

**HOUSE COMMITTEE ON AGENCY OVERSIGHT AND EFFICIENCY**

April 15, 1997 Hearing Room H-170

1:00 P.M. Tapes 39-40

**MEMBERS PRESENT:**

Rep. Jane Lokan, Chair

Rep. Richard Devlin, Vice-Chair

Rep. Ryan Deckert

Rep. Steve Harper

Rep. Mike Lehman

**MEMBER EXCUSED:**

Rep. Tom Brian

Rep. Eldon Johnson

**STAFF PRESENT:**

Judy Edstrom, Administrator

Valerie Luhr, Administrative Support

**MEASURE/ISSUES HEARD:**

HB 2017 Public Hearing

HB 3705 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 39, A		
005	Chair Lokan	Calls the meeting to order at 1:27 p.m. Announces only public hearing on both bills today. Opens public hearing on HB 2017
<u>HB 2017</u> <u>PUBLIC</u> <u>HEARING</u>		

018	Judy Edstrom	Committee Administrator, reviews the provisions of the bill.
031	Kerry Barnett	Director, Department of Consumer and Business Services (DCBS), submits and presents testimony [EXHIBIT A] on DCBS. Expresses the department's concerns about HB 2017. DCBS has been through reorganization, and it is not an inexpensive process. Reorganizations should occur only if there is a real clear problem and reorganization will solve the problem. Does not think the economic development programs fit into their department. DCBS is a regulatory program.
080	Barnett	Continues testimony Three-way program: * Regulation * Cooperative work for compliance * Training
128	Barnett	Continues testimony.
145	Chair Lokan	Referring the Minority, Women, and Emerging Small Business, asks if some of the problems have been erased.
149	Barnett	Yes; Governor took the advocate out of DCBS and put it back on the Governor's staff.
156	Chair Lokan	Corrected by statute.
157	Barnett	Yes; explains and discusses backlog of certifications.
175	Chair Lokan	Says she believe Mr. Barnett made some good points. Asks if the transfer of the Department of Energy has been a good fit and have there been savings.
	Barnett	Department of Energy offers both promotional and regulatory programs. Is not nearly as good a fit as of some of the purely regulatory programs. Primary challenge is to integrate them without bureaucratizing them
205	Chair Lokan	How many employees.
	Barnett	About 1200 staff.
208	Vice-Chair Devlin	Have you given any thought to specific circumstances under which there would be a problem because of the conflict of being both a regulator and a promoter.
	Barnett	Says it is not a legal conflict of interest. Conflict in the sense it sends a confusing message to customers. Conflict in how employees understand the department's mission.
230	Chair Lokan	Is there any division in the Oregon Economic Development Department that would be somewhat of a fit or a good fit. Does not want to put the witness on the spot.
240	Barnett	Says he is not sure there is a good fit with any of the divisions.

248	Chair Lokan	Water, Waste Water.
	Barnett	That is mostly a grant-making program. Possibly the Oregon Progress Board, but is wider in its mission.
267	Doris Penwell	Executive Assistant to Director, Economic Development Department. Introduces Keith Leavitt, Chris D'Arcy, and Todd Davidson.
294	Chair Lokan	Asks Mr. Todd Davidson to talk about the Tourism Division.
	Davidson	Oregon Tourism Commission, asks if there are any particular questions he should address in his remarks.
	Chair Lokan	Tell us about your department is doing, your budget, projects.
	Davidson	Begins explanation of the Oregon Tourism Commission.
340	Chair Lokan	How do you determine that increase in tourism is a result of your efforts.
	Davidson	* Return on investment research
352	Chair Lokan	Can you validate the feedback
	Davidson	Yes.
373	Chair	Do you have offices throughout the state
	Davidson	Main office in Salem and comments work with welcome centers and visitor centers
386	Chair Lokan	Are your staff expenses included in return on investment
	Davidson	Err on the conservative side and being inclusive.
384	Chris D'Arcy	Director, Oregon Arts Commission, newest part of the Oregon Economic Development Department. Explains the Arts Commission.
TAPE 40, A		
018	Chair Lokan	Explain how you cover 85 percent of the state.
	D'Arcy	Staff of five based in Salem; work with regional arts councils.
031	Keith Leavitt	Ports Division Manager, Oregon Economic Development, explains the Ports Division.
066	Chair Lokan	\$806,000 budgeted for Ports. If your budget not in OEDD, where would it be.
	Leavitt	Ports would go to the Department of Transportation if OEDD were to disband, where it was prior to 1975.
082	Chair Lokan	Any demonstrated evidence your accomplishments have paid off for the state.
	Leavitt	Leveraging dollars in the federal programs. Jobs have been created and retained. Legislative mandates we either reach or do not reach. Federal government is getting out of maintenance dredging.

107	Jim Whitty	Manager, Industry Development Division, OEDD. Our budget is down to \$7.3 million in the latest Governor's budget recommendation. Explains the Industry Development Division and its five teams.
158	Chair Lokan	Do you have demonstrated evidence your programs have brought a good result for the state; have they produced jobs; generated some good economic advantages.
165	Whitty	Involvement in seventy plus programs during the biennium.
168	Chair Lokan	Do you seen any of your programs being adaptable to working in the private sector, such as chambers of commerce, trade associations.
	Whitty	Business associations do not focus on economic development activities on an individualized basis; focus on general climate-type basis.
191	Chair	Outside the business sectors. Chambers of commerce.
	Whitty	Occasionally become partners on a local level. They do not have the expertise to handle central functions.
208	Rep. Lehman	Is it safe to say the larger areas would be more able to handle these functions at a local level as compared to Coos Bay, Medford, or Burns?
	Whitty	Absolutely, even with budget restraints. Rural areas need the most help where unemployment is double-digit.
220	Rep. Lehman	Are you part of the focus and how do you change the focus in terms of moving to rural Oregon, which has not had the economic growth. Are you part of that and what are you doing in that regard.
	Whitty	Is personally, as well as the division. Comments on the Oregon Economic Development Commission's adoption of a new direction for the department. Comments on the Rural Investment Initiative.
250	Penwell	Comments on her function to coordinate with director and deputy the work of the regional economic development officers. It is difficult to provide resources or a partnership to a region or a community without a combination of resources and expertise.
280	Chair Lokan	Asks where the 12 regional development officers are located.
	Penwell	One in Salem.
285	Chair	With whom do they work.
	Penwell	Represent the department to the region, from two to five counties in a region. Receive support from the department. Work closely with business development, tourism, chambers of commerce partners at local level.
298	Chair	Does each division have its own manager. Wouldn't they do much of the same work as the regional development officers do.
	Penwell	To a point. They represent their programs and their issues. Comments.
317	Chair Lokan	How the \$2.5 million strategic reserve fund is used.

	Penwell.	There may be some adjustment. Provides administrative oversight to the fund. Explains the use of the strategic reserve fund.
341	Rep. Deckert	Asks for an example.
344	Penwell	Comments on the Behlen Manufacturing Company project in Baker City. Proposals are put to the Governor to ask for his support.
353	Chair Lokan	OEDD spent \$400,000 to get the project going in Baker City. Any of it from strategic reserve fund
	Penwell	Approximately \$200,000 of the \$400,000 in dollars of training were provided for the project.
389	Chair Lokan	Tell me about Livable Oregon
	Penwell	Explains Livable Oregon, a private, nonprofit organization.
415	Chair Lokan	Is it a training function for downtown development managers.
	Penwell	I suppose you could say so. Bring in expertise and work in partnerships. Funding by the legislature.
	Chair Lokan	They were supposed to get out of economic development and become self-supporting.
	Penwell	Is not sure they are as capable as some other programs.
<b>TAPE 39, B</b>		
005	Chair	Asks Penwell if she is familiar with the Community Response program.
	Penwell	It is a line-item in the budget that the Governor's office is trying to pull together to provide direct help to communities having growth management problems. Explains purpose of the fund.
022	Chair	Asks if there is another fund from which the help could come.
	Penwell	Supposes it is possible. Governor's budget was reduced about 12 percent. Community Response line-item is intended for consultants, private organizations; whoever the communities decide can help resolve their problems.
036	Chair Lokan	Written testimony [EXHIBIT B] from Ken Armstrong is made part of the record.
042	David Fiskum	Representing Oregon Advocates for the Arts; comments in opposition to HB 2017.
080	Chair	Closes public hearing on HB 2017. Opens public hearing on HB 3705. The committee is at east at 2:30 p.m.
<b><u>HB 3705 - PUBLIC HEARING</u></b>		
094	Judy Edstrom	Committee Administrator, reviews the provisions of HB 3705.
102		

	Rep. Deckert	Says the bill is mostly about efficiency and less about DAS and Oregon State System of Higher Education (OSSHE) going to a private reimbursement system. Efficiencies to save millions of dollars within the motor pool. There are draft amendments[EXHIBIT B, April 10, 1997] before the committee and on Thursday the debate will be whether to put hard number into the amendments or you do formulas. Dollars achieved immediately and revisit hard numbers in two years. Formulas are a permanent mechanism.
115	Chair Lokan	Are you asking we delay a work session pending new amendments.
118	Rep. Deckert	Prefers Thursday to come back with two options--hard numbers or formulas.
125	Chair Lokan	Will welcome comments from the committee even though they are not in work session.
122	Vice-Chair Devlin	States funding formulas would be better than putting in actual numbers. The numbers are based on the current compensation level (25 cents per mile). Expresses basic concerns about the bill; the way the bill is written now is on the basis of how much a singular employee uses one vehicle, not on how much the vehicle is actually used.
145	Chair Lokan	Rep. Devlin's comments are something to think about. Will hear additional testimony. There will not be a work session today, but hopefully will schedule for Thursday (April 17).
162	Twila Schell	Deputy Director, DHR Volunteer Program, submits and presents testimony [EXHIBIT C] on HB 3705.
198	Chair Lokan	Says in her county there is a very active social service program. Those people use their own vehicles.
	Schell	We do not provide transportation in Clackamas County. We refer our clients to the Retired Service Volunteer Program. There is a bus service. Transportation in Oregon is a scary issue; there is never enough of it. Transportation for DHR is a real challenge.
218	Chair Lokan	There is a provision for that in the new transportation package if it passes.
22	Rep. Deckert	Asks how many permanently assigned vehicle the volunteer services currently has that are not traveling 1125 miles.
	Schell	Says about five, but it varies from month to month.
234	Rich Peppers	Oregon Public Employees Union, recognizes Rep. Deckert for his work on this bill. Their concern in addressing this bill is to make sure the savings don't wind up representing a cost shift from what the state pays on to state the employees. Presents testimony [EXHIBIT D] on HB 3705.
291	Chair Lokan	Asks Peppers if they have negotiated the reimbursement rate in the past.
	Peppers	Currently are in negotiations and have negotiated the rate in the past.

	<b>Chair</b>	<b>You understand it would be a fair rate</b>
	<b>Peppers</b>	<b>You always try to negotiate a fair rate</b>
<b>303</b>	<b>Chair Lokan</b>	<b>Certain standards are accepted in private sector</b>
<b>308</b>	<b>Rep. Harper</b>	<b>Asks Rep. Deckert how many miles we are currently reimbursing employees for use of their private vehicles.</b>
<b>315</b>	<b>Rep. Deckert</b>	<b>Says one out of four.</b>
	<b>Chair Lokan</b>	<b>Comments on the recently released audit on motor pool, which contains figures that might answer the questions.</b>
	<b>Rep. Harper</b>	<b>Testimony from Cam Birnie last week said it is cheaper for the state to own their own rigs than to reimburse employees. What would the figures be if we required only state vehicles to be used on government business and cut out the 25 percent.</b>
<b>336</b>	<b>Rep. Deckert</b>	<b>Discusses cost effectiveness reported in the audit.</b>
<b>348</b>	<b>Chair Lokan</b>	<b>Comments on the saving cited in the state audit summary for 1995 and for 1995 and 1996 combined.</b>
<b>362</b>	<b>Peppers</b>	<b>The calculation of when it makes more cost -efficient sense to go with state vehicle versus private vehicle depends in part on what the reimbursement rate is. Continues prepared testimony.</b>
<b>403</b>	<b>chair</b>	<b>Don't most people have their own personal insurance?</b>
	<b>Peppers</b>	<b>Yes, but if they drive for work they would have to pay more on their personal insurance. Possibility of law suits.</b>
<b>418</b>	<b>Rep. Deckert</b>	<b>Asks Peppers what kind of insurance coverage the 25 percent that are being reimbursed have and are special considerations given.</b>
	<b>Peppers</b>	<b>Does not know what special considerations are given. Comments on what might happen if there was an accident on work miles.</b>
<b>TAPE 40, B</b>		
<b>010</b>	<b>Chair Lokan</b>	<b>Asks if there is anyone in the room who can address costs.</b>
	<b>Peppers</b>	<b>Says his agent told him the cost could vary from \$15-\$20 a month up to \$60-\$70 a month.</b>
<b>019</b>	<b>Vice- Chair Devlin</b>	<b>Relative to insurance, comments on when it will be accepted policy by the state to require all employees to use their own vehicles. The bill could have been written to deal with under-utilized vehicles, but it is written from the standpoint of one business with one employee and one vehicle. would you feel differently about the bill if it was written about vehicle utilization by employees in general, rather than usage by one employee and one vehicle.</b>
	<b>Peppers</b>	<b>Difficult to answer the question. Concern still the same. Is there a cost shift from employer to employee. Continues prepared testimony.</b>
<b>084</b>	<b>Al Elkins</b>	

		<b>Car and Truck Leasing Association of Oregon, comments in support of HB 3705 and the -1 amendments. Wants to look at the additional amendments.</b>
<b>093</b>	<b>Chair Lokan</b>	<b>Asks Elkins if he has comments about the additional liability.</b>
	<b>Elkins</b>	<b>The issue has been a hurdle in other states. Will have people here at next meeting to address the issue.</b>
<b>104</b>	<b>Chair Lokan</b>	<b>In the private sector, people are often asked if they have a vehicle or can provide their own transportation. Declares the meeting adjourned at 3 p.m.</b>

**Submitted by, Reviewed by,**

**Valerie H. Luhr Brad Harper**

**Administrative Support Specialist Administrator**

**EXHIBIT SUMMARY**

**A - HB 2017, written testimony, Kerry Barnett, 4 pp.**

**B - HB 2017, written testimony, Ken Armstrong, 2 pp.**

**C - HB 3705, written testimony, Twila Schell, 2 pp.**

**D - HB 3705, written testimony, Rich Peppers, 2 pp.**