

HOUSE COMMITTEE ON GENERAL GOVERNMENT

April 28, 1997 Hearing Room D

1:00 P.M. Tapes 90 - 91

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

STAFF PRESENT:

Jeri Chenelle, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

HB 2614 - Work Session

SB 141 A - Public Hearing

HB 3412 - Work Session

SCR 3 - 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.

Tape/#	Speaker	Comments
Tape 90, A		
003	Chair Strobeck	Calls meeting to order at 1:04 p.m. and opens the work session on HB 2614.
<u>HB 2614 - WORK</u>		

SESSION		
005	Rep. Tim Josi	Testifies in support of HB 2614:
		* bill was introduced at request of Mr. Holstad, a constituent
		* provides exemption from annual municipal audits when total receipts do not exceed \$150,000
		* reviews letter received from Mr. Holstad (EXHIBIT A)
025	Rep. Schrader	Asks if there will be someone reviewing the books to make sure the funds are being handled in an appropriate manner.
	Rep. Josi	Responds he believes there would be.
034	Chair Strobeck	Notes that the legislation does not change the way they do anything; it just raises the dollar limit.
038	Rep. Montgomery	MOTION: Moves HB 2614 to the floor with a DO PASS recommendation.
040		VOTE: 6-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Hill
	Chair Strobeck	The motion CARRIES. REP. JOSI will lead discussion on the floor.
048	Chair Strobeck	Closes the work session on HB 2614 and opens the public hearing on SB 141-A
<u>SB 141-A - PUBLIC HEARING</u>		
057	Jeri Chenelle	Administrator, reviews provisions of SB 141-A.
065	Mark Gibson	Policy Advisory for Health Care and Human Resources to the Governor, testifies in support of SB 141-A.
		* task force members included legislators
		* there was effort to merge the two last session but the governor disagreed with some of the provisions of the bill; Governor appreciates the hard work done during the interim and agrees with the proposed legislation
082	Barney Speight	Oregon Health Plan Administrator, submits report and reviews findings (EXHIBIT B).
124	Speight	Continues presentation.
144	Speight	Introduces Jim McIntosh, Manager, State Employees Benefit Board (SEBB), Chuck Mendenhall, a Bargaining Unit Benefits Board (BUBB) board member, and Cheryl Wilcoxon, Administrator, BUBB.
		Ask how SB 141-A differs from the recommendations of the task

154	Rep. Schrader	force.
155	Speight	Explains Senate amendments added a phrase on line 9 for purposes of reinsurance only.
170	Schrader	Asks if this legislation will save money and comments none are indicated on the Legislative Fiscal Analysis (EXHIBIT C).
	Speight	Explains he believes the short-term anticipation is that the savings are going to be minimal and if there are savings, it will be through attrition and that is why the recommendation of the task force was to combine the two budgets and have the new entity come back to the Emergency Board after staffing and other management decisions are made.
		Issues discussed:
		* staffing level
203		* support staff for BUBB will be merged into the new board
225	Jim Macintosh	State Employees Benefit Board, offers to respond to questions.
226	Chuck Mendenhall	Chairperson, Bargaining Unit Benefit Board, introduces himself.
	Cheryl Wilcoxon	Administrator, Bargaining Unit Benefits Board, introduces herself.
232	Chair Strobeck	Asks that one of the witnesses explain why the two boards exists and what is hoped to be accomplished by merging them, and to answer questions about staffing levels.
234	McIntosh	Explains SEBB was established in 1972 to gather state agency benefit programs for all state employees together and achieve economies of scale, and to make the program work better for state government; in 1981 BUBB was established to provide health and dental benefits for those represented by the Oregon Public Employees Union (OPEU). Adds that language in the statute would allow other groups to participate, but does not know if other bargaining units participated.
238	Mendenhall	Explains that BUBB was created by the 1979 legislature and came into effect in 1980 for those represented by labor organizations; currently the only group participating is represented by OPEU, about 1,800 employees and their dependents. Adds there are about 28,000 in SEBB.
		Explains that Oregon Health Sciences Center is in the process of transitioning out from the SEBB board, and the Department of Higher Education has an option of staying or leaving.
270	McIntosh	Adds that the Oregon Health Sciences University has provided SEBB with notice they will withdraw January 1, 1998.
	Mendenhall	Explains that the moneys that pay for the administrative expenses of the program come from an assessment placed on the health and dental program premiums paid by state employees.
		States both boards have very small administrative charges, against

282	Mendenhall	the BUBB side it is three tenths of one percent of premium, and is similar on the SEBB side.
286	McIntosh	Clarifies the rate is six tenths of one percent for SEBB, and explains the percentage charged as an assessment against premiums varies based on the amount of premium increase.
296	Mendenhall	Explains that SEBB is staffed by state employees; staffing for BUBB is contracted with OPEU; OPEU has about seven FTEs.
319	McIntosh	Comments he believes the savings have to do with the time frames that are set out in combining the two boards; while the new board would be created July 1, 1997, the existing boards would continue to operate for the remainder of 1997 and would continue their plans through 1998, and January 1, 1999, the new board would have a new program.
347	Mendenhall	Describes functions of SEBB and BUBB, including negotiating and contracting for benefit packages.
399	Rep. Montgomery	Asks where the employees' pot of money goes.
403	Mendenhall	Responds they are the funds that are appropriated but not spent and are called stabilization funds; there have been a number of years where the increase in health insurance has not been in the double digit area and funds have accumulated in the reserves. Adds the funds are scheduled, beginning in January this year, to be expended for the difference between what is available for health insurance and the actual cost of insurance, therefore the funds are being depleted.
TAPE 91, A		
007'	Rep. Whelan	Asks what kind of complaints will be made by disgruntled state employees in the next couple of years.
009	McIntosh	Responds that any change gets people excited; it will depend on the decisions the board makes on how they structure the program effective January 1, 1999--guess is those who will like it will outnumber those who will not like it.
023	Mendenhall	Adds the two board have a high level of participant satisfaction; however, there are some major cultural groups of people and when those cultures are merged we will see, depending on the board decisions, a culture clash.
		Comments cash back options are not available through BUBB; there are subsidies on the BUBB side and incentives on the SEBB side.
054	Rep. Whelan	Asks what the big payoff will be.
	Mendenhall	The theory is that consolidation of the boards will provide: (1) economy of scale in administration, (2) combining the purchasing power may create a different market place, and (3) the state perhaps can consolidate an array of insurance programs
		Adds he believes there is sound rationale for combining the

078	McIntosh	programs.
085	Rep. VanLeeuwen	Asks if OPEU represents all the public employees.
	Mendenhall	Responds when BUBB was created in 1979, it was with the understanding it would be where all represented employees could purchase their benefits, but the only group who opted was OPEU; other employees are represented by the American Federation of State, County and Municipal Employees (AFSCME) and smaller organizations who have not chosen to opt in. Oregon Public Employees Union (OPEU) has about 40,000 participants, including dependents.
117	Chair Strobeck	Comments the motivation for the merger of the two boards came from the legislature, and that he served on the task force during the interim and everybody came to the table recognizing their own concerns but they were put aside and the effort was made to craft something that would be of benefit to all state employees as well as delivery of long-term economies of scale to state government.
134	Mendenhall	Explains the Senate amendment on page 9 was offered by Blue Cross to ensure the state would not engage in self-insuring, but believes the amendment goes beyond that and changes the latitude the BUBB board currently has. The language in line 8 and 9 says "or a board approved guarantor of benefit plan coverage and compensation for the purposes of reinsurance only" excludes an opportunity which existed, i. e. the boards wanted to ask Salem Hospital to come to the Capitol and provide a flu shot clinic and the board would pay for the services.
172		Adds that he has assurance from the Senate member of the task force that as long as the intent is restricted to prohibit the boards from self-insuring, it was not his personal desire to disallow the state to contract with Salem Hospital to provide benefits.
179	Mendenhall	Suggests it would be appropriate to amend SB 141-A back to its original form.
187	McIntosh	Responds that the language in SB 141 came from the BUBB statute; it was never intended that somehow it would give authority to self-insure which the state has never had in the past.
204	Rep. VanLeeuwen	Asks what the Senate vote was.
	McIntosh	Responds it was 27-2.
207	Rep. Schrader	Comments he would be comfortable leaving the language if the committee can get the same attorney general opinion.
	Chair Strobeck	Asks Mr. Speight if the language should be deleted.
	Barney	Responds affirmatively.
218		Discussion continues on the Senate amendment.
	Chair Strobeck	Concludes the consensus is to have an amendment drafted to remove the Senate amendment.
249	Chair Strobeck	Closes the public hearing on SB 141-A.

249	Chair Strobeck	"I SHOULD AT THIS TIME DECLARE A POTENTIAL CONFLICT OF INTEREST SINCE I DO WORK FOR BLUE CROSS AND BLUE SHIELD OF OREGON."
253	Chair Strobeck	Opens the work session on HB 3412.
<u>HB 3412 - WORK SESSION</u>		
	Rep. Jim Hill	Testifies in support of HB 3412 (EXHIBIT D) with the proposed HB 3412-1 amendments (EXHIBIT E), and states he would not be opposed to asking for amendments to create enough of a pool of machines so the impact would be revenue neutral for this biennium.
332	Rep. Gardner	Comments he understands the disconnect between the Class A and B liquor license, but the reason for that was the restriction of minors, and asks if the language could be amended rather than just leaving it to administrative rules.
339	Rep. Hill	Responds he believes there is a restriction in statute already on the age to play video poker terminals.
	Rep. VanLeeuwen	Asks how this bill differs from the Senate bill.
	Rep. Hill	Responds he believes a bill being discussed by Sen. Hamby would be a referendum to the people on whether video poker should exist.
386	Rep. Schrader	Comment he spoke to Rep. Hill earlier about an amendment that would get at the amount of business an establishment gains on the lottery terminals, and asks if Rep. Hill would consider the amendment.
393	Rep. Hill	Responds he would support the amendment, but would not want to see the whole bill go down on the one issue. Adds he believes the legislature has to address the question of what is dominant use and dominant purpose.
403	Rep. Schrader	Explains the amendment would keep Section 3(1) and add a subsection (2) that says the dominant use of a business premise shall be considered the sale of video lottery games if the quarterly amount of commissions and other compensation...exceeds 25 percent. Further explains that the goal is to further restrict it so that no more than 25 percent of the gross receipts of any business could come from lottery sales.
425	Chair Strobeck	Comments he wonders if this is taking bites out rather than looking at the whole big picture, and asks if it would have an impact on Indian gaming or other gambling.
428	Rep. Hill	Responds it would not do a repeal which enables the Indian casinos to have machines--it would just be the state's participation and would be limited to approximately 10,000 video poker terminals in the state. Adds that Lottery has indicated that the growth is tapering off anyway; one third of the licenses last year

		were ownership changes.
TAPE 90, B		
030	Rep. Hill	Explains the different types of facilities which have video poker machines.
051	Rep. VanLeeuwen	Comments that HB 3412 removes (2) which some have expressed should be in places where minors are not allowed. Asks if the intent of the bill is to allow them to be almost any place.
	Rep. Hill	Responds he has no qualms about making it clear for those 21 years old and above; restaurants can create a facility to shield the machine from the street and sight, and would give any lawful business person the opportunity to operate the machines.
072	Mike McCallum	Oregon Restaurant Association, states they have concerns about the bill, primarily in two areas:
		* the mechanism to control the expansion of the number of terminals would need to be reworded to reflect population growth
		* doesn't care if the number of terminals are restricted because the market is taking care of the problem today; there is not an inordinate amount of folks requesting the machines
		* only about 1,860 of OLCC licenses have the machines; the quota system is not necessary to control the number of terminals out there
		* questions why the machines should be restricted to liquor licenses and could Dairy Queen have a section not open to the minors
		* the question is who enforces
		* Lottery has no enforcement and it would add to the administrative expenses of the lottery and reduce turnover to the state
121		* recommends the bill have referral to Revenue because it will have effect on turnover to the state
127	Rep. Hill	Comments the Oregon State Police is the enforcement for the Lottery.
132	McCallum	Agrees and adds it does not extend to observation.
140	Chair Strobeck	Asks what the sense is of the committee.
148	Rep. Hill	Responds he does have amendments coming
164	Rep. Gardner	Comments that because of the minor aspects, he cannot support the bill.
171	Rep. Schrader	Comments he would like to discuss the -1 amendments.
182	Chair Strobeck	Closes the work session on HB 3412 and opens the public hearing on SCR 3.
SCR 3 - PUBLIC		

<u>HEARING</u>		
	Jeri Chenelle	Administrator, reviews provisions of SCR 3.
194	Jon Mangis	Testifies in support of SCR 3 (EXHIBIT F).
225	Chair Strobeck	Asks if the ODVA loan program is not in the Constitution.
	Mangis	Explains the federal law and constitutional provision.
262	Rep. Schrader	Comments he is surprised there are only five states which have state veteran programs.
	Mangis	Reviews history of veteran loan programs.
301	Rep. VanLeeuwen	Notes there is a federal program.
	Mangis	Agrees and notes the lower interest rates on the state program.
314	Chair Strobeck	Closes the public hearing and opens the work session on SCR 3.
<u>SCR 3 - WORK SESSION</u>		
333	Rep. MONTGOMERY:	MOTION: Moves SCR 3 be sent to the floor with a BE ADOPTED recommendation.
340		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Strobeck	The motion CARRIES. REP. MONTGOMERY will lead discussion on the floor.
350	Chair Strobeck	Adjourns meeting at 2:21 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jeri Chenelle,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 2614, constituent letter, Rep. Tim Josi, 3 pp

B - SB 141-A, Governor's Task Force on State Employee Health Benefits report, Barney Speight, 33 pp

C - SB 141-A, Legislative Fiscal Analysis, staff, 2 pp

D - HB 3412, prepared statement, Rep. Jim Hill, 2 pp

E - HB 3412, HB 3412-1 amendments, Rep. Jim Hill, 2 pp

F - SCR 3, prepared statement, Jon Mangis, 2pp