

HOUSE COMMITTEE ON GENERAL GOVERNMENT

March 12, 1997 Hearing Room D

1:00 P.M. Tapes 42 - 43

**MEMBERS PRESENT:**

Rep. Rep. Ken Strobeck, Chair

Rep. Rep. Dan Gardner, Vice-Chair

Rep. Bob Montgomery

Rep. Kurt Schrader

Rep. Liz VanLeeuwen

Rep. Tom Whelan

**MEMBER EXCUSED:**

Rep. Jim Hill

**STAFF PRESENT:**

Jeri Chenelle, Administrator

Annetta Mullins, Administrative Support

**MEASURE/ISSUES HEARD:**

SB 87 - Public Hearing and Work Session

SB 89 - Public Hearing and Work Session

SB 100 - Public Hearing and Work Session

**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 42, A</b>		
004	Chair Strobeck	Calls meeting to order at 1:05 p.m. and opens public hearing on SB 87.
<b><u>SB 87 - PUBLIC</u></b>		

<u>HEARING</u>		
011	Chenelle	Reviews provisions of SB 87.
019	Jon Mangis	Director, Department of Veterans Affairs, testifies in support of SB 87 <b>(EXHIBIT A)</b> .
049	Mangis	Continues presentation.
063	Rep. Montgomery	Comments on eliminating private enterprise.
069	Mangis	Explains the reason they don't want to do the work is the liability; DeLoitte Touche will continue but they want back up documentation.
077	Rep. Schrader	Asks if the State of Oregon would assume any risk if the projection is not available.
082	Mangis	Responds that the department has always produced cash flow projections themselves, but someone from the outside gives a comfort level for the bonding companies. Adds that in 1982 an outside firm began coming in to provide the comfort level to the investors on Oregon bonds, and that the department's financial adviser's documentation is more sophisticated and is the document which the State Treasurer takes to the rating agencies.
093	Rep. Schrader	Asks if the procedures have adversely affected the bonds.
	Mangis	Explains since the 80's, the department has had a positive cash flow, and believes the bond market has a lot of faith.
106	Chair Strobeck	Asks why the entire section is not deleted and say the department shall contract for review of the cash flow.
	Mangis	Responds they were addressing the one cash flow projection that is done on an annual basis.
121	Mangis	Adds he think the State Treasurer would probably object and would like the department to continue this process until such time as no major accounting firm will do it.
128	Chair Strobeck	Closes the public hearing and opens the work session on SB 87.
<b><u>SB 87- WORK SESSION</u></b>		
136	Rep. Schrader	<b>MOTION: Moves SB 87 to the floor with a DO PASS recommendation.</b>
		<b>VOTE: 6-0</b>  <b>AYE: In a roll call vote, all members present vote Aye.</b>  <b>EXCUSED: 1 - Hill</b>
	Chair	<b>The motion CARRIES.</b>
		<b>REP. SCHRADER will lead discussion on the floor.</b>

155	Chair Strobeck	Closes work session on SB 87 and opens public hearing on SB 89.
<b><u>SB 89 - PUBLIC HEARING</u></b>		
153	Chenelle	Explains provisions of SB 89.
168	Frank Wallace	Deputy Director, Department of Veterans Affairs, testifies in support of SB 89 ( <b>EXHIBIT B</b> ).
196	Mangis	Adds that SB 89 is supported by the Oregon Bankers Association, the Oregon Mortgage Bankers Association, the United Veterans Group of Oregon and the Governor's Advisory Committee.
203	Rep. Schrader	Asks if the rate of default might increase.
	Wallace	Responds the department is not changing any of the underwriting guidelines in consideration of loan applications, that the statutes require a minimum of 20 percent down on an acquisition and the department can lend up to 95 percent but when the 80 percent is exceeded, private mortgage insurance is required to cover the increased exposure.
214	Mangis	Explains when the department resumed making loans in 1996, they looked more like a private lender, that the advantage to the veteran is the preferential interest rate, and that the guidelines are as strict as any lender in Oregon.
222	Wallace	Adds that the department contracts with lenders in the private section, for a fee, to originate loans using Fannie Mae guidelines allowing the department to service veterans throughout the state.
236	Rep. VanLeeuwen	Comments on previous problems in the department due to 20-year money and 30-year mortgages.
247	Chair Strobeck	Asks for clarification of percentages of mortgages and the requirement for mortgage insurance.
	Wallace	Responds anything above an 80 percent loan to value requires private mortgage insurance, the 75 percent sets the amount the department can advance to any particular veteran, and it is 75 percent of Fannie Mae's single family limit (currently around \$214,000). Adds that anything above the maximum limits of Fannie Mae and Freddie Mac is referred to as a "jumbo" loan, and goes into a different segment of the market.
264	Chair Strobeck	Closes the public hearing and opens the work session on SB 89.
<b><u>SB 89 - WORK SESSION</u></b>		
279	Rep. Gardner	<b>MOTION: Moves SB 89 to the floor with a DO PASS recommendation.</b>
		<b>VOTE: 6-0</b>

		<b>AYE: In a roll call vote, all members present vote Aye.</b>
		<b>EXCUSED: 1 - Hill</b>
	<b>Chair</b>	<b>The motion CARRIES.</b>
		<b>REP. VAN LEEUWEN will lead discussion on the floor.</b>
282	Chair Strobeck	Closes work session on SB 89 and opens the public hearing on SB 100.
<b>SB 100 - PUBLIC HEARING</b>		
	Chenelle	Reviews provisions of SB 100.
291	Jon Mangis	Director, Department of Veterans Affairs, testifies in support of SB 100 <b>(EXHIBIT C).</b>
320	Mangis	Continues presentation.
367	Chair Strobeck	Asks if it is correct that ODVA operates the home, but the funds come from other sources.
	Mangis	Explains the process in obtaining land and funding for construction of the veterans home in The Dalles.
<b>TAPE 43, A</b>		
007	Chair Strobeck	Asks if the department will contract with a health care service to provide medical support, and whether the services will be paid for with something other than state funds.
013	Mangis	Responds all costs are paid for by other than state funds. Explains two bills have been passed: in 1983, the bill said to build a veterans home but did not say how to manage it; in 1995 a bill said build a second veterans home, but that it had to be contracted for private management. Explains bids are out to find out what a private manager would cost, and that The Dalles home and the department are looking into cost if it were run by public employees. Notes that the federal law requires there be a minimum of one state employee on site, that the department is looking at three health care providers in the RFP process; and that the bids have been received but not reviewed.
044	Mangis	Comments on the value of experience in providing services.
050	Chair Strobeck	Asks if the department is only looking to capture costs, not make a profit.
058	Mangis	Responds if food costs go up, the department must be able to look at it, and ultimately hopes to build a reserve for on-going maintenance of the facility.
066	Chair Strobeck	Asks if they have determined how much would go into the fund.
		Responds the figures are being reviewed by DeLoitte Touche. A group of six persons will make a recommendation to him and that he will make a

	Mangis	decision. Adds that his inclination is it will be most cost effective to contract the services.
087	Rep. Montgomery	<b>"I might declare a conflict of interest; I plan to be there someday."</b>
094	Chair Strobeck	Closes the public hearing and opens the work session on SB 100.
<b><u>SB 100 - WORK SESSION</u></b>		
095	Rep. Gardner	<b>MOTION: Moves SB 100 to the floor with a DO PASS recommendation.</b>
095		<b>VOTE: 6-0</b> <b>AYE: In a roll call vote, all members present vote Aye.</b> <b>EXCUSED: 1 - Hill</b>
	Chair	<b>The motion CARRIES.</b> <b>REP. STROBECK will lead discussion on the floor.</b>
103	Chair Strobeck	Declares meeting adjourned at 1:40 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jeri Chenelle,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - SB 87, prepared statement, Jon Mangis, 2 pp**

**B - SB 89, prepared statement, Frank Wallace, 3 pp**

**C - SB 100, prepared statement, Jon Mangis, 2 pp**