

HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

March 8, 2001
8:30 AM

Hearing Room D
Tapes 29 - 31

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

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

MEASURE/ISSUES HEARD: **HB 2856 Work Session**
 SB 387 Public Hearing and Work Session
 HJM 8 Public Hearing and Work Session
 HJM 7 Public Hearing and Work Session
 HJR 33 Public Hearing and Work Session

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 29, A		
004	Chair Krummel	Calls the meeting to order at 8:34 a.m. Opens a work session on HB 2856.
<u>HB 2856 WORK SESSION</u>		
010	Rep. Jackie Winters	House District 31. Testifies in support of HB 2856. Recalls the passage of HB 3509 (1999), which began the collection of unpaid debts. Comments that collection of unpaid money is critical at a time when the state faces budget shortfalls and cuts in necessary programs. Says HB 2856 will accelerate the debt collection process. Implores the committee to pass the measure. Notes that \$700 million has been collected thus far under HB 3509.
036	Rep. Hill	Remarks that giving away 35 percent of unpaid debts to collection fees makes it seem that the state is not trying hard enough to collect debts soon enough.
044	Rep. Winters	Replies that most agencies do not know how to collect debt effectively. Says the longer a debt sits the more un-collectible it becomes.
058	Rep. Hill	MOTION: Moves to ADOPT HB 2856-2 amendments (EXHIBIT A) dated 3/7/01.
060		VOTE: 9-0-2 EXCUSED: 2 - Kafoury, Wirth

066 Chair Krummel Rep. Hill **Hearing no objection, declares the motion CARRIED.**
MOTION: Moves HB 2856 to the floor with a DO PASS AS AMENDED recommendation.
075 **VOTE: 9-0-2**
EXCUSED: 2 - Kafoury, Wirth
Chair Krummel **Hearing no objection, declares the motion CARRIED.**
080 Chair Krummel **REP. WINTERS will lead discussion on the floor.**
Closes the work session on HB 2856 and opens a public hearing on HJM 7.

HJM 7 PUBLIC HEARING

083 Rep. Bruce Starr House District 3. Testifies in support of HJM 7 (**EXHIBIT B**). States that currently the United States has no ability to stop missiles from striking within its borders. Comments on the threat posed by terrorists and rogue nations, such as North Korea, Iran, and Iraq, all of which are thought to be developing nuclear weapons. Asserts that China and many of the former Soviet republics still pose a tangible threat. Notes that North Korea opposes American missile defense plans. Opines that the will to use weapons of mass destruction is much stronger now than it was during the Cold War, since no mutual deterrence exists in the current world.

128 Rep. Starr Explains that the purpose of a missile defense system is to destroy a small number of missiles launched by a rogue nation or terrorist organization. Mentions that the Patriot missile was used successfully during the Gulf War to knock down enemy missiles. Remarks that the bulk of the tests of the subsystems have been a success. Argues that the Anti-Ballistic Missile (ABM) Treaty of 1972 does not apply, as the Soviet Union no longer exists and the system is not designed to be a deterrent to Soviet forces. Dismisses the idea that the United States nuclear arsenal deters attacks by rogue nations, as dictators care little for the well being of their people. Indicates that many scenarios exist for missile launches against the United States. Says that President Bush's request is for \$2.6 billion and that the program would begin implementation no earlier than 2005.

164 Rep. March Comments that national missile defense cannot stop the more likely contingency of a weapon of mass destruction entering U.S. territory by truck or boat.

170 Rep. Starr Responds that is a different issue, one that is difficult to address in a free society such as the U.s.

177 Rep. March Requests confirmation that the program calls for the allocation of only \$2.6 billion during this budget cycle.

180 Rep. Starr Replies affirmatively.

181 Rep. March Asks if the money wouldn't be better spent on other programs.

184 Rep. Starr Answers that the current budget proposal is appropriate and that the percentage of the federal budget spent on defense is relatively insignificant as a percentage of the whole.

193 Rep. Wirth Wonders what impact implementation of a national missile defense may have on Oregon businesses and taxpayers.

205 Chair Krummel Closes the public hearing on HJM 7 and opens a public hearing on HJM 8.

HJM 8 PUBLIC HEARING

210	Rep. Starr	House District 3. Testifies in support of HJM 8 (EXHIBIT C). Reviews President Bush's four principles to Social Security (SS) reform: <ul style="list-style-type: none"> • Assure no changes in benefits for today's retirees or those nearing retirement • Assure benefits for today's retirees • Oppose any increase in payroll taxes • Oppose the government investing any of the SS Trust Fund in the stock market
260	Rep. Starr	Agrees that the current system should not be changed in a way that leaves out the existing seniors and retirees, but asserts that it is time to move the system forward in order to guarantee the system will remain viable for future generations
302	Rep. Wirth	Indicates she is concerned about how a downturn in the stock market might affect the health of Social Security if it is tied to market forces.
314	Rep. Starr	Replies that in the long-term the market invariably moves upward and provides excellent returns. Acknowledges that short-term investing is not always profitable.
326	Rep. Wirth	Wonders why there is a move to change from the low-risk investment strategy that has served Social Security well over the years.
342	Rep. Starr	Says the current investment strategy is low risk but provides negligible returns. Indicates that there are no actual accounts in which investment accrual is placed. Explains that President Bush's plan allows a small portion of each person's income to be placed into a personal account overseen by officials and put into moderate-risk investments. Asserts that the current system will not be able to withstand the retirement of the "Baby Boom" generation.
TAPE 30, A		
002	Rep. Wirth	Asks whether the Bush invests Social Security funds in a riskier manner than is done currently.
005	Rep. Starr	Opines that the current system is extremely risky, in that the entire system will likely become insolvent within 20 years. Argues that allowing individuals to invest part of what is taken out for Social Security will be beneficial to the program's health in the long run.
019	Rep. Kruse	Indicates he has supported the idea for a long time. Says a similar system has demonstrated success in Chile. Says he would make such a private investment if given the opportunity, as he is confident that he can invest better than the government can. Asserts that a three-percent return is unreasonably low. Agrees that Social Security in its current form cannot be a self-sustaining program in the long-term. Opines that the Bush plan does not go far enough.
035	Rep. Tomei	Asks if Rep. Starr has seen a recent article on the Bush Social Security plan printed in the Wall Street Journal (WSJ).
038	Rep. Starr	Replies he has not seen the WSJ article.
042	Chair Krummel	Mentions that not only as Congress not invested Social Security funds, but they have also spent them for other purposes.
046	Rep. Garrard	Wonders if there has been any discussion as to how large a

		percentage to allow to be invested.
050	Rep. Starr	Clarifies that the plan allows up to two percent of Social Security withholding to be invested in private individual accounts.
066	Chair Krummel	Closes the public hearing on HJM 8 and reopens the public hearing on HJM 7.
<u>HJM 7 PUBLIC HEARING</u>		
070	Sharon Scott	Salem. Testifies in opposition to HJM 7 (EXHIBIT D). Lists some of the human needs opportunity costs of implementing a missile defense system.
120	Scott	Decries the practice of spending billions of dollars on military budgets. Comments on the impact military budgets have on the federal budget. Mentions that the United States spends \$7.5 billion per year selling weapons to other countries. Notes that the US spends more on military purposes than do all its adversaries combined. Asserts that money would be better spent to ensure that people have food and clothing and shelter, especially those earning poverty wages and without health insurance.
173	Rep. Kruse	Suggests that Ms. Scott's outrage should be directed toward a Welfare system that wastes 75 percent of its budget on administrative costs.
182	Rep. Smith	Requests clarification as to how Ms. Scott defines 'poverty wage.'
186	Scott	Defines minimum wage as poverty wage.
189	Rep. Smith	Asks whether most of those without health insurance are unable or unwilling to pay for it.
191	Scott	Replies that most are unable to do so.
205	Michael Carrigan	Director, Oregon Peace Works. Testifies in opposition to HJM 7 (EXHIBIT E). Warns against a quick deployment decision. Points to a recent failed test of the system and asserts there are "numerous technical hurdles" to overcome before the system could be effective. Mentions that the most likely delivery systems for a nuclear weapon cannot be stopped by national missile defense. Asserts that the system violates the 1972 ABM Treaty.
264	Jay Penniman	Salem. Testifies in opposition to HJM 7 (EXHIBIT F). Lists possible alternatives to national missile defense for boosting national security. Reiterates that a missile shield cannot protect against low-tech delivery methods of nuclear, chemical, or biological weapons such as a ship, truck, or airplane.
320	Penniman	Asserts that the existence of a missile shields will make it more likely that one of these low-tech delivery methods will be used. Argues that attention should instead be paid to trade missions and other such ways to build mutual trust and economic interdependence. Suggests a memorial be passed to request that nuclear arsenals be taken from high alert and that stockpiles be reduced. Concludes that it is impossible to work for peace while preparing for war.
354	Rep. Garrard	Asks Mr. Penniman if there is a chance that he is wrong.
356	Penniman	Replies negatively.
366	Mary Autenrieth	Salem. Testifies in opposition to HJM 7 (EXHIBIT G). Objects to spending tax dollars on missile defense instead of improving health care and education

- 003 Leslie Brockelbank Salem. Testifies in opposition to HJM 7. States that Oregon does not need national missile defense. Calculates that the \$60 billion cost over 14 years, costs Oregon's 4th Congressional district \$108 million, which could be better spent in other ways. Asserts that Oregon has many other areas that need funding, including health care, infrastructure, education, and job opportunities. Argues that taking current weapons off high alert and opening disarmament dialogue is a better way to ensure national security. Suggests substituting peace initiatives for the development of high-tech weapons.
- 052 Ruth Duemler Salem. Testifies in opposition to HJM 7. Expresses disdain that missile defense is given higher priority than education, hungry children, homelessness, and widespread lack of health care. Opines that the nation's priorities are backward if it goes forward with national missile defense. Accuses the effort to promote national missile defense of being a form of corporate welfare. Mentions that the nation's largest export product is weapons. Concludes by saying that government should be for the people, not arms manufacturers.
- 078 Jacqueline Kinsey Salem. Testifies in opposition to HJM 7. Says Oregon's congressional delegation has the chance to take the lead in upholding the 1972 ABM treaty. Asserts that the United States is the most powerful nation in the world and therefore has the opportunity to move to new levels of sophisticated diplomacy, rather than continuing aggression through arms buildups.
- 100 Chair Krummel Thanks those who testified on the measure and indicates that the committee will not hold a work session on the measure at this time.
- 104 Rep. Beck Expresses appreciation for the testimony and says the issue will have a significant impact on national affairs.
- 126 Rep. Kruse Asserts that Oregon is doing its part to support education and health care, as 70 percent of the current budget is dedicated to those two areas.
- Additional testimony was submitted for the committee's consideration (**EXHIBIT H**).
- 136 Chair Krummel Closes the public hearing on HJM 7 and opens a public hearing on HJM 8.

HJM 8 PUBLIC HEARING

- 140 Charles Kurtz American Association of Retired Persons (AARP). Testifies in opposition to HJM 8 (**EXHIBIT I**). Agrees that fixing social security should be a national priority but says the plan put forth by President Bush is not well enough designed to either support or oppose. Notes that Social Security is the most popular federal program.
- 198 Rep. Garrard Asks whether AARP is taking an opposition stance to the Bush plan for social security reform as a national organization.
- 203 Kurtz Replies that nationally AARP has a clear idea of what to support with regard to reform efforts, but adds that the Bush proposal does not fit that idea.
- 217 Rep. March Requests clarification that the AARP opposition to the memorial is that the Bush plan lacks detail and fails to perform a detailed analysis of the entire system.
- 230 Kurtz Replies affirmatively.
- 235 Rep. Brown Says he is not concerned whether he will benefit from Social

		Security, but rather that his children won't. Asserts that some sort of reform is necessary if the program is to be secured for his children.
250	Rep. Smith	Requests a description of the types of reforms AARP would support.
259	Kurtz	Answers that AARP would like to see a plan that demonstrates an ability to maintain the solvency of the program. Suggests that the organization would also like to see a process of exploration into alternatives.
274	Rep. Smith	Asks whether supporting HJM 8 precludes other solutions or discussion of other possible solutions.
277	Kurtz	Replies affirmatively.
282	Rep. Garrard	Clarifies that HJM 8 merely states that the Oregon State Legislature supports the Bush plan for Social Security, not that the legislature would not support other plans.
290	Chair Krummel	Asks whether Medicare is considered an "anti-poverty" program.
308	Kurtz	Replies affirmatively, adding that Social Security is the most popular anti-poverty program in United States history.
314	Chair Krummel	Asks whether a person receiving \$970 per month from Social Security would still be considered to be living in poverty.
315	Kurtz	Responds that \$970 per month is better than no monthly income.
321	Steve Lanning	Oregon chapter, American Federation of Labor/Congress of Industrial Organization (AFL-CIO). Testifies in opposition to HJM 8 (EXHIBIT J) . States that the Bush reform plan threatens the security of retirement funds for millions of Americans. Explains that the money that would be allocated for private investment will not be available to pay benefits for current retirees. Asserts that privatized accounts will hurt women and minorities because the cutbacks will force reductions in family-based, disability, and children's benefits. Indicates that for many people Social Security provides half or more of their retirement income, in some cases all of it.
367	Chair Krummel	Mentions that AFL-CIO has a trust fund. Asks where the trust fund monies are invested.
372	Lanning	Answers that the AFL-CIO trust fund is invested primarily in projects that support workers, especially union workers.
385	Chair Krummel	Asks whether the trust fund is designed to help them when they retire or while they are working.
390	Lanning	Replies it is designed to do both.
TAPE 30, B 007	Chair Krummel	Wonders what the return rate is on the AFL-CIO trust fund investments. Presumes the trust fund has not been used for other purposes, as is the case with Social Security.
025	Rep. Smith	Says there are many who are not helped appreciably by Social Security.
034	Lanning	Remarks that there is a certain element of risk to market investment and that such losses would leave fewer resources available for distribution to Social Security recipients. Mentions that the national chapter of AFL-CIO is adamantly opposed to the Bush plan.
044	Rep. Tomei	Notes that Chile has a privatized retirement system that is considered a success.
060	Harold King	Northwest Oregon Labor Council, Northwest Oregon Retire Council. Testifies in opposition to HJM 8 (EXHIBIT K) .

		Indicates that he has made investments for his personal retirement that later became total losses. Notes that Federal Reserve Board Chairman Alan Greenspan has spoken out against Social Security investment in the stock market.
100	Rep. Smith	Notes that HJM 8 opposes investing the Social Security Trust Fund in the stock market.
111	Verna Porter	Oregon State Council of Senior Citizens. Testifies in opposition to HJM 8 (EXHIBIT L). States that she was born into poverty that resulted in the aftermath of the 1929 crash. Says Social Security has provided retirement security for older Americans that did not exist before the program was created. Asserts that many retirees are leery of changes and need to know the details when change is to occur. Wonders how the money taken out of the system to be invested privately will be replaced.
152	Rep. Kruse	Remarks that President Bush has assured that current recipients and those about to enter the system will continue to receive their benefits. Says he is not sure how the proposed two-percent reduction diverted to private investment will adversely affect the system as a whole.
160	Porter	Clarifies that her concern is for the long-term viability of the program. Acknowledges that change may be necessary.
166	Rep. Kruse	Assures that the money will still be available and that a two-percent reduction will not endanger funds to current recipients.
177	Porter	Asserts that the problem is one of supervision of the change. Says the proposed changes appear large and undefined.
184	Rep. Kruse	Assumes that the Social Security Administration should be able to make up the two percent by reducing its administrative overhead.
188	Rep. Garrard	Remarks that age has a great deal to do with the strategies people use to invest in the stock market. Says he does not believe that the Bush plan involves risky investment schemes and emphasizes that it is optional.
208	Sharon Scott	Testifies in opposition to HJM 8. States that the two-percent diversion to private accounts is a big deal because it is a first step toward privatization of the entire system. States that President Bush's four principles to Social Security reform involve investment of payroll tax, rather than government investment, but that the funds are still diverted into the stock market. Comments that many Americans still fear the market, especially those old enough to have lived through the crash of 1929 and other less drastic downturns. Asserts that stockbrokers stand to receive big gains from the plan. Mentions that Social Security is not just for retirees, but also for disabled persons and for families who lose income providers.
266	Rep. Kruse	Disagrees that the reform is the beginning of a "slippery slope" toward privatization of Social Security. Presumes that only if the proposed reforms result in positive gains that there will be an impetus to take the next step.
300	Scott	Responds that the federal government is more inclined to slippery slope legislation than the Oregon State Legislature.
310	Chair Krummel	Closes the public hearing on HJM 8 and opens a public hearing on HJR 33.

HJR 33 PUBLIC HEARING

314 Rep. Elaine Hopson

House District 2. Testifies in support of HJR 33.

325	Roger Tracy	Pacific City Chamber of Commerce. Testifies in support of HJR 33. States that tourism is an important part of the economy in many coastal areas., where the three traditional sources of income are timber, dairy, and fishing. Says that the timber industry has been depressed for a while, dairy farming is being hurt, and commercial fishing is hanging on by a thread. Comments that two alternative sources of income are the internet and tourism. Asserts it is relatively easy to get tourists to come to coastal areas during the summer but that the weather in winter hinders tourism. Indicates that Pacific City looked for something to bring in more people and discretionary income during the winter.
375	Tracy	Says the idea the Pacific City Chamber of Commerce up with is a pinochle tournament. Indicates that the tournament will be self-supported through entry fees, thereby eliminating the out-of-pocket cost for participating communities. Remarks that oftentimes when an idea proves successful in one community it is co-opted by others.
TAPE 31, A		
025	Tracy	States that Pacific City does not have the resources to protect the pinochle tournament idea from those who may wish to co-opt it, which is why the community has requested that the legislature designate Pacific City as “The Pinochle Capital of Oregon.”
038	Rep. Kruse	Recalls when Douglas County declared itself “Timber Capital of The United States of America.”
048	Rep. March	Notes that the –1 amendments (EXHIBIT M) may incorrectly imply that Pacific City is an incorporated city by referring to it as a city.
057	Rep. Brown	Appreciates the importance of tourism to coastal cities. Acknowledges that a significant portion of the economy there has been hit hard by changing patterns in the use of environmental resources. Says Lincoln City could be an overflow for satellite tournaments.
070	Tracy	Suggests that satellite tournaments could be held up and down the coast, with the winner of each winning a bid in the state tournament in Pacific City.
075	Rep. Kafoury	Expresses support for the idea.
077	Rep. Wirth	Wonders where pinochle games would be held.
080	Tracy	Replies that games will be held in various places, depending on the community. Clarifies that each community holding satellite tournaments would be required to follow a specific set of rules.
093	Rep. Hill	Concludes that HJR 33 does not achieve the goal of protecting a state pinochle tournament for Pacific City.
098	Tracy	Responds that Pacific City seeks only some level of official recognition by the legislature.
116	Chair Krummel	Asks that the committee take a close look at the –1 amendments and says the measure may be brought back for a hearing. Adjourns the meeting at 10:30 a.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Matt Wingard,
Committee Administrator

EXHIBIT SUMMARY

- A – HB 2856, -1 amendments, staff, 1 p.**
- B – HJM 7, testimony, Rep. Bruce Starr, 2 pp.**
- C – HJM 8, testimony, Rep. Bruce Starr, 2 pp.**
- D – HJM 7, testimony and informational materials, Sharon Scott, 14 pp.**
- E – HJM 7, testimony, Michael Carrigan, 4 pp.**
- F – HJM 7, testimony and informational materials, Jay Penniman, 16 pp.**
- G – HJM 7, testimony, Mary Autenrieth, 1 p.**
- H – HJM 7, testimony, Lynn Sims, 1 p.**
- I – HJM 8, testimony, Charles Kurtz, 2 pp.**
- J – HJM 8, testimony, Steve Lanning, 7 pp.**
- K – HJM 8, testimony, Harold King, 1 p.**
- L – HJM 8, testimony, Verna Porter, 1 p.**
- M – HJR 33, -1 amendments, Roger Tracy, 1 p.**