

HOUSE COMMITTEE ON AGENCY PERFORMANCE & OPERATIONS

March 2, 1999 Hearing Room E

8:30 a.m. Tapes 28 - 30

MEMBERS PRESENT: Rep. Jane Lokan, Chair

Rep. Kathy Lowe, Vice-Chair

Rep. Betsy Close

Rep. Dan Gardner

Rep. Tim Knopp

Rep. Jeff Kruse

Rep. Bob Montgomery

Rep. Kitty Piercy

STAFF PRESENT: Pat Zwick, Administrator

Susan M. Pettey, Administrative Support

MEASURE/ISSUES HEARD: Affordable Housing/Cooperative Ventures

HB 2053 Public Hearing and Work Session

HB 2023 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.

TAPE/#	Speaker	Comments
TAPE 28, A		
004	Chair Lokan	Opens meeting at 8:35 a.m., and opens informational meeting on affordable housing.
<u>INFORMATIONAL MEETING ON AFFORDABLE HOUSING</u>		
016	Lynn Schoessler	Deputy Director, Oregon Housing & Community Services (OHCS). Discusses cooperative ventures: <ul style="list-style-type: none">• Housing rehabilitation• Services enhancement at the local level; developing grants to ensure coordination.• Inter-departmental client coordination & exchange

		between computer systems
091	Chair Lokan	Asks about agency interaction.
096	Schoessler	Responds that state resources need to be used efficiently. Adds that coordination will provide integration of services.
111	Schoessler	Continues testimony about home ownership, and move toward self-sufficiency.
129	Chair Lokan	Asks what services are available to move clients into home ownership.
132	Schoessler	Provides an example of the Oregon Bank Association and other partners, having created some cost assistance funds. Describes unique program administered by OHCS.
162	Schoessler	Continues testimony about manufactured dwelling park financing. Expounds on the green building program.
184	Rep. Lowe	Asks if OHCS does research and development.
190	Schoessler	Responds that OHCS does little research and development.
198	Rep. Lowe	Asks if OHCS funds research.
201	Schoessler	Indicates that financing is available to builders interested in the green building program.
206	Rep. Close	Expresses an interest in the wood products industry, and asks if green building includes wood.
209	Schoessler	Responds affirmatively. Discusses senior housing development.
230	Chair Lokan	Asks if areas of need have been identified.
234	Schoessler	Replies yes. Gives the coast as an example, which is a retirement attraction where affordable housing is not available.
241	Rep. Montgomery	Asks for the definition of "senior" in the State of Oregon.

244	Schoessler	Indicates that senior designation is 58 and older, which is in conflict with federal statutes of 62 or 65, depending on circumstances. Continues testimony on cooperative ventures.
278	Schoessler	Discusses the Community Development Corporation (CDC) operating support. Gives an example of an Albany CDC, which received a \$6,000 grant several years ago, and is now worth \$6 million.
293	Schoessler	Explains the rental assurance guarantee to landlords, which provides a fresh start for persons with a poor rental history.
322	Schoessler	Addresses the Community Incentive Fund. Submits written testimony and summarizes (EXHIBIT A) . Discusses the policy statement. Describes uses of the Fund.
350	Schoessler	Continues testimony about the Community Incentive Fund.
383	Rep. Close	Asks what is a strategic infill site.
386	Schoessler	Cites a project example in downtown Portland.
414	Rep. Close	Asks if the government or the market system decides what will be built on a strategic infill site.
422	Schoessler	Indicates that it is the development commission's role to determine the highest and best use of all sites. Comments that zone and land use planning is local government's approval authority.
460	Rep. Piercy	Comments about business development incentives in Eugene to encourage growth in a weak economy.
TAPE 29, A		
054	Chair Lokan	Asks in what areas the Legislature can assist OHCS.
068	Schoessler	Highlights farm worker housing, manufactured park purchase by tenants, and statewide affordable housing. Stresses the importance of coordination of activities.
081	Chair Lokan	Speculates that legislation may not be necessary to make this happen.

084	Schoessler	Agrees with Chair Lokan. Indicates a need for budget support. Discusses median income relative to hourly wages (EXHIBITS B, C). Describes special projects (EXHIBIT D).
132	Schoessler	Discusses Section 8 subsidy and the monthly vacancy list. Explains the enterprise foundation.
178	Rep. Lowe	Asks about information sharing.
183	Schoessler	Replies it is at a level three and climbing. Discusses in-house database for information sharing.
214	Rep. Lowe	Asks if OHCD completed resource sharing, would that result in more efficient operations and savings to taxpayers.
224	Schoessler	Responds affirmatively. Points out the benefits of resource sharing.
244	Rep. Piercy	Asks for recommendations to reduce fragmentation of services.
253	Schoessler	Discusses administrative impairments in state and federal agencies.
273	Chair Lokan	Closes hearing on affordable housing, and opens public hearing on HB 2053.
<u>HB 2053 PUBLIC HEARING</u>		
288	Pat Zwick	Committee Administrator. Summarizes provisions of HB 2053.
313	John Lattimer	Director, Oregon Audits Division. Submits written testimony (EXHIBIT E). Explains business process improvements within the Audits Division, resulting in a quarter-million dollar savings.
374	Rep. Montgomery	Asks if the cost savings is in a biennium or a year.
378	Lattimer	Answers, a biennium. Discusses cost allocation of rolling average assessment to true-up audit costs. Notes that current biennial costs are unknown, so three years of average costs must be spread over the future for budgetary purposes.
391	Lattimer	Comments that the Audits Division must provide costs to agencies three years in advance, creating a huge

		dislocation of dollars among agencies. States that this bill removes the true-up requirement.
443	Chair Lokan	Asks about the previous audit system when an agency was billed for audit services.
454	Lattimer	Responds that the predecessor plan audited where dollars were, providing no opportunity to shift because of need. Gives an example of how HB 2053 would solve this problem.
483	Lattimer	Continues testimony in support of HB 2053.
TAPE 28, B		
060	Lattimer	Discusses risk-based auditing versus account-based auditing.
070	Rep. Close	Asks why the original legislation required the balancing of the audit cost in the assessment.
074	Lattimer	Responds that he is uncertain. Speculates that the original legislation is a residual of viewing auditing as an agency-specific task rather than looking at state government as a whole. Comments on bond ratings.
094	Keith Crawford	Keith Crawford & Associates. Speaks in support of HB 2053. Describes necessity of the true-up feature in HB 2053. Addresses wide fluctuations. Defines true-up as reconciliation.
119	Chair Lokan	Asks Mr. Lattimer to describe how the true-up concept applies to state agencies.
125	Lattimer	Describes Audits Division estimate of costs for budgetary purposes, resulting in true-up.
169	Crawford	Discusses difficulties with the reconciliation process and inability to balance. Explains agency efforts to simplify. Describes various programs that were considered. Discusses the model related to risk, which has no wide fluctuations. Explains time reduction in administrative time to service audits.
210	Crawford	Continues testimony in support of HB 2053. Discusses the reconciliation process and cost allocation for work actually performed.

238	Dave Hughes	Consultant. Indicates that the true-up is an Audits Division global amount, not an agency-by-agency overage or underage. Claims that agencies will not experience wide budgetary shocks under HB 2053 as with the current system.
258	Chair Lokan	Asks if HB 2053 passes, when would it affect the audit procedure.
260	Lattimer	Replies that the Audits Division would like it in place next biennium. Adds if that is not possible, Audits would like the new allocation in place in the 2001-2003 biennium. Prefers that HB 2053 apply next biennium, removing the reconciliation requirement.
292	Chair Lokan	Addresses the risk-assessment process. Asks if the Audits Division decides which agencies are the highest risk and proceeds with those first.
301	Lattimer	Discusses constitutional duty to audit all state agencies. Describes the risk-assessment process and statewide internal-auditor program.
321	Rep. Kruse	Asks why the Audits Division's preferred effective date is not indicated in HB 2053.
326	Lattimer	Answers that he did not notice that oversight until after introduction. Prefers that the true-up feature be implemented this biennium.
350	Rep. Montgomery	Asks for an explanation of a low-risk board.
355	Lattimer	Describes risk as a matter of degree. Defines it as the probability that something might go wrong, i.e., loss of cash, a program not meeting goals, or employee misconduct. Discusses standard factors that auditors review.
397	John Radford	Administrator, State Controller's Division, Department of Administrative Services. Speaks in support of HB 2053.
443	Radford	Addresses the benefits of the cost-allocation plan. Describes transition period difficulties.
447	Joan Hader	Administrator, Fiscal Office, Department of Consumer and Business Services (DCBS). Takes neutral position on HB 2053. Comments that HB 2053 would increase DCBS audit

		costs by \$108,000. Indicates DCBS must go to the committee on Ways & Means and request an adjustment. States that overall, HB 2053 is a good plan.
468	Chair Lokan	Asks if an adjustment would be a problem this biennium.
471	Hader	Hopes that the Ways & Means Committee would increase DCBS budget.
479	Rep. Montgomery	Asks how much is the DCBS budget.
483	Hader	Indicates that the agency operating budget is \$170 million, with reserves.
TAPE 29, B		
055	Chair Lokan	Invites Mr. Lattimer to expand on other agency response to HB 2053.
068	Lattimer	Describes general fund problems relating to other agencies. Plans on doing an analysis, and contacting the Legislative Fiscal Office (LFO) to discuss putting money in the budgets in the proper amount this biennium or next biennium.
091	Rep. Montgomery	Asks if HB 2053 would assist the legislative body in understanding how the money is spent.
095	Lattimer	Answers yes. Explains reporting requirements.
101	Rep. Montgomery	Emphasizes the importance of members knowing how money is being spent.
106	Chair Lokan	Closes public hearing on HB 2053, and opens work session.
<u>HB 2053 WORK SESSION</u>		
108	Rep. Kruse	MOTION: Moves to AMEND HB 2053 on page 1, line 24, by deleting the blank and inserting "1999".
		VOTE: 8-0

120	Chair Lokan	Hearing no objection, declares the motion CARRIED.
125	Rep. Kruse	MOTION: Moves HB 2053 to the floor with a DO PASS AS CONCEPTUALLY AMENDED recommendation.
		VOTE: 8-0 AYE: In a roll call vote, all members present vote Aye.
140	Chair Lokan	The motion CARRIES. REP. MONTGOMERY will lead discussion on the floor.
143	Chair Lokan	Closes work session on HB 2053, and opens public hearing on HB 2023.
<u>HB 2023 PUBLIC HEARING</u>		
155	Lattimer	Speaks in support of HB 2023. Talks about the Municipal Audit Law (MAL), which establishes a framework for financial accountability at the local level. Explains that that MAL program has not increased fees for 22 years. Claims that the Secretary of State intends to increase fees by as much as 50 percent if HB 2023 passes.
200	Lattimer	Explains that HB 2023 deletes the statutory schedule of filing fees paid by municipal corporations when their annual reports are filed with the Secretary of State. Discusses problems and solutions.
244	Lattimer	Explains that the current fee structure averages \$140,000 per year in filing fees, which is no longer adequate to support a staffing level of 2.5 FTE (EXHIBIT F, pg. 2).
286	Phil Hopkins	Audit Administrator, Audits Division, Secretary of State. Speaks in support of HB 2023. Describes working partnerships with 350 municipal auditors. Discusses centralized accountability. Receives 1,000 phone calls a year regarding audit reports. Describes interaction with CPA firms and governmental auditors.

323	Rep. Montgomery	Asks if municipal auditors are all private enterprise rather than state employees.
328	Hopkins	Responds affirmatively.
333	Rep. Montgomery	Recognizes the cost increase under HB 2023. Comments that audits are the only way to assure that money at the local government level is spent properly.
341	Rep. Close	Comments that the program is excellent. Asks why filing fees should be set by administrative rule.
348	Lattimer	Responds that the reason is flexibility. Describes the process of changing the statute regarding fee changes.
363	Rep. Close	Comments that administrative rules are so numerous that review is difficult.
372	Lattimer	Answers that this is a separate requirement that deals with fees.
384	Chair Lokan	Asks if many fees are established by administrative rule in state government.
388	Lattimer	Answers yes. Provides an example of school district audits.
421	Paul Snider	Association of Oregon Counties (AOC). Takes neutral position on HB 2023. Speaks about Ballot Measure 30, adopted in 1995.
TAPE 30, A		
022	Snider	Addresses fee increases. States that audits are conducted by private firms. Agrees with comments made by Rep. Close, and the need for legislative oversight.
043	Linda Ludwig	League of Oregon Cities (LOC). Speaks in support of fee increases under HB 2023. Explains that LOC would prefer oversight by a neutral party and fee setting by statutory authority rather than administrative rule.
059	Chair Lokan	Asks if LOC supports legislative oversight as a neutral party.
069	Ludwig	Recommends that the Secretary of State be required to provide review

		criteria, so that municipalities know what they are paying for.
073	Rep. Knopp	Comments that, as elected representatives of taxpayers, the committee is not neutral. Wants clarification of LOC position on HB 2023.
078	Ludwig	Expresses concern with the change of fee setting from statute to administrative rule.
085	Rep. Knopp	Opines that LOC is in opposition to HB 2023 as introduced.
091	Ludwig	Suggests an amendment that would increase fees, but leave the current process in place.
093	Snider	Suggests a statutory fee adjustment for smaller municipalities.
116	John Marshall	Oregon School Boards Association (OSBA). Speaks in support of HB 2023. Discusses interim activities with the Secretary of State regarding audit functions. Addresses school district audits.
166	Chair Lokan	Closes public hearing on HB 2023. Adjourns meeting at 10:40 a.m.

Submitted By, Reviewed By,

Susan M. Pettey, Pat Zwick,
Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Affordable Housing, document, Lynn Schoessler, 2 pp.

B ñ Affordable Housing, document, Lynn Schoessler, 4 pp.

C ñ Affordable Housing, document, Lynn Schoessler, 1 p.

D - Affordable Housing, document, Lynn Schoessler, 2 pp.

E ñ HB 2053, written testimony, John Lattimer, 3 pp.

F ñ HB 2023, written testimony, John Lattimer, 6 pp.