

SENATE COMMITTEE ON GENERAL GOVERNMENT

February 11, 1999 Hearing Room C

3:00 p.m. Tapes 18 - 20

MEMBERS PRESENT: Sen. Verne Duncan, Chair

Sen. Cliff Trow, Vice-Chair

Sen. John Lim

Sen. Marylin Shannon

Sen. Frank Shields

STAFF PRESENT: Marjorie Taylor, Administrator

Patrick Brennan, Administrative Support

MEASURE/ISSUES HEARD: SB 187 Public Hearing

SB 269 Public Hearing and Work Session

SB 277 Public Hearing

SB 194 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 18, A		
003	Chair Duncan	Calls meeting to order at 3:03 p.m. Opens a public hearing on SB 187.
<u>SB 187 PUBLIC HEARING</u>		
009	Jim Hill	State Treasurer. Testifies in support of SB 187 (EXHIBIT A).
047	Hill	States that Oregonians are unprepared for the costs of retirement. States that an

		<p>education and awareness program related to retirement planning should be targeted at three groups:</p> <ul style="list-style-type: none"> • School children • The general public • Small business owners
070	Hill	Mentions the "Project Green Purse" conference held in 1998, the goal of which was to educate women on retirement programs. States that SB 187 would create the Oregon Retirement Savings Education Program (ORSEP) which would be funded by the private sector and federal money designated for retirement education.
120	Hill	Discusses the need for "alliances" with the private sector and the Federal government to educate citizens about retirement. Mentions the "Save for America" program, which is designed to educate school children, with the cooperation of banks, on how to save money.
180	Hill	Mentions that he is the president of the National Association of State Treasurers, and that 15 states have begun considering implementation of retirement education programs during the past year. Discusses the potential benefits of educating people about retirement savings.
211	Chair Duncan	Discusses the efforts to involve young people in savings programs.
221	Sen. Lim	Asks if this is a program for educating citizens of Oregon on how to save money.
225	Hill	Says that the program is designed to aid citizens in creating personal retirement programs for themselves.
235	Sen. Lim	Replies that SB 187 has no implementation program. Asks how the process of education might work.
244	Hill	Says that there are a number of ways to educate on saving, but that there is a need for resources to organize the programs.
261	Chair Duncan	Expresses concern that young people may have trouble thinking in terms of retirement.
281	Hill	Suggests that the program could deal with savings and retirement. States that the program is about "trying to change a culture" by teaching people how to make their money work for them.
314	Sen. Shields	States that he is "excited" about SB 187. Asks if there will be trouble in passing the bill through the Ways and Means Committee. Asks if there can be a guarantee that the cost for the program will not fall back to the General Fund.

325	Hill	Replies that the key to the success of the program is raising the funds privately and being allowed to use those funds, including any federal funds that may be available.
342	Sen. Trow	Asks for some specifics regarding what federal funds are available for this type of program.
344	Hill	Replies that the Department of Labor is given control of money through the National SAVER Act of 1997 (Savings Are Vital for Everyone's Retirement) for disbursement to pay for activities such as "Project Green Purse."
358	Sen. Trow	Asks if the federal funds will continue to be available.
362	Hill	States that there are many sources of money, with so many entities coming to understand the importance of private savings. States that the United States is a "nation of spenders" that will need to learn to save if it is to survive the impending retirement crisis.
378	Sen. Lim	States that he believes that there should also be a program for education on how to spend money. Mentions that the large number of personal bankruptcies and over-extension of credit card debt may contribute to the difficulty in saving money. States that people must be taught to live within their means before they will be able to learn to save.
TAPE 19, A		
002	Hill	States that financial education involves teaching people to manage their money. Says that saving more leads to spending less. States that personal finance should be taught within the school system.
030	Chair Duncan	Mentions that personal finance classes are no longer required within school curricula in Oregon.
032	Hill	States that the framework laid out in SB 187 is a necessary first step towards the goal of achieving a financial education.
040	Sen. Lim	Asks why it is necessary to pass a bill to raise private money for such programs. Asks if SB 187 is necessary for receiving federal funds.
050	Hill	Replies that the reason for SB 187 is to institutionalize financial education into an official, ongoing program. States that the previous "grand experiment," including Project Green Purse, has been successful, which has led to the effort to create a framework for future programs through the ORSEP.
070	Jodi Temple	Representative, All America Financial, and program chair of Project Green Purse. Says that the conference was a success due to the fact that it had the "state seal of approval." States that the opinions of the young towards retirement are

		beginning to change due to uncertainty about the future of Social Security.
100	Chair Duncan	Compliments Temple on the success of Project Green Purse.
106	Sen. Trow	Asks if ORSEP would be part of school curriculum or an extracurricular activity.
110	Hill	Replies that there is no need to put the programs into the "limited box" of school curriculum. Says that there are many resources that could be called upon. States that educators would need to be the ones to determine exactly how to implement these programs.
128	Sen. Trow	States that SB 187 would seem to expand the role of the Treasurer into educational activities. Asks if this "new role" is being implemented in other states as well.
139	Hill	Replies that the Treasurer would simply be an advisor for coordination and interchange of information across government.
186	Chair Duncan	Refers to the Extension Service as a possible arm to the efforts to educate the public about retirement.
193	Temple	States that the Treasurer's involvement has only enhanced the position of private business in the efforts of financial education.
202	Chair Duncan	Closes the public hearing on SB 187 and opens a public hearing on SB 269.
<u>SB 269 PUBLIC HEARING</u>		
231	Marjorie Taylor	Committee Administrator. Gives a brief description of SB 269.
236	Dan Hartman	Chief Risk Officer, Risk Management Division (RMD), Department of Administrative Services (DAS). Testifies in favor of SB 269 (EXHIBIT B). Discusses the issues concerning risk management in the state of Oregon.
282	Hartman	Refers to the graphs in the exhibit that show the different types of liability coverage in the state of Oregon.
315	Hartman	States that SB 269 would give agencies a positive incentive to manage risk.
322	Sen. Shields	Asks what it was that occurred in the United States in 1994 and 1995 that caused the large increase in loss figures, as seen in the graph on page 3 of the exhibit.
325	Hartman	Replies that it was a year when many local governments experienced large scale

		disasters in California, the Southeast, and the Midwest.
337	Sen. Shields	Says that, to his recollection, those years did not have a disproportionate share of disasters, but that the graph indicates a widespread catastrophe.
342	Hartman	Mentions that there are years in which there are major losses. States that some of the worst losses in history have taken place during the past decade. Says that those losses were part of the reason why local governments have been given the ability to procure coverage.
360	Sen. Shields	Asks if the losses were related predominantly to weather.
363	Hartman	Replies that the losses shown in the graph in Oregon was due in part to an earthquake.
380	Sen. Shields	States it is interesting that insurance companies are beginning to realize, through the large number damage claims, the effect that global warming has had on the weather.
390	Sen. Trow	Asks for examples of the risk control investments that state agencies are to be encouraged to make.
400	Hartman	Replies that risk charges are collected based upon the "loss experience" of agencies through lost court cases. States that the loss expense is considered when budgeting for risk management funds. Mentions that he thinks of the RMD as a kind of bank.
TAPE 18, B		
010	Sen. Trow	Asks if the RMD is similar to the Occupational Safety and Health Administration (OSHA) in that it provides incentives for agencies to cut back on liabilities.
014	Hartman	Discusses two forms of monetary incentive. Says that the insurance fund provides for grants and scholarships. States that the incentives are funded by the money paid into the RMD by the various state agencies.
018	Sen. Trow	Asks why RMD does not simply require agencies to invest in loss mitigation strategies.
020	Hartman	States that they are currently required to do so and that they do a good job at it, but that they could improve if given incentives to do so.
026	Chair Duncan	Asks if the funds that agencies must pay for risk management, are a part of DAS overhead cost.

030	Hartman	Replies that RMD is part of DAS, but that RMD provides separate charges to all state agencies based upon their tort, Workman's Compensation, and property coverage.
034	Sen. Trow	Asks for a description of the monetary incentives and how they receive them.
040	Hartman	States that agencies must apply for grants or scholarships and then come back to RMD and demonstrate that they correctly used the resources allocated to them. Says that there has been a consideration of a "return on performance" which is not a dividend, but rather a return of money with the stipulation that it must be used for further risk management.
047	Sen. Trow	Asks if there are cases where RMD may need to pay money out to agencies, in the event of a lawsuit, unexpected events, or unavoidable circumstances, which may eliminate any monetary incentives that they would have received.
055	Hartman	<p>Replies that many tort claims and lawsuits result in no cost to the agency or RMD and that there are limitations on damages that can be awarded to plaintiffs. Mentions that a good example is Workman's Compensation, where the effort made by agency to get the worker back on the job has a substantial impact on the amount of damages that they may incur in court. Discusses three different incentive programs that have been implemented:</p> <ul style="list-style-type: none"> • A "master policy" which allows agencies to save money by cutting the cost of their insurance coverage. • An internal allocation scheme which serves as a negative disincentive to use RMD funds. • A strong safety and risk management program, aimed at state managers.
088	Sen. Trow	States that RMD created all of these programs before the development of SB 269.
089	Hartman	Concurs with Sen. Trow's statement.
090	Sen. Trow	Asks about the possibility of simply reducing the rates charged to agencies, as opposed to offering incentives.
092	Hartman	Replies that RMD currently has the ability to reduce rates.
095	Chair Duncan	Asks what the difference is between cutting rates and offering incentives.
096	Hartman	Replies that simply reducing rates would allow agencies to use the money saved for projects other than risk management.
100	Chair Duncan	States that RMD wants agencies to put money back into training and equipment for risk management.

102	Sen. Trow	Says that, since RMD has additional money, the argument could be made that it is charging too much. Mentions that the bill might need to be referred to the Ways and Means Committee for analysis, given its lack of biennial expenditure limitations. States that if RMD is charging too much then perhaps it would be acceptable for the agencies to be able to do other things with the money, since many are short of money. Adds that it is in the interest of every agency that they be adequately protected.
112	Chair Duncan	States that the bill may be more adequately dealt with by the Ways and Means Committee.
115	Sen. Lim	States that past bills that offered incentives to agencies for performance goals have not worked well. States that incentives should be in a form other than money. Says that he is unsure as to whether these incentives would work better than those of the past, but that past efforts to offer incentives should be analyzed.
132	Hartman	States that the incentive program that Sen. Lim refers to may be the Productivity Improvement Fund. Asks Dan Kennedy to confirm.
140	Dan Kennedy	Administrator, Human Resources Division, DAS. States that he believes the incentive program referred to by Sen. Lim is the Productivity Improvement Fund. States that it is designed to allow agencies to keep a portion of their budgets for grants and loans if they meet their program goals under cost.
187	Sen. Trow	Asks if the Productivity Improvement Fund works.
188	Kennedy	Replies that it has been a "terrific program" which has allowed savings and increased productivity.
190	Sen. Lim	Says that he has not heard anything about the program since it was passed in 1993. States that he might like to hear a report about the program before making a decision on SB 269.
195	Chair Duncan	Closes the public hearing on SB 269 and opens a work session on SB 269.
<u>SB 269 WORK SESSION</u>		
196	Sen. Trow	Suggests that SB 269 should be sent to the Ways and Means Committee.
197	Sen. Lim	Asks why the bill should be sent to the Ways and Means Committee.
198	Chair Duncan	Replies that the bill will have a fiscal impact.
200	Sen. Trow	States that the bill will need to be evaluated by the Ways and Means Committee at some point and that it should be sent there to expedite that process.

202	Sen. Lim	Says that there is also an important policy decision to make. Says that if the bill is not good policy it should not go anywhere. States that the bill should be analyzed further before a decision is made.
204	Sen. Trow	Suggests that the bill be held over for another hearing.
205	Chair Duncan	Closes the work session on SB 269 and opens a public hearing on SB 277.
<u>SB 277 PUBLIC HEARING</u>		
207	Marjorie Taylor	Committee Administrator. Gives a brief summary of SB 277.
210	Dan Kennedy	Administrator, Human Resource Division, DAS. Testifies in support of SB 277 (EXHIBIT C) .
230	Chair Duncan	Asks for clarification on the difference between executive service employees and members of management service.
233	Kennedy	Replies that management service employees have a "property right" to their job, while executive service employees are "at-will" employees whom the administration can change at their discretion. States that this has been the case for many years and that it has not led to "wholesale changes" within agencies. States that SB 277 would codify and clarify executive service positions.
250	Chair Duncan	Asks if the term "executive service" is currently in statute.
252	Kennedy	Replies that management service is, but that executive service is an administrative term only.
255	Sen. Trow	Asks if at-will employees are given rights and privileges.
258	Kennedy	Replies that at-will employees can be removed with or without cause. States that the protections are related to civil rights classifications such as gender, religion, age, and race.
285	Sen. Trow	Says that whether the employer of an at-will employee is a fair person makes a big difference.
291	Kennedy	States that, under current policy, the classification of executive service employees is unclear since it is related to the size of each particular agency. Says that SB 277 sets out more clearly the parameters of executive service. States that the bill would also remove the "prior approval" requirement, as it is no longer necessary.

318	Jane Edwards	Concerned citizen. Testifies in opposition to SB 277 (EXHIBIT D). States that there are currently only two "safeguards" for executive service positions; that such positions must be appointed by agency heads and that they must be approved by the director of DAS. States that SB 277 would allow agency heads to reorganize their agencies at- will by re-designating employees as managers for the purpose of terminating them.
385	Edwards	Relates a personal experience related to her concerns with SB 277.
TAPE 19, B		
005	Edwards	Indicates that she was previously fired from a position for which a trial indicated that her release violated age and gender protections.
050	Sen. Trow	Asks if her court fees were paid for.
051	Edwards	Replies that they were, but that she did not profit due to the cost of taking her case to trial.
057	Chair Duncan	Asks if she still works for the state.
059	Edwards	Replies that she still works part-time. Continues to discuss her personal experience. States that SB 277 has no system for reviewing incorrect designations. States that the lack of oversight, combined with large numbers of at-will employees, will lead to abuses and demoralization of employees. Suggests that DAS provide the committee a list of potential executive service positions before any action is taken. Reiterates that there are two safeguards in statute, that SB 277 would remove both of them, and that it would add no safeguards to take their place.
110	Sen. Trow	Asks Edwards for a concise description of the two safeguards.
111	Edwards	Replies that the first safeguard is that division administrators are appointed by department directors with the approval of the Governor. States that the second safeguard is that executive service designations must be reviewed by DAS. States that both of these requirements would be removed by SB 277.
122	Chair Duncan	Asks Mr. Kennedy to address the concerns raised by Ms. Edwards.
130	Kennedy	States that current statute does require division administrators to be appointed and confirmed by the Governor, but adds that there are very few such individuals. States that there are other division administrators within departments who are not appointed in this manner, and that the goal was to create a uniform method of appointment. States that there will not be an expansion of the executive service. States that clarification of pre-approval of appointments is no longer necessary.

154	Chair Duncan	Mentions that there are chief administrators in some agencies with which the Governor is not involved and thus would not be impacted by SB 277.
160	Kennedy	States that he does have a concern regarding SB 277 as it is currently written and would like to have the chance to have it amended.
162	Sen. Shannon	States that she is skeptical about at-will employment and would only vote on SB 277 after Ms. Edwards' concerns were addressed.
169	Chair Duncan	Asks if Mr. Kennedy could provide the list of positions that might be changed to executive service.
175	Kennedy	Replies that there are currently about 700 state employees in executive service, but that the figure is only an estimate due to the uncertain classification scheme that SB 277 will replace.
184	Sen. Trow	Asks to see the list and asks how many employees are in management service and have property rights to their jobs.
187	Kennedy	States that there are about 4,500 employees in management service.
191	Sen. Trow	Asks why the executive and management service employees are not treated equally.
194	Kennedy	Replies that with the change of administrations there is a need for the ability to replace senior administrators, in order to allow a change in direction that may come with a change in political leadership.
200	Sen. Trow	Asks if the 4,500 management service employees can be replaced.
208	Kennedy	States that they could be removed for cause, but that they have property rights to their positions that require a thorough process for removal.
210	Sen. Trow	States that executive service employees have no legal recourse if they are removed from their positions "regardless of how badly they might be treated."
212	Kennedy	Concurs with Sen. Trow's statement.
213	Sen. Trow	Asks why there are so few at-will employees.
214	Kennedy	Replies that executive service employees are generally those in senior positions.
215	Chair Duncan	States that within school districts the at-will positions are those such as deputy

		superintendent and associate superintendent, while secretaries were in management service.
227	Kennedy	States that current statute allows placement of one secretary from each area into executive service, so that incoming replacements to executive service can bring in their private secretary.
233	Chair Duncan	Says that the list of executive service positions should be provided to the committee.
240	Kennedy	Replies that DAS would be able to provide such a list.
244	Sen. Trow	Expresses a desire to see a list of the rights that at-will employees have regarding civil rights designations.
248	Edwards	States that the committee should be given the pay rates for the executive service positions.
268	Chair Duncan	Closes the public hearing on SB 277 and opens a public hearing on SB 194.
<u>SB 194 PUBLIC HEARING</u>		
276	Marjorie Taylor	Committee Administrator. Gives a brief summary of SB 194.
280	Rollie Wisbrock	Chief of Staff, Oregon State Treasury. States that SB 194 creates a fairer fee system.
291	Darren Bond	<p>Director of Finance, Oregon State Treasury. Testifies in support of SB 194 (EXHIBIT E). Summarizes prepared testimony. Explains the three aspects to the bill:</p> <ul style="list-style-type: none"> • Allows the Treasury to establish a fee structure for state agencies, publish it, and charge fees based upon that structure, rather than work on a reimbursement for services basis • Allows the Treasury to charge transaction fees to local governments • Raises the current cap on the administrative fee that the Treasury can charge from 25 hundredths of a basis point to 50 hundredths of a basis point <p>States that the Treasury cannot create an equitable fee structure with the current system.</p>
353	Bond	States that SB 194 would create a fairer system. Says that it would not allow the Treasury to collect more money, but rather would reallocate who is charged based upon use, as well as increasing the caps on fees.
410	Chair Duncan	Asks how the agencies will react to the changes that SB 194 would create.

TAPE 20, A

004	Bond	Replies that some agencies will be pleased, some will not. Says that there will be a shift of cost away from some and into others. States that the change is designed to create equity within the pool costs. States that there is a need for the emergency clause in order to rectify the inequities as soon as possible.
028	Sen. Trow	Asks if the local government organizations are neutral in regards to SB 194, since some will gain and some will lose.
033	Bond	Replies that is the case. Reiterates that there is no net gain to the Treasury, but that there is merely reallocation.
037	Sen. Trow	Asks how much the cap is being raised.
039	Bond	States that the cap's outer range is being doubled.
043	Sen. Trow	Asks who would object to a raising of the cap.
044	Bond	Replies that he does not know why anyone would object.
046	Sen. Trow	Asks why there is a need to have a cap at all.
047	Bond	Replies that there is a desire within the legislature to keep some limits on the Treasury Department.
050	Sen. Lim	States that SB 194 lists two suggested caps. Asks for which fund the cap is being raised.
054	Bond	Replies that the portfolio is being broken up. Says that the dedicated fund cap does not need to be raised, while the Oregon Short Term Fund requires greater regulation.
063	Wisbrock	Reiterates that the Public Employees Retirement System (PERS) cap is not being adjusted at all.
064	Sen. Lim	Asks for a confirmation that there will be no change with regards to PERS.
065	Bond	Replies that PERS has money in the Oregon Short Term Fund, which would be affected, but that the long-term PERS fund would not.
069	Sen. Shannon	States that the committee should hear from local governments on their opinion of SB 194.

072	Sen. Trow	Asks if the big users will be big losers in relation to local governments.
075	Bond	Replies that those cities and counties which utilize the system most often will be those who see their rates go up, such as Multnomah County.
081	Chair Duncan	Asks if the Treasury Department has notified those local governments which will be adversely affected.
085	Wisbrock	Replies that they have been notified.
086	Bond	States that the Oregon Short Term Fund Board is made up of representatives of local governments such as Multnomah County.
091	Chair Duncan	Closes the public hearing on SB 194 and adjourns the meeting at 5:01 p.m.

Submitted By, Reviewed By,

Patrick Brennan, Marjorie Taylor,
Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 187, testimony, Jim Hill, 3 pp.

B ñ SB 269, testimony, Dan Hartman, 7 pp.

C ñ SB 277, testimony, Dan Kennedy, 1 p.

D ñ SB 277, testimony, Jane Edwards, 6 pp.

E ñ SB 194, testimony, Darren Bond, 5 pp.