

## HOUSE COMMITTEE ON GENERAL GOVERNMENT

March 18, 1999 Hearing Room D

1:15 p .m. Tapes 44 - 46

**MEMBERS PRESENT:** Rep. Carl Wilson, Chair

Rep. Jason Atkinson, Vice-Chair

Rep. Chris Beck, Vice-Chair

Rep. Jo Ann Bowman

Rep. Ryan Deckert

Rep. Steve Harper

Rep. Bruce Starr

Rep. Ron Sunseri

Rep. Terry Thompson

**STAFF PRESENT:** Cara Filsinger, Administrator

Faye D. Trupka, Administrative Support

**MEASURE/ISSUES HEARD:** SB 564 Public Hearing and Work Session

HB 2964 Public Hearing

HB 2331 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 44, A		

004	Chair Wilson	Opens meeting at 1:18 p.m. and opens public hearing on SB 564.
<b><u>SB 564 PUBLIC HEARING</u></b>		
007	Greg Chaimov	Legislative Counsel. Explains SB 564 and SB 564-2 amendments.
050	Rep. Bowman	Asks about the reference to HB 2379 and HB 2451 and if these are in process this session.
055	Chaimov	Replies the House has passed both bills and they are currently in the Senate.
060	Rep. Bowman	Asks if SB 564-2 amendments are a proactive move.
065	Chaimov	Replies yes.
067	Chair Wilson	Closes public hearing on SB 564 and opens work session on SB 564.
<b><u>SB 564 WORK SESSION</u></b>		
085	Rep. Bowman	<b>MOTION: Moves to ADOPT SB 564-2 amendments dated 3/16/99.</b>
		<b>VOTE: 7-2</b>  <b>AYE: 7 - Atkinson, Beck, Bowman, Harper, Sunseri, Thompson, Wilson</b>  <b>EXCUSED: 2 - Deckert, Starr</b>
	Chair Wilson	<b>The motion Carries.</b>
090	Rep. Bowman	<b>MOTION: Moves SB 564 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 8-0</b>  <b>AYE: 8 - Atkinson, Beck, Bowman, Harper, Starr, Sunseri, Thompson, Wilson</b>

		<b>EXCUSED: 1 - Deckert</b>
	<b>Chair Wilson</b>	<p><b>The motion Carries.</b></p> <p><b>REP. DECKERT will lead discussion on the floor.</b></p>
100	Chair Wilson	Closes work session on SB 564 and opens public hearing on HB 2964.
<b><u>HB 2964 PUBLIC HEARING</u></b>		
103	Cara Filsinger	Administrator. Explains HB 2964.
105	George H. Savord	Illinois Valley Aviation, Inc. Supports HB 2964 <b>(EXHIBIT A)</b> .
110	Rep. Carl Wilson	Representative, House District 49. Explains HB 2964. Testifies in support of HB 2964.
122	Savord	Describes airport history. Explains fueling technique of bottom loading from fuel truck to the airplane.
180	Savord	Explains effect of order from the State Fire Marshal.
230	Savord	States that airports in Lebanon, Albany, Aurora and Illinois Valley are impacted by the State Fire Marshal's edict.
245	Rep. Sunseri	Asks if he has a 5,000 foot runway.
250	Savord	Replies yes.
253	Rep. Sunseri	Asks if Savord is pumping av-gas and jet fuel.
260	Savord	Replies that he is pumping just av-gas.
315	Roger Severson	Deputy, Oregon State Fire Marshal. Explains the State Fire Marshal is concerned for the safety of those who would be impacted by the passage of HB 2964 <b>(EXHIBIT B)</b> . Agrees there is language in the Oregon fire code which needs to be updated.

375	Rep. Bowman	Asks if the legislature or local government should make changes to address these issues.
384	Severson	States that the fire code is adopted by administrative rule.
406	Rep. Bowman	Asks if the issue is one of overfill.
411	Severson	Replies yes and states fire safety is a concern.
421	Rep. Bowman	Asks if a license is needed to fuel aircraft.
428	Severson	Explains fire code regulation regarding training.
433	Rep. Thompson	Asks the reason for the fewer than 25,000 population provision.
<b>TAPE 45, A</b>		
012	Severson	Replies he has no response.
014	Chair Wilson	Explains that 25,000 is an arbitrary population limit to address small airports.
021	Rep. Thompson	Asks if static electricity can cause a fire during fueling.
029	Severson	Replies that is part of the overall concern in fuel transfer.
036	Chair Wilson	Asks about accident statistics.
039	Severson	Explains that no records are available on truck-to-truck transfer accidents.
043	Chair Wilson	Asks why there have been no problems with this operation.
044	Severson	Explains he does not have an answer.
048	Harold Haugen	Josephine County Board of Commissioners. Supports HB 2964. Gives brief history of airport.
060	Rep. Bowman	Asks if county has a plan to develop underground tanks.
064	Haugen	Replies that none are planned for below ground. Explains that above ground tanks are being explored.

072	Bowman	Asks about the time line for completion.
073	Haugen	Responds that the county has not set a time line.
078	Chair Wilson	Asks for information about people involved in fueling, what training they have had and why there have been no accidents.
083	Savord	Replies that he received his training in the Army. Details his background in aviation and fueling. Explains that bottom loading equipment is self-contained.
121	Rep. Beck	Asks if a truck can be taken outside of the airport to be fueled.
130	Savord	Explains that other stations are not set up to handle airplane fuel.
140	Rep. Beck	Asks why the truck that is used for refueling at the airport could not be taken to an off-site fueling station.
143	Savord	Replies there is a fuel depot in Cave Junction, but it does not carry aviation gas.
144	Rep. Beck	Asks if the design of the truck creates the problem.
150	Savord	States there is nothing that would prevent him from driving the truck to another depot. Comments that he probably could not get a commercial license to drive the truck.
156	Rep. Beck	Asks for clarification of bottom loading.
160	Savord	Replies that bottom loading is safer than top loading.
165	Rep. Beck	Asks if the bottom loading aspect is the problem.
170	Savord	Replies no.
175	Chair Wilson	Closes public hearing on HB 2964 and opens public hearing on HB 2331.
<b><u>HB 2331 PUBLIC HEARING</u></b>		
180	Filsinger	Explains HB 2331.
185	Rep. Barbara Ross	Representative, House District 35. Supports HB 2331 ( <b>EXHIBIT C</b> ). States that HB 2331 directs the State Treasurer to instruct its money managers to dispose of

		tobacco stocks in a fiscally prudent manner. Explains error in HB 2331-2 amendments.
221	Rep. Thompson	Asks for clarification of 15% and 51%.
225	Rep. Ross	Explains that HB 2331-2 amendments, page 3, line 16 should read 51%.
227	Rep. Thompson	Asks if line 19 stays at 15%.
232	Rep. Ross	Replies yes.
234	Rep. Al King	Representative, House District 44. Supports HB 2331. Explains the 51% in HB 2331-2 amendments. States there is \$55.7 million invested in the tobacco industry.
283	Rep. King	Comments that if \$1.3 million worth of tobacco stock were to be sold at the same time that it would drive down the value of the shares by several dollars. States that the commission costs to sell these shares is not significant. Says that HB 2331 has the ability to spread the sales of these shares over a long period of time.
336	Rep. Thompson	Asks about the revenue impact statement and if Rep. King has seen it.
341	Rep. King	Replies yes.
351	Rep. Thompson	States that the amount concerns him.
364	Rep. King	Suggests that the \$19 million is not a valid estimate.
380	Rep. Thompson	Asks how many tobacco companies would this affect.
386	Rep. King	Replies there are four major tobacco companies in the United States.
389	Rep. Thompson	States that R. J. Reynolds makes numerous products. States that it would be very difficult to track if it meets the 15% criteria.
399	Rep. King	Explains that research analysts are accurate with their data.
<b>TAPE 44, B</b>		
004	Chair Wilson	Asks if advertising companies are marketing tobacco.

009	Rep. King	Replies that tobacco companies pay for major marketing contracts. States that several advertising outlets are inaccessible to tobacco companies.
018	Rep. Bowman	Asks about South African divestment legislation and if Rep. Ross would compare the two pieces of legislation.
022	Rep. Ross	Replies that the South African divestment bill was more strict. Says that tobacco products are damaging a portion of the population and the state has a responsibility to take care of health care costs that are tobacco related.
048	Rep. Bowman	Asks about the mixed messages sent to the public regarding tobacco policies.
056	Rep. Ross	Replies HB 2331 was introduced to assist in creating a more consistent state policy.
059	Rep. Sunseri	States concern about precedence established with government affecting the marketplace.
071	Rep. Ross	Explains that the State of Oregon suffers directly from the cost of health care.
084	Rep. Thompson	States the biggest single cause of health problems is overeating. Asks if that means the legislature should make grocery stores illegal.
092	Rep. Ross	Responds.
097	Rep. Thompson	States that it is the same kind of argument.
099	Rep. Ross	States that it is a values issue.
101	Rep. Thompson	States that reducing the investment in a multi-food corporation is not the answer to get people to quit smoking.
109	Rep. Kitty Piercy	Representative, House District 39. Supports HB 2331. States that the health and social policy of the State of Oregon should connect with the way funds are invested.
137	Rep. Bowman	Asks how much money is currently being spent on tobacco education.
143	Rep. Ross	Responds she does not know.
144	Rep. Sunseri	Replies that what Rep. Piercy said should be a function of self-government and not civil government.

146	Rep. Piercy	Explains that it is where the two come together.
148	Rep. Deckert	Explains the fear of developing a list of approved companies with which the State of Oregon can invest.
155	Rep. Piercy	Responds to comment.
159	Rep. Atkinson	States concerns about limiting investments to specific products.
199	Rep. Ross	Replies that there are several people here to testify who might be able to address Rep. Atkinson's concerns.
212	Mari Anne Gest	Legislative and Public Affairs, Oregon State Treasury. Supports HB 2331. Reads written testimony <b>(EXHIBIT D)</b> .
262	Gest	Continues reading from written testimony.
300	Chair Wilson	Asks if the problem of tobacco disinvestment is developing on its own.
304	Gest	Responds yes.
309	Dan Smith	Investment Division, Oregon State Treasury. Explains changes in tobacco investments over the past three years.
316	Rep. Atkinson	Asks if the state invests in Bethlehem Steel.
322	Smith	Replies yes.
323	Rep. Atkinson	Asks if the investment is increasing or decreasing.
325	Smith	Replies that he does not know.
330	Rep. Atkinson	Comments about life cycle of investments.
343	Chair Wilson	Asks about the state's fiduciary responsibility to the Public Employees Retirement System (PERS).
353	Cynthia Byrnes	Assistant Attorney General, Department of Justice. Explains the PERS Fund.
390	Rep. Bowman	Asks if PERS employees did a ballot initiative to disinvest in tobacco companies if it would change the prudence and productivity standards.



410	Byrnes	Responds that PERS beneficiaries do not have the opportunity for input.
<b>TAPE 45, B</b>		
006	Rep. Bowman	Asks if a survey of PERS members could be done.
013	Gest	States that no agreement among members could be reached about controversial investment issues.
029	Smith	Gives fiscal information about estimated transaction costs and subsequent reinvestment in other stocks.
075	David D. Kliever	Physician, Benton County Tobacco-Free Coalition. Supports HB 2331. Reads written testimony <b>(EXHIBIT E)</b> .
125	Kliever	Continues reading written testimony.
170	Jim Gardner	Phillip Morris. Comments on the "slippery slope" issue. Gives history of company. Gives examples of ethical investment fund items: guns, alcohol, fatty foods, and companies in the military industrial complex.
220	Gardner	States there are companies contributing to global warming and the highway death toll. Comments that there are companies alleged or who have been proven to have engaged in monopolistic conduct. Mentions inconsistency of Oregon's complex relationship with tobacco.
267	Rep. Bowman	States that Gardner has misunderstood the increased tobacco tax. States there are enough smokers who will pay the additional tax.
281	Gardner	Replies the amount of pay out fluctuates depending on the market share and volume.
286	Rep. Bowman	Remarks that the people of Oregon will be paying the tax.
301	Gardner	States the price increase to fund the settlement agreement is coming to the consumer. Says that a portion of that is going to the state.
313	Carsten Henningsen	Chairman, Progressive Investment Management. Testifies in support of HB 2331 <b>(EXHIBIT F)</b> . Explains history of organization and states that they manage tobacco-free portfolios.
363	Henningsen	Points to percentage error in HB 2331 which needs to be changed from 15% to 51%. States that the identification of tobacco-related companies has become readily available.

394	Sharon Peebles	Testifies in opposition to HB 2331 ( <b>EXHIBIT G</b> ). States that HB 2331 will not reduce the number of smokers in the State of Oregon. Comments that HB 2331 would prevent the funds beneficiaries from profiting.
<b>TAPE 46, A</b>		
054	Peebles	States that HB 2331 is not benign. Indicates that it is appropriate for the legislature to send a message of disapproval of tobacco and other harmful products.
091	Rep. Bowman	Asks if we should invest in tobacco stock.
098	Peebles	Explains that many tobacco companies offer diverse products.
123	Rep. Bowman	States that investments in the tobacco industry have been reduced from \$114 million to \$30 million.
128	Bill Smith	Oregon Health Leadership Against Tobacco. Testifies in support of HB 2331 ( <b>EXHIBIT H</b> ). Says that the Health Division is spending approximately \$8.5 million per year on education programs.
158	John Chism	American Heart Association. Supports HB 2331. States that many states and organizations are implementing similar policies and legislation.
175	Laurie McClain	Investment Advisor, Socially Responsive Investing. Supports HB 2331 ( <b>EXHIBIT I</b> ). States that the issue is not one of ethics, but good business.
272	Mark Nelson	R. J. Reynolds. Testifies in opposition to HB 2331 ( <b>EXHIBIT J</b> ). Cites section 7 of HB 2331-2 amendments, page 5, line 26; page 3, lines 26 and 30; page 4, lines 7 and 8. States that HB 2331 is not optional. States that HB 2331 does not fit the prudent man rule for the investment of state funds.
285	Nelson	Points to the revenue impact statement and says that \$19 million per year does not meet the prudent man test.
309	Rep. Bowman	Asks about class action lawsuits.
319	Nelson	Responds to question.
334	Rep. Bowman	States that the South African divestment was a public policy decision.
350	Chair Wilson	Closes public hearing on HB 2331 and adjourns meeting at 3:32 p.m.

Submitted By, Reviewed By,

Faye D. Trupka, Cara Filsinger,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ HB 2964, written testimony, George Savord, 5 pp.**

**B ñ HB 2964, written testimony, Roger Severson, 1 pp.**

**C ñ HB 2331, written testimony, Rep. Barbara Ross, 2 pp.**

**D ñ HB 2331, written testimony, Mari Anne Gest, 4 pp.**

**E ñ HB 2331, written testimony, David D. Kliewer, 4 pp.**

**F ñ HB 2331, written testimony, Carsten Henningsen, 6 pp.**

**G ñ HB 2331, written testimony, Sharon Peebles, 2 pp.**

**H ñ HB 2331, written testimony, Bill Smith, John Chism, 1 pp.**

**I ñ HB 2331, written testimony, Laurie McClain, 4 pp.**

**J ñ HB 2331, written testimony, Mark Nelson, 2 Pp.**