

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

March 27, 1997 Hearing Room 343

1:00PM Tapes 43, 44

MEMBERS PRESENT:

Sen. John Lim, Chair

Sen. Joan Dukes, Vice-Chair

Sen. Bill Fisher

Sen. Gary George

Sen. Avel Gordly

Sen. Veral Tarno

MEMBER EXCUSED:

STAFF PRESENT:

Jim Stembridge, Administrator

Julie Havel, Administrative Support

MEASURE/ISSUES HEARD:

Informational Meeting

Oregon Investment Council

HB 2186 Public Hearing and Work Session

SCR 4 Public Hearing and Work Session

SB 667 Work Session

SB 914 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 43, A		

005	Chair Lim	Calls meeting to order at 1: 20pm and opens informational meeting and public hearing on HB 2186.
<u>INFORMATIONAL MEETING - OREGON INVESTMENT COUNCIL</u>		
<u>HB 2186 - PUBLIC HEARING</u>		
010	Gerard Drummond	Chairperson, Oregon Investment Council, gives overview of the organization (EXHIBIT A).
060	Drummond	Continues presentation.
104	Chair Lim	Asks what percentage and dollar amount we are investing in the economy of our own state.
100	Drummond	Explains the 1995 State Treasurer's Report shows is slightly less than one billion dollars in all categories.
108	Chair Lim	Asks for and receives clarification that out of 34 billion dollars, the amount invested in Oregon is slightly under one billion dollars.
115	Chair Lim	Asks what the difference is between "special recognition" and "special preference," and states it is confusing to him.
111	Drummond	Explains it is confusing to him as well, and states he does not know how to give special recognition without infringing upon productivity and prudence standards. States his council works without any staff and therefore must still "react" rather than be "proactive."
188	Chair Lim	Welcomes students.
170	Dan Smith	Director, Investment Division, Oregon State Treasury, testifies on HB 2186 and shares his concerns about the bill. States the existing statute may actually conflict with itself, and it is time consuming to track and measure the contributed cost (EXHIBIT B).
220	Smith	Continues testimony.
270	Smith	Continues testimony.
289	Chair Lim	Asks for clarification on intent of HB 2186 and the amendment, and asks what would happen if they were to agree to invest in a higher percentage in the amount that could be invested, and stock prices were to go down on Monday after they decided to invest in those funds.
300	Drummond	States he was on the council when the stock market crashed on "black Monday" in 1987. Relays the experience and states that these things do happen, but he does not anticipate that the asset allocation would increase by way of domestic

		and international equities. States it is really the liability assumptions that govern the asset allocation.
342	Chair Lim	Asks what the current limit is.
346	Smith	Explains it is 60 percent.
351	Jim Stembridge	Committee Administrator, clarifies why it is at 58 to 60 percent, because the stocks have done well.
386	Fred McDonnal	Director, Public Employees Retirement System (PERS), testifies in support of HB 2186 on behalf of the eleven member PERS board.
411	Chair Lim	Closes public hearing and opens work session.
TAPE 44, A		
<u>HB 2186 - WORK SESSION</u>		
021	Sen. Dukes	Shares her opinion that they have good reason to give the Treasurer's office the flexibility to do this, as they have been prudent in the past, and she believes they will continue to do so.
033	Sen. Tarno	States PERS has done a good job and he too, is confident they would have raised concerns if they saw any red flags.
051		Discussion held on the volatile nature of stock market and concerns about investing funds.
064	Sen. George	Suggests tabling the bill until Sen. Gordly and Sen. Fisher arrive.
070	Chair Lim	States he does not have any intention to move the bill at this time, but would like to consider discussion.
076	Chair Lim	Closes work session on HB 2186 and opens public hearing on SCR 4.
<u>SCR 4 - PUBLIC HEARING</u>		
088	Jim Stembridge	Committee Administrator, explains provisions of resolution and explains the amendment has not arrived yet, but legislative counsel could be bringing it any time.
104	Chair Lim	Noting that no one wishes to testify, closes public hearing and opens work session.
<u>SCR 4 - WORK SESSION</u>		
105	Sen. Dukes	Asks reasoning behind the intent of this bill.
		Explains he traveled to North Korea and saw good things happening and wants to urge Congress to continue a dialogue with North Korea. States the country is in a very

112	Chair Lim	desperate situation and many people are starving to death. Re-caps history of relations between North and South Korea.
134	Sen. Dukes	States her concerns on the issue, and adds she would be more comfortable hearing from people with experience in this area. Also is not sure Congress really cares what Oregon thinks on the matter.
159	Chair Lim	States he thought it would produce good will between the United States and North Korea.
166	Chair Lim	Asks other members how they feel about it.
170	Sen. George	States his concerns about North Korea's use of nuclear weapons and it's oppression of the people there.
181	Chair Lim	Explains North Korea is in a situation where they want to open up, but if they do, they fear their government might crumble, and they are in a very fragile situation. States U.S. is almost ready to open a liaison office there, and the time is ripe for it. States this resolution is a "carrot," that would further promote good will.
230	Chair Lim	Continues explaining situation and states he hopes to return there.
237	Stembridge	Explains his research included the state department briefing that was released last fall. Gives background.
261	Chair Lim	States these are legitimate concerns and offers to send it to the State Department and the University of Oregon to see how they could modify it to make it more acceptable.
276	Sen. Fisher	Line 31 page one, suggests removing the word "political", and completely do away with c, and delete down to the first comma in e.
303	Chair Lim	States he appreciates the suggestions, and he will bring this bill back.
312	Chair Lim	Closes work session on SCR 4 and opens work session on SB 667.
<u>SB 667- WORK SESSION</u>		
320	Jim Stembridge	Committee Administrator, re-caps provisions of SB 667, and explains the lottery's suggestion to amend the amendment on line 6 to place more specific language in. Explains Legislative Counsel advised that that new language is no more specific than the original.
370	Sen. Fisher	Asks if the -1 amendment is available only in hand-engrossed form.
399	Stembridge	Explains the -1 amendments have been drafted by counsel, and they have been hand engrossed into the bill.

427	Sen. Dukes	MOTION: Moves to ADOPT SB 667-1 amendments dated 3/17/97.
	Chair Lim	Hearing no objection, declares the motion CARRIED.
442	Sen. Dukes	MOTION: Moves SB 667 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 6-0
		AYE: In a roll call vote, all members present vote Aye.
	Chair Lim	The motion CARRIES.
		SEN. GORDLY will lead discussion on the floor.
467	Chair Lim	Opens work session on SB 914.
TAPE 43, B		
<u>SB 914 - WORK SESSION</u>		
033	Chair Lim	States his intent to go back to original bill.
038	Sen. Dukes	States she will be voting no because she wants to do the study before deciding.
044	Sen. Dukes	Asks what happens if the study comes back and recommends says they do not open an office.
047		Discussion held on the potential ramifications of opening a trade office.
052	Sen. Gordly	States she supports Sen. Dukes' point, and suggests an amendment that states the committee would come back and report its findings after doing the study.
059	Sen. George	Asks what would happen if they just delete section 3.
069	Chair Lim	States this bill would ultimately go to the Ways and Means sub committee on Trade and Economic Development, so they will address the monetary amount there. Adds it is his opinion that they will need to open an office there sooner or later, it is just a question of "when."
080	Sen. Fisher	Asks who is conducting this study.
082	Sen. Fisher	Suggests inserting a mechanism which would allow the office to open if the study found it would be beneficial, but would not open if it did not find good reason to open an office there.
096	Warren Banks	Manager, International Division, Oregon Economic Development Department, explains they are contracting the statistical information and analysis through the masters of international management program through Portland State University and Oregon State University, overseen by John Sullivan. States they intended it to be an independent study

		and hopes it will be.
119	Chair Lim	Asks for Banks' opinion on the matter.
118	Banks	States he shares some of the members' same concerns.
129		Discussion continues on the nature of the market, the role of the government, and the conditions in the marketplace at this time.
153	Sen. Gordly	Asks if the full committee received a copy of a letter from Serena Ross, who testified at a previous hearing on SB 914, and summarizes letter which states there is a sense of urgency and now is the time to be considering opening such an office..
186	Sen. Fisher	Suggests calling the California and Washington Legislatures to see what their experience has been with their offices there.
224	Chair Lim	Asks if Banks can get such information.
228	Banks	States he has talked to Washington state officials, who have recently opened an office, and have stated if they had it to do over again, they would be in Singapore. States he has not recently been in touch with California, but their office is in Hong Kong, and states he does not know if they now consider that to be China. States he will be glad to get more detailed information.
254	Sen. George	Asks if this is the study which Sen. Yih stated was almost completed.
261	Banks	Explains the first part is almost done and should be completed sometime in April.
302	Sen. Gordly	Asks if the study that is under way now would be ready in April
304	Banks	States a preliminary report on trade statistics of where products are coming from, is due sometime in April.
323	Sen. Gordly	Asks if he would consider April a "decision point" at which they could study the report and be ready to make a decision on this based on the information they receive.
334	Banks	States they probably could get a clearer sense of direction from the preliminary information.
367	Sen. Gordly	Suggests they wait on this bill until they get that information.
343	Chair Lim	States he appreciates that suggestion, but it is the leadership's intention that they move as soon as possible on this bill.
374	Chair Lim	Acknowledges other member's concerns with the bill, and states he will wait for more details on California's and Washington's experiences before going any farther on it.

398	Sen. Dukes	Shares concerns about the lack of testimony in support of this bill with the exception of Serena Ross.
411		Discussion held on what the businesses who would have a potential interest in trading over there think of this idea and how they haven't heard from any of them.
420	Sen. Fisher	Asks if the Association of Oregon Industries or the National Federation of Independent Business have given any indication of interest in this issue.
TAPE 44, B		
025		Discussion continues on whether there is a need to move forward with the opening of this office.
035	Sen. Gordly	Comments she believes someone should take the lead, and despite the fact that some members have concerns about it, commends Sen. Yih for starting the dialogue about it.
047	Sen. George	Shares his experience of China seeking out his small hazelnut business, and asks how common it is that China initiates such relations rather than it being the other way around.
059	Banks	Explains he believes Sen. George's experience is not a common occurrence and uses example of importing logs from the United States. States Washington opened an office in Tokyo in 1960's and we didn't open ours in 1984, and yet ours is still doing as well or better than theirs.
082	Chair Lim	Re-states his belief that the time to act is now, and we should actively pursue it instead of waiting for it to come to us.
092	Chair Lim	Closes work session and adjourns meeting at 2:53pm.

Submitted By, Reviewed By,

Julie Havel, Jim Stembridge,

Administrative Support Administrator

EXHIBIT SUMMARY

A - Oregon Investment Council overview, Gerard Drummond, 10pp.

B - HB 2186, written testimony, Dan Smith, 3pp.