that the –1 amendments (**EXHIBIT H**) were discussed in conceptual form during the committee meeting on February 6<sup>th</sup>.

235 Rep. Hill

**MOTION: Moves to ADOPT HB 2121-1 amendments dated 2/7/01.**

238 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

239 Chair Krummel

**MOTION: Moves HB 2121 to the floor with a DO PASS AS AMENDED recommendation.**

239 Rep. Hill

245 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

250 Chair Krummel

**MOTION: Moves HB 2121 be placed on the Consent Calendar for floor consideration.**

250 Rep. Tomei

257 **VOTE: 9-0-2**

**EXCUSED: 2 - Brown, Kafoury**

**Hearing no objection, declares the motion CARRIED.**

265 Chair Krummel

Closes the work session on HB 2121 and opens a work session on HB 2119.

**HB 2119 WORK SESSION**

268 Rep. Hill

Recalls that the committee wanted clarification as to why the public contracting laws were being circumvented.

280 Randall Edwards

Oregon State Treasurer.

284 Cynthia Burns Oregon Growth Account (OGA) Counsel, Attorney General’s Office. Explains that the purpose of changing the statutory references to public contracting rules is the role of the Treasurer in overseeing contracting rules. Mentions that there are also wage requirements, recycling requirements, and other language related to public improvement contracts that do not apply to the measure.

Due to a recording error, the recording on TAPE 16A ends at #325 and resumes on TAPE 15B.

**TAPE 15, B**

002 Burns Indicates that there is an additional measure moving through the process that will make the same exemptions for public improvement contracts.

013 Rep. Hill Requests an explanation of when and how earnings are calculated and declared available .

021 Burns Replies that there are several places in statute that reference that issue, including the portion relating to the Education Endowment Fund. Says it is unclear in some cases who is responsible for determining when and if earnings are available. Says HB 2119 makes the OGA board responsible for making the determination.

**046 Rep. Hill MOTION: Moves HB 2119 to the floor with a DO PASS recommendation.**

049 Rep. March Comments that some out-of-state companies may realize capital gains on Oregon investments but would not be required to pay Oregon state taxes.

056 Burns Responds that out-of-state companies pay taxes according to the laws of their home state. Acknowledges that there is some confusion as to how much is attributable to each state.

068 Edwards Reiterates that the point of HB 2119 is to help increase the amount of money flowing into the Education Endowment Fund and to boost venture capital investments in Oregon. Remarks that helping to create new Oregon businesses through venture capital investment will eventually lead to an increase in state tax revenues. Acknowledges the need to prevent OGA funds from ending up in other states.

087 Rep. March Asserts that the state should seek not only to boost venture capital investment in Oregon but also to entice venture capital firms to move here as well.

092 Edwards Compares OGA to a “pyramid scheme” in that it leverages money to put more in the hands of Oregon startup companies.

**104 VOTE: 9-0-2  
EXCUSED: 2 - Brown, Kafoury  
Chair Krummel Hearing no objection, declares the motion CARRIED.**

110 Chair Krummel **REP. MARCH will lead discussion on the floor.**  
Adjourns the meeting at 9:36 a.m.

Submitted By,

Reviewed By,

Patrick Brennan,  
Committee Assistant

Matt Wingard,  
Committee Administrator

## **EXHIBIT SUMMARY**

- A – HB 2117, hand-engrossed bill, Tricia Smith, 1 p.**
- B – HB 2117, testimony, Rich Peppers, 2 pp.**
- C – HB 2117, testimony, Steve Manton, 1 p.**
- D – HB 2117, testimony, Steve Lanning, 1 p.**
- E – HB 2122, testimony, Randall Edwards, 1 p.**
- F – HB 2122, -1 amendments, staff, 1 p.**
- G – HB 2122, proposed amendments, Ken Armstrong, 1 p.**
- H – HB 2121, -1 amendments, staff, 1 p.**