

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 1, 1999 Hearing Room B

3:00 p.m. Tapes 10-11

MEMBERS PRESENT: Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Verne Duncan

Sen. Tony Corcoran

Sen. Bill Fisher

MEMBER EXCUSED:

STAFF PRESENT: Carol Rives, Administrator

Gary Roulier, Administrative Support

MEASURE/ISSUES HEARD: SJR 6 Public Hearing

Overview of Oregon State Treasury

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 10, A		
002	Chair Lim	Opens meeting at 3:14 p.m., and opens public hearing on SJR 6.

SJR 6 PUBLIC HEARING

008	Carol Rives	Administrator. Explains SJR 6, which proposes to establish a Lieutenant Governor in the State of Oregon.
024	Doris Penwell	Legislative Coordinator, Oregon Economic Development Department (OEDD). Presents (EXHIBIT F) and remarks that OEDD does not take a position either in support of or against SJR 6, but explains that additional resources in the state would allow for additional contacts with the international business community. Adds that Oregon Governors have performed an important function with international partners.
071	Penwell	Continues that top officials from the state can make a favorable impression on foreign government and business leaders.
087	Chair Lim	Remarks that he was told by the Governor that he will remain neutral on the issue of SJR 6.

097	Warren Banks	Manager, International Division, OEDD. Presents (EXHIBIT A) and discusses proposed duties for the Lieutenant Governor as specified in Section 19 of SJR 6, page 1 of the exhibit.
127	Banks	Continues testimony by outlining functions and organization of the International Division of OEDD, page 1 of the exhibit.
153	Banks	Continues by outlining the working relationships of the International Division, page 2 of the exhibit.
171	Chair Lim	Asks about OEDD representatives in Germany and South America.
177	Banks	Answers that OEDD no longer has representation in those areas, and that the focus is now on trade and technical missions.
200	Chair Lim	Remarks that he supports efforts to expand Oregon's markets into all areas of the world, to include Africa and China. Adds that diversification is the key element to a sound economy.
217	Vice-Chair Gordly	Asks for explanation of protocol for international visitors to the state. Continues with examples in her experience where it seemed that protocol was not understood or followed.
281	Chair Lim	Relates an experience with a foreign dignitary where the Governor was not available for a meeting, and that this was the origin of his idea for a Lieutenant

Governor.

324 Banks Responds to the Chair and Vice-Chair that foreign dignitaries may visit under some other organization's auspices, and the International Division may not be informed. Adds that these are occasions when protocol may not be observed.

357 Harriet Clothier Commissioner, International Trade Commission. Presents **(EXHIBIT B)** and explains the Commission is in support of enhanced awareness for international trade, but is not in a position to support SJR 6 as the best method for achieving the goal of international trade enhancement.

TAPE 11, A

011 Clothier Remarks that the Commission feels the Governor has been able to fulfill his duties as the state's representative for diplomatic activities. The Commission does support the bill's intent to promote international trade.

040 Clothier States that the committee may consider alternatives to SJR 6 to enhance international trade, such as increased funding for OEDD and the creation of a special advisor to the Governor for trade matters.

057 Sen. Fisher Asks if anything within Oregon law prevents the Governor from naming a representative for international trade.

064 Penwell Answers that she knows of nothing in the law which would prevent such an appointment.

077 Sen. Fisher Asks about other countries and their protocol, and whether there is always a representative in those countries available for visiting dignitaries.

090 Sen. Duncan Responds that while visiting various prefectures in Japan, the Governor or Chief Executive was always available for visiting dignitaries.

096 Sen. Corcoran Comments that in Ireland, his request to meet with a member of the legislature was well received and the meeting was well coordinated.

112 Vice-Chair Gordly Remarks that eight states do not have a Lieutenant Governor, and in Washington the Lieutenant Governor is the Chair of the Legislative Committee on Economic Development. Asks if the Washington State Office of International Relations and Protocol is also the Lieutenant Governor's office.

133 Banks Responds that the current governor has not filled the position in the Office of International Relations and Protocol, and most of the protocol duties have been turned over to the Washington State equivalent of Oregon's International

Division.

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| 140 | Vice-Chair Gordly | Asks if Banks is aware of how the Lieutenant Governor in Washington State functions in the role of the economic development chair. |
| 143 | Banks | Responds that Washington's Secretary of State Monroe has taken over the responsibilities for international activities, and is the "go-to" person. |
| 156 | Vice-Chair Gordly | Asks who the "go-to" person is in Oregon. |
| 158 | Banks | Answers that it is the Governor. |
| 161 | Penwell | Remarks that other government officials and legislators have made themselves available for protocol duties when the Governor was not available to greet visiting dignitaries. |
| 170 | Clothier | Remarks that since 1972, she recalls two governors, and the present governor, who have been outstanding in their support of international trade. |
| 194 | Chair Lim | Remarks that the committee will continue to hold public hearings on SJR 6. Closes public hearing on SJR 6 and opens the informational meeting. |

OVERVIEW OF THE OREGON STATE TREASURY

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| 250 | Rollie Wisbrock | Chief of Staff, Oregon State Treasury. Presents (EXHIBIT C) and testifies on the Oregon Public Employers Retirement System (OPERS). |
| 310 | Wisbrock | Continues testimony, outlining the asset allocation of the OPERS fund, page 3 of the exhibit. Outlines the fund at market value, page 4 of the exhibit. |
| 350 | Wisbrock | Continues with an explanation of the annual returns for the last ten years, page 5 of the exhibit. Adds that the fund is managed over a 60-year period. |
| 391 | Chair Lim | Asks why the fund lost money in 1990 and 1994. |
| 399 | Wisbrock | Answers that the stock market was down, but that in both cases, the fund made money when the market rebounded the following year. Adds that it was a drop in both the stock and real estate markets. |

011	Wisbrock	Continues with a comparison of various market returns versus OPERS fund returns, page 6 of the exhibit. Adds that over a ten-year period, the stock market will outperform the bond market 85% of the time, page 8 of the exhibit.
043	Sen. Corcoran	Remarks that cities have expressed concern about the rising costs of OPERS.
055	Wisbrock	Answers that it is a tax issue. Summarizes the lawsuit sanctioned by the legislature and approved by the courts that cost \$1.3 billion to settle. Adds that this has created a problem with some districts with regards to early retirements.
076	Chair Lim	Asks about a bill introduced last session that would increase the allowable percentage of fund investments to stocks.
088	Wisbrock	Answers that the bill was to increase the allowable percentage of total investments in stocks to 75%, but that the bill failed. Adds that the Treasurer's office is introducing a bill this session that would raise the allowable percentage of stock investments to 65%. Explains that the law requires that the fund track stocks at book value, or the amount paid for the stocks. The book value remains less than 50% of the total fund. The proposed bill would remove the cap and allow the investment council to save money on tracking requirements.
126	Michael Mueller	Internal Auditor, Oregon State Treasury. Explains the statutory limits on percentages of investments into stocks, which is currently at 50%. Explains that it is becoming difficult to track the book value of investments, some of which were made 20 to 30 years ago. Notes that on a book value basis, the OPERS fund has approximately 31% invested in stocks.
158	Chair Lim	Remarks that it is difficult to track book value.
168	Wisbrock	Presents (EXHIBIT D) and testifies on the Oregon Growth Account (OGA). Summarizes the origin and status of the Account.
217	Sen. Duncan	Asks for clarification on the origin of the funds.
221	Wisbrock	Summarizes that the OGA receives 10% (approximately \$10 million) of the total Education Endowment Fund (EEF), which represents 15% of total lottery proceeds, page 1 of exhibit.
248	Chair Lim	Remarks that the OGA was his bill, and it was his intention that over 50% of the fund be invested in Oregon businesses.
260	Wisbrock	Responds that the 50% was an interpretation by the Attorney General's office. Adds that the intention is to invest in excess of 50% of the OGA fund in Oregon.
271	Vice-Chair Gordly	Asks for the relationship between funds for affordable housing to be invested later and the Housing Trust Fund.
278	Wisbrock	Answers that there is no formal relationship. Continues by summarizing their

efforts to leverage the OGA to the maximum.

302 Wisbrock Summarizes the difference between investments made in OPERS and the Education Endowment Fund.

334 Vice-Chair Gordly Asks whether later investments in affordable housing should be seen as separate from the activity of the Housing Trust Fund. Asks whether there is language in HB 2011 which would prevent that from occurring.

348 Wisbrock Responds that it would not, and they will continue to look for every opportunity to leverage funds.

358 Chair Lim Asks for an overview of SB 190 dealing with the stabilization fund.

361 Wisbrock Presents (**EXHIBIT E**) and summarizes proposals for the budget stabilization fund. Remarks that Oregon is one of only four states that do not have a budget stabilization fund. Recounts events of 1981 where the State had a budget deficit. Remarks that the stabilization fund would help protect the bond rating of the state.

TAPE 11, B

014 Wisbrock Continues that the stabilization fund would only be used for fiscal emergencies and to protect existing programs.

042 Chair Lim Asks about the funding source for the stabilization fund.

048 Wisbrock Answers that the legislature would determine the origin of the funds and suggests that the tobacco settlement may be one source for the stabilization fund. Discusses with Chair Lim whether the lottery would be a possible source for the fund.

067 Sen. Duncan Remarks that this is an important issue. Adds that constituents expect a "kicker check," and the legislature has created a public relations dilemma.

089 Wisbrock Shares the fact that the need for a stabilization fund would first be triggered by a slow-down of the economy. States that Oregon's primary revenue source is now only from personal and corporate income tax, which can be volatile. Adds that we have not yet experienced an economic slow-down under the system of tax funding mandated by Measure 5.

120 Sen. Duncan Adds that the same problem exists because of the reliance on the lottery.

124 Vice-Chair Gordly Asks if SB 190 was developed in conjunction with the Governor's office.

133	Wisbrock	Responds that it was not. Adds that several entities are involved in discussions about the stabilization fund.
141	Vice-Chair Gordly	Remarks that it would be helpful to look at the several proposals for the stabilization fund at the same time.
144	Chair Lim	Remarks that he plans to bring all of the proposals before the committee, and wants to use ten percent of the lottery proceeds to finance an emergency fund for economic development under SB 114.
169	Chair Lim	Closes informational meeting and adjourns meeting at 4:50 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SJR 6, letter, Warren Banks, 2 pp

B ñ SJR 6, letter, Harriet Clothier, 4 pp

C ñ Oregon Public Employees Retirement Fund, Rollie Wisbrock, 8 pp

D ñ Oregon Growth Account, Rollie Wisbrock, 19 pp

E ñ Budget Stabilization Fund, Rollie Wisbrock, 2 pp

F ñ SJR 6 ñ letter, Doris Penwell, 2 pp