

HOUSE COMMITTEE ON
GENERAL GOVERNMENT AND REGULATORY REFORM

Hearing Room
Tapes - 43

MEMBERS PRESENT:

Rep. Bob Tiernan, Chair
Rep. Mike Lehman, Vice-Chair
Rep. Jerry Grisham
Rep. Cedric Hayden
Rep. Bryan Johnston
Rep. Bill Markham
Rep. Lonnie Roberts
Rep. Barbara Ross
Rep. Charles Starr
Rep. Ken Strobeck
Rep. Sharon Wylie

MEMBER ABSENT:

Rep. Ron Adams

STAFF PRESENT:

Anne Tweedt, Committee Counsel
Annetta Mullins, Committee Assistant

MEASURES HEARD:

Government Efficiency
HB 2364 - Public Hearing
HB 2554 - Public Hearing
HB 2481 - Work Session
SB 96 - Work Session

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE , A

004 CHAIR TIERNAN Calls the meeting to order at 1:20 and opens the public hearing on government efficiency. REP. ADAMS is absent.

GOVERNMENT EFFICIENCY

Witnesses: Rep. Jim Walsh
John S. Devouassoux

013 REP. WELSH, introduces John S. DeVouassoux, Oregon Total Information System Director and explains Mr. DeVouassoux's background.

MR. JOHN S. DEVOUASSOUX: Submits and reads a prepared statement (EXHIBIT A).

151 REP. ROBERTS: Is communication based on a system of management-to-worker on the same level?

MR. DEVOUASSOUX: There should be no restriction on communication if you

have a team.

177 MR. DEVOUASSOUX: Continues reading his statement on page 4.

311 CHAIR TIERNAN: Are you saying you competition spends seven times the cost to provide the same service?

330 MR. DEVOUASSOUX: OTIS serves about one-third of the schools in the state. The others are generally served by their own system within their own ESD. I received the number from the superintendent of the ESD. A large majority of the ESDs provide the same services generally at two to eight times our costs.

377 CHAIR TIERNAN: If OTIS as you have described it were an independent business, it would be in trouble.

382 MR. DEVOUASSOUX: It would be out of business.

383 CHAIR TIERNAN: Does that have anything to do with the fact you are a state employee or just because how you are doing things is very inefficient?

386 MR. DEVOUASSOUX: I am stretching the legislation to the limits and that is why OTIS's costs are going down--at least 20 percent in the last six months.

396 CHAIR TIERNAN: Some testimony before this committee has stated that (because of the way state government is run, it can't run like a business.

395 MR. DEVOUASSOUX: I do not agree totally. I will address that later.

400 MR. DEVOUASSOUX: Continues reading his statement on page 8.

419 REP. HAYDEN: Are you familiar with the Oregon Community College Reporting system?

423 MR. DEVOUASSOUX: Not well enough. Community colleges do not use OTIS.

447 CHAIR TIERNAN: What is your budget?

448 MR. DEVOUASSOUX: My budget is \$3.5 million and 28 people plus two remotes for 30 people.

TAPE 43, A

MR. DEVOUASSOUX: Continues his prepared statement on page 8.

065 CHAIR TIERNAN: Requests a copy of Mr. DeVouassoux's resume and suggests that other House and Senate committees may also be interested in his testimony.

072 REP. LEHMAN: In looking back at the age of your organization, you started in 1967 and very few if any school districts had computing capability or data processing capabilities. My recollection is school district budgets slowly eliminated OTIS's services because the districts could do it less expensively and could do it quicker and in house. A common theme is OTIS is an example of a state organization that should not exist any more, it has outlived its usefulness, technology has caught up with it, and we can put the processes in all the school districts. It probably only exists because it is a quasi-state agency. That is what I have heard within the school system. Do you need to exist any longer, or can this be done by districts within their own buildings?

101 MR. DEVOUASSOUX: Explains his investigation; as a result OTIS is working on developing stand-alone systems for one development cost to be shared by hundreds of schools. OTIS will beat the cost of any ESD.

146 REP. LEHMAN: What happens if we privatize OTIS?

150 MR. DEVOUASSOUX: I dream of it.

168 CHAIR TIERNAN: Is your organization state funded?

169 MR. DEVOUASSOUX: We have no funding from the state; 100 percent is from schools who use the services. There are a couple of private competitors.

179 CHAIR TIERNAN: What union do you bargain with?

MR. DEVOUASSOUX: I stay out of the union matters and have a manager attend the meetings. I don't know the name of the union, maybe LCEA.

248 CHAIR TIERNAN: What is the morale in your network now?

MR. DEVOUASSOUX: It is higher than earlier.

CHAIR TIERNAN: Opens the work session on SB 96.

271 SB 96 - WORK SESSION

MS. TWEEDT: Reviews provisions of the bill. The Preliminary Staff Measure Summary is hereby made a part of these minutes (EXHIBIT B).

299 REP. ROSS: What are the advantages of these grants being given to private marinas:

REP. HAYDEN: The federal government mandates that we not dump boat sewage into the waters of the state. In order to fund that mandate, they are providing federal funds to equip marinas with dump facilities. Federal funds will be provided to marinas with the provision that any boat, not just those that dock or are utilizing that marina, can use the dump facility.

374 REP. STROBECK: I believe there is a \$5 limit on the fee that can be charged a boat for use of the facilities if the marina receives the federal funds.

399 MOTION: REP. LEHMAN moves that SB 96 be sent to the Floor with a DO
PASS RECOMMENDATION.

VOTE: In a roll call vote, all members present, vote AYE. REPS. ADAMS, IS

ABSENT. REP. MARKHAM AND ROBERTS VOTE AYE (See tape 43 B at 290)

416 CHAIR TIERNAN: Declares the motion PASSED. REP. HAYDEN will carry the bill on the Floor.

425 CHAIR TIERNAN: Closes the work session on SB 96 and opens the work session on HB 2481.

HB 2481 - WORK SESSION

TAPE 42, B

000 MS. TWEEDT: Explains the provisions of HB 2481. The Preliminary Staff Measure Summary is hereby made a part of these minutes (EXHIBIT C).

008 REP. WYLIE: If this is already current practice by administrative rule, has there been a problem? What problem are we solving by passing this bill?

010 REP. STROBECK: Legislative Counsel has advised DMV they don't have the authority to create that rule, they need a statute in order to have the rule.

018 REP. HAYDEN: What is the fiscal impact?

018 MS. TWEEDT: There is none reported.

025 MOTION: REP. JOHNSTON moves that HB 2481 be sent to the Floor with a DO
PASS RECOMMENDATION.

027 VOTE: In a roll call vote, all members present vote AYE. REPS. ADAMS,
IS ABSENT. REP. MARKHAM AND ROBERTS VOTE AYE (See tape 43 B at 290)

031 CHAIR TIERNAN: Declares the motion PASSED. REP. WYLIE will lead
discussion on the Floor.

037 CHAIR TIERNAN: Closes the work session on HB 2481 and opens a public
hearing on HB 2364 and HB 2554.

038 HB 2364 AND HB 2554 - PUBLIC HEARING

Witnesses: Rep. Peter Courtney
Manny Martinez
Pete Shepherd, Assistant Attorney General, Department of Justice

The Preliminary Staff Measure Summary on HB 2364 (EXHIBIT E) and on HB 2554
(EXHIBIT D) are hereby made a part of these minutes.

045 REP. PETER COURTNEY: Introduces Manny Martinez and explains Mr.
Martinez suggested we establish in the Secretary of State's office a waste
fraud abuse unit. Mr. Martinez worked with the Secretary of State's office
for many years in their Audits Division and is a recent retiree. I was
approached by the Department of Justice, Peter Shepherd, and they are
opposed to some parts of the bill, but not all parts of it. I would hope
as a result of testimony we will be able to come together and establish
this unit.

060 MANNY MARTINEZ: Reads a prepared statement in support of HB 2364
(EXHIBIT F).

110 MR. MARTINEZ: Continues his statement.

155 MR. MARTINEZ: Continues his statement.

204 REP. ROSS: Do you have examples of the fraud that you saw and would
like to see eliminated by this unit?

210 MR. MARTINEZ: I was concerned about the fraud and abuse many years ago,
but especially in 1990. Cites Correction Industries practices.

254 CHAIR TIERNAN: Comments on the number of complaints he has received.

294 PETE SHEPHERD, Oregon Department of Justice, submits and summarizes a
prepared statement proposing amendments to HB 2364 (EXHIBIT G).

340 MR. SHEPHERD: Continues his prepared statement.

REP. MARKHAM arrives at 2:45 p.m.

383 MR. SHEPHERD: Continues his prepared statement.

406 REP. HAYDEN: Mr. Martinez's belief is our references now are
inadequate? Do you share that belief?

415 MR. SHEPHERD: I think Mr. Martinez's testimony related primarily to the
efforts of the Secretary of State's Audit Division. I am not familiar with

that activity. In our work in the Organized Crime Section, we had good relationships with the auditors in the Secretary of State's Audit Division and did receive referrals from them from time to time.

TAPE 43, B

035 MR. SHEPHERD: Continues his prepared statement.

077 REP. ROSS: I gather you feel additional staff or effort is needed to respond to reports, allegations or tips about wrong-doing within state government or among state employees.

084 MR. SHEPHERD: I can only speak to the allegations of criminal misconduct of public employees generally. The resources in our Organized Crime Section are extremely limited and we have to look at the cases carefully and determine if each is significant enough to spend the resources. I don't have any expertise in the auditing function and can't help the committee on whether those resources are adequate or not.

106 REP. GRISHAM: Do you believe the idea of the waste hot line is a good one and is properly housed in the Secretary of State's office, or would it make more sense for it to be housed in DOJ?

113 MR. SHEPHERD: It is my understanding the Secretary of State's office has established such a line. I think it is appropriate for it to be in the

Secretary of State's office because it will scope in a great many allegations which are not at all criminal.

116 REP. STROBECK: On page 2 of your testimony you talk about the district attorneys and attorney general...and adequate statutory authority already exists for the attorney general to become involved. Is it your testimony that waste, fraud and abuse is being addressed adequately now, or could it be improved with additional intensity as this bill calls for?

130 MR. SHEPHERD: The allegations that are referred to the attorney general's office are the ones I can speak to in terms of intensity of inquiry and prosecution. It would be my self-serving judgment that those are adequately addressed under the current law. Additional resources in that part of the AG's office would allow us to do some other things that those public corruption cases now compete for. In my observation of the way district attorneys handle allegations made in their jurisdictions, I think these are among the most serious allegations that are laid on prosecutors' desks. My experience has been they are the ones that command the immediate and focused attention of prosecutors when they are made. The

allegations I am speaking of are allegations of crime. Allegations of other kinds of mismanagement or inefficiency are things that don't end up on the DA's desk or if they do they are fairly readily recognized as being non-criminal. When a criminal allegation is made, it sets off a lot of alarm bells and they get real focused attention from prosecutors.

151 REP. STROBECK: The bill establishes a threshold of \$100,000 and Mr. Martinez suggested it could be lowered to \$500. I see the words "significant state interest" in your testimony. It almost gives approval to a few hundred bucks.

157 MR. SHEPHERD: I understand your concern. By "significant state interest" I meant to include the prosecutor's judgment about such matters as the weight of the evidence, for example. It may be the allegations are such that the evidence doesn't approach the high standard of proof required

in a criminal case. There, one might say if we don't have a clear allegation, perhaps a significant state interest is not implicated and it is not in the state's interest to pursue an allegation criminally that we can't prove in court, or that we don't have a good chance of proving in court.

170 REP. ROBERTS: Are we talking about some money here?

173 MR. SHEPHERD: Yes, as presently drafted, we have estimated the fiscal impact on the Department of Justice in the 95-97 biennium as \$273,900.

178 CHAIR TIERNAN: Closes the public hearing on HB 2364 and HB 2554.

180 CHAIR TIERNAN: The bill I propose, HB 2554, was patterned after a program introduced in the Navy because of the toilets, hammers and everything else. As a consequence of that program there have been substantial strides for saving dollars. That program was repeated in a large company here in Oregon. The company has 22,000 people and 970 locations and the hot line reduced the shrink in the stores by 24 percent.

The number of things I looked at for fraud, waste and abuse is to allow the public the opportunity to give the input into the state where they perceive

that things are happening that they don't believe are appropriate. Those come in a variety of forms, many of which fall far below criminal, but happen to be an abuse of tax payer dollars. There are complaints of overtime violations, sleeping on the job, purchasing allegations, charging to charge accounts things that are not needed, misuse of state property, travel claims for travel that was not taken, over-travel claims, using state equipment for personal use, conventions, training sessions providing leather-jacketed books. A secretary called me where one director of a major agency ordered a board room table with 12 chairs. The chairs came in with a green cover instead of a brown. He had the chairs sent to a facility to have them recovered. The recovering cost more than the entire set, but it wasn't to his liking.

214 Last session the bill died in committee. Since that time the Secretary of State has implement the program on a voluntary bases as pretty much outlined in the fraud, waste and abuse hot line bill, HB 2554. He asks that Rep. Ross and Rep. Grisham take the concepts of both bills and work together to put a bill together to address the concerns we have heard today, along with Mr. Martinez, Mr. Shepherd, and Mr. Wagner of the Secretary of State's office and report back to the committee in seven days their recommendations.

231 REP. LEHMAN: I think it is important to note that we are looking for the aberration, for the problem that the vast majority of people within the state do their job, do it right and do it honestly. Mr. Shepherd indicated we are very fortunate and I think it is something we need to emphasize. We just need to recognize most of our people are doing the right thing and it is critical that we eliminate the ones that aren't because they are causing a bad name.

244 CHAIR TIERNAN: Most of the phone calls I get are from state employees who don't want to be associated with the people and the conduct that is taking place and they would like to have it cured. It is a substantial minority of the people who are ruining it for the rest. The other side is to allow the public the opportunity to reach out and tell government when they see things through their own personal contact.

275 REP. ROBERTS: Apologizes for having left the committee and requests he be allowed to vote on the passage of SB 96 and HB 2481.

281 MOTION: REP. LEHMAN moves that the rules be suspended for the purpose of allowing Reps. Roberts and Markham to vote on the passage of SB 96 and HB 2481.

285 VOTE: CHAIR TIERNAN, hearing no objection, declares the motion PASSED.

290 REP. ROBERTS VOTES AYE on the passage of SB 96 and HB 2481.

293 REP. MARKHAM VOTES AYE on the passage of SB 96 and HB 2481.

294 CHAIR TIERNAN: Declares the meeting adjourned at 3:04 p.m.

Submitted by, Reviewed by,

Annetta Mullins Anne Tweedt
Committee Assistant Committee Counsel

EXHIBIT SUMMARY:

- A - Government Efficiency, prepared statement, John DeVouassoux, 10 pp
- B - SB 96, Preliminary Staff Measure Summary, staff, 1 p
- C - HB 2481, Preliminary Staff Measure Summary, staff 1 p
- D - HB 2554, Preliminary Staff Measure Summary, news bulletin and press release, staff 3 pp
- E - HB 2364, Preliminary Staff Measure Summary, staff, 1 p
- F - HB 2364, prepared statement, Manny Martinez, 2 pp
- G - HB 2364, prepared statement, Peter D. Shepherd, 3 pp