

HOUSE COMMITTEE ON GENERAL GOVERNMENT

**January 31, 1997 Hearing Room D**

**1:00 P.M. Tapes 9 - 10**

**MEMBERS PRESENT:**

**Rep. Ken Strobeck, Chair**

**Rep. Dan Gardner, Vice-Chair**

**Rep. Jim Hill**

**Rep. Bob Montgomery**

**Rep. Kurt Schrader**

**Rep. Liz VanLeeuwen**

**Rep. Tom Whelan**

**MEMBER EXCUSED:**

**STAFF PRESENT:**

**Jeri Chenelle, Administrator**

**Timaree Whitty, Administrative Support**

**MEASURES/ISSUES HEARD:**

**HB 2214 Public Hearing**

**HB 2179 Public Hearing**

**HB 2180 Public Hearing**

**HB 2186 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.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 9, A</b>		
000	Chair Strobeck	Opens meeting at 1:04 p.m.

<b><u>HB 2214 - PUBLIC HEARING</u></b>		
002	Chair Strobeck	Opens public hearing on HB 2214.
008	Jeri Chenelle	Committee Administrator reviews provisions of the bill.
020	Rep. John Watt	District 50, Medford. Introduces Mike Stinson, Legislative Fiscal Office (LFO), for technical questions. Discusses history and overview of HB 2214 ( <b>EXHIBIT A</b> ).  Continues with creation of State Debt Policy Advisory Commission, outlines their responsibilities and obligations to the legislature.
074	Rep. Montgomery	Questions the additional costs and administrative fulltime employees needed.
079	Rep. Watt	Responds that he does not have that information. Refers to Legislative Fiscal Office.
080	Rep. Montgomery	Questions subsequent committee referral.
081	Chair Strobeck	Responds and invites Mike Stinson, LFO to comment
084	Mike Stinson	Legislative Fiscal Office, comments on the fiscal impact of bill.
097	Rep. Schrader	Questions the need for additional people to supervise these functions.
102	Rep. Watt	Responds that this information will be more readily available.
115	Rep. Schrader	Questions other options available without creating the commission.
116	Rep. Watt	Responds and continues with explanation of the commission's formation.
124	Chair Strobeck	Continues explanation of commission's purpose.
133	Rep. VanLeeuwen	Questions if the state debt has any bearing on local governments.
135	Rep. Watt	Responds affirmatively.
137	Rep. Hill	Questions designated cost for equipment technology. Is the dollar amount per specific project or aggregated?
148	Stinson	Responds that these projects are debt financed; small purchases could be filed together and packaged under a single finance, rather than several separate acquisitions.
155	Rep. Hill	Continues with questions for further understanding.
165	Stinson	Explains the position of the interim committee.
182	Rep. Hill	Questions how we look at large items, as well as many small items that add up to a large amount of money.

193	Rep. Watt	Responds that the interim committee's direction was to provide a simple mechanism for the Governor's office and members to obtain technical equipment information.
212	Rep. VanLeeuwen	Questions if somewhere the sum total is addressed.
220	Rep. Watt	Explains this commission is about providing information to the legislative body in reference to our debt issuance, not approval. Continues with commission's role as a tool utilizing the information already available, but not accessible.
263	Rollie Wisbrock	Chief of Staff, Oregon State Treasury, submits testimony of support on HB 2214 ( <b>EXHIBIT B</b> ). Comments on advisory role of State Treasurer's office on the commission.
302	Chair Strobeck	Will reconsider after receiving fiscal impact statement. Closes public hearing on HB 2214. Opens public hearing on HB 2179.
<b><u>HB 2179 - PUBLIC HEARING</u></b>		
308	Chenelle	Committee Administrator, reviews provisions of the bill.
325	Darren Bond	Director of Finance, Oregon State Treasury, submits testimony in support of HB 2179 ( <b>EXHIBIT C</b> ). Continues comments of legislation impact.
408	Rep. Montgomery	Questions the fiscal impact.
412	Bond	Comments this information is not available at this time
<b>TAPE 10, A</b>		
000	Rep. Schrader	Questions why money transferred from the Oregon Short Term Fund not transferred back.
004	Bond	Responds that it is easier to administer one separate fund than two, particularly when they are the same type of funds.
008	Rep. Schrader	Questions if this is the only investment pool available to local government.
011	Bond	Responds that local government investment pool is a short term investment vehicle. Local government is not limited to just this pool
014	Rep. Schrader	Questions why we don't eliminate the investment pool.
018	Bond	Responds that the pool is not being eliminated, just certain reporting requirements.
030	Rep. Schrader	Comments that a one sentence modification will remedy the situation.
035	Bond	Explains they worked closely with Department of Justice in drafting language to make necessary changes.

		Continues comments on future necessity for additional investment pools if local governments and future legislatures deem necessary.
047	Rep. Hill	Questions the repeal portion of the bill; what was the State Treasurer prohibited in doing prior to this bill.
054	Bond	Responds this will allow flexibility for the Board to address all short term funds.
063	Rep. Hill	Questions what we are repealing here, what is the restriction.
070	Bond	Refers to page 4 of exhibit C and provides explanation of language.
089	Rep. Schrader	Questions if two sets of books for accounting are still required.
093	Bond	Responds affirmatively.
098	Rep. VanLeeuwen	Questions if there is enough savings to afford the next bill.
100	Bond	Responds initially there will be an expense; however, there will be savings but not quantifiable at this time.
118	Chair Strobeck	Closes public hearing on HB 2179, opens public hearing on HB 2180.
<b><u>HB 2180 - PUBLIC HEARING</u></b>		
120	Jeri Chenelle	Committee Administrator, reviews provisions of bill.
126	Chair Strobeck	Comments on meeting proceedings.
134	Darren Bond	Director of Finance, Oregon State Treasury, submits testimony in support of HB 2180 ( <b>EXHIBIT D</b> ).
169	Bond	Continues with testimony and submits proposed amendments ( <b>EXHIBIT E</b> ).
223	Rep. VanLeeuwen	Referring to Section 1, lines 1-3 of the bill concerning any state agency collecting state funds, questions whether there are any exceptions to the 24 hour rule.
236	Bond	Responds there are exceptions, refers to the bill. Explains the sooner money is received, the sooner they are invested.
285	Rep. Hill	Comments on the Attorney General's office attention in this matter, and requests the names of the agencies that put checks in the drawers.
298	Bond	Responds that inadequate staffing, incomplete training, and outdated processes contribute to the situation. Comments that the Department of Revenue requested the Attorney General's office to provide the definition.
319	Rep. Schrader	Questions the necessity of the sub-accounts? Is it legally necessary to

		have these sub-accounts?
330	Bond	Explains the importance of both agencies working together and the prudence of doing it in this manner.
342	Chair Strobeck	Questions if there is a plan for agency notification.
348	Bond	Responds affirmatively.
358	Bruce Shriver	Chief Financial Officer of the Department of Veteran's Affairs. Addresses concerns ( <b>EXHIBIT F</b> ) about HB 2180 and with the submitting of amendment, withdraws concerns.
382	Susan Browning	Division Administrator, Department of Revenue. Provides testimony of support for HB 2180 ( <b>EXHIBIT G</b> ).  Describes Department of Revenue's strategies for using tax payments. The department has reduced processing procedures by 15 percent over the past two years.
<b>TAPE 9, B</b>		
002	Browning	Outlines department's position of support.
065	Browning	Continues presentation with impact of HB 2180.
073	Rep. VanLeeuwen	Questions alternatives to HB 2180.
078	Browning	Responds with options available.  Continues with proposed legislation, SB 169 page 5 ( <b>EXHIBIT G</b> ). Requiring mandatory payment of combined payroll, beginning with very large companies.
098	Chair Strobeck	Questions the statistics for next day deposits.
102	Browning	Clarifies statistics.
113	Rep. Montgomery	Questions the department's role of handling general fund moneys.
118	Browning	Clarifies data.
124	Rep. Schrader	Questions the existing technology.
127	Browning	Responds that the department is fully automated.  Further explanation of electronic funds transfer.
147	Rep. Schrader	Comments on the department's position regarding the amendment.
154	Browning	Responds the Department of Revenue supports the amendment. Explains the department's concern about HB 2180 is the additional funds needed to comply.
165	Chair	Questions security of funds not deposited.

	Strobeck	
170	Browning	Responds that the revenue building is very secure.
172	Chair Strobeck	Questions the current use of electronic funds transfer.
174	Browning	Responds that electronic funds transfer is currently used for cigarette tax.
191	Rep. VanLeeuwen	Questions if the Department of Revenue is the agency being targeted in HB 2180.
197	Browning	Responds they don't believe they are the agency being targeted.
233	Rep. Whelan	Questions if a calculation has been done on the additional revenue.
239	Browning	Responds, the Secretary of State Audit Division estimated that \$745,000 could be raised annually.
249	Rep. Hill	Questions what is a compelling business reason. What is the gain of this bill?
271	Gary Brubaker	Deputy State Treasurer. This legislation targets every state agency. Comments on past procedures and the inefficiency of these practices.
313	Rep. Hill	Questions if the State Treasury will have the authority to make requirements on other agencies.
325	Brubaker	Comments that State Treasury has two options of authority.
345	John Radford	Administrator, Department of Administrative Services, testifies in support of HB 2180 ( <b>EXHIBIT H</b> ).
364	Rep. Hill	Requests some guidelines for State Treasurer's office in the amendments.
383	Chair Strobeck	
<b><u>HB 2186 - PUBLIC HEARING</u></b>		
385	Jeri Chenelle	Committee Administrator, reviews provisions of the bill.
430	Dan Smith	Director of Investment Division, Oregon State Treasury. Provides testimony in support of HB 2186 ( <b>EXHIBIT I</b> ).
<b>TAPE 10, B</b>		
050	Smith	Continues with testimony.
084	Rep. Whelan	Questions opportunity lost by limiting stocks for the past six years.
082	Smith	Responds that current stock levels have been determined to be prudent and productive.
095	Rep. Montgomery	Questions why we need to increase by 50 percent based on the current market.
104	Smith	Explains strategy between Public Employees Retirement System account and the common school account.
	Rep.	Questions the difference in investing between the PERS fund and

128	Montgomery	common school fund.
135	Smith	Explains common school fund is a constitutional trust fund, and the beneficiaries are Oregon's school children. It is not a general fund account.
139	Rep. Hill	Comments on spending someone else's money.
152	Smith	Responds on removing the 50 percent cost limitation.
173	Rep. Whelan	Questions the PERS distribution between employer and employee.
177	Smith	Refers the question to Fred McDonnal.
182	Fred McDonnal	Director, Public Employees Retirement System (PERS). Explains asset allocations of investment funds. Comments that 60 percent of PERS fund is from investment earnings, employer contribution 20 percent, and 10 percent employee contribution.  Testifies that HB 2186 is supported by PERS, and PERS board.
250	Rep. Montgomery	Questions if it is possible to have 100 percent in equity and zero in bonds.
258	McDonnal	Responds that under current market conditions and investment opportunities, the investment council would not be put in this position.
263	Rep. Montgomery	Comments on concerns.
280	Rep. VanLeeuwen	Comments on concern in the 100 percent equity investments.
289	Chair Strobeck	Questions the investment council.
293	McDonnal	Comments the standards are prudent and productivity.
299	Chair Strobeck	Questions the check and balance of this procedure.
302	McDonnal	Responds with all parties involved in the investment program and council.
310	Gary Van Horn	Assistant Director, Division of State Lands, Finance and Administration. Testifies in support of HB 2186 ( <b>EXHIBIT J</b> ).  Addresses difference between bonds and equity investments.
335	Chair Strobeck	Asks committee whether there are any questions regarding the language of this bill.
350	Rep. Schrader	Comments on next meeting being a work session, requests an amendment limiting it to 60 - 65 percent.
355	Chair Strobeck	Responds affirmatively.
361	Rep. Montgomery	Comments on support of bill.

365	Chair Strobeck	Adjourns meeting at 2:51 p.m.

Submitted By, Reviewed By,

Timaree Whitty, Jeri Chenelle,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - HB 2214, Oregon State Treasury's Summary, Watt, 1pp.**

**B - HB 2214, Written Testimony, Wisbrock, 3pp.**

**C - HB 2179, Written Testimony, Bond, 8pp.**

**D - HB 2180, Oregon State Treasury's Summary, Bond, 1pp.**

**E - HB 2180, Proposed Amendment, Bond, 1pp.**

**F - HB 2180, Written Testimony, Shriver, 3pp.**

**G - HB 2180, Written Testimony, Browning, 6pp.**

**H - HB 2180, Written Testimony, Radford, 1pp.**

**I - HB 2186, Written Testimony, Smith, 3pp.**

**J - HB 2186, Written Testimony, Van Horn, 1pp.**