

SENATE COMMITTEE ON
EDUCATION

Hearing Room
Tapes - 50

MEMBERS PRESENT:

Sen. Tom Hartung, Chair
Sen. Ken Baker
Sen. Shirley Gold
Sen. Marylin Shannon
Sen. Cliff Trow

STAFF PRESENT:

Fallie Calder, Committee Administrator
Carolynn Gillson, Committee Assistant

MEASURES HEARD:

SB 2, Est. OHSU as public corporation, PAW
SB 378, Req's schools to instruct students on fire & earthquake
emergencies, PUB

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 48A

005 SEN. TOM HARTUNG, Chair: Calls meeting to order at 8:06.

PUBLIC HEARING ON SB 2

Witnesses: Peter Kohler, Oregon Health Sciences University (OHSU)
Janet Billips, OHSU
Susan King, Oregon Nurses Assoc. (ONA)
Randall Edwards, State Treasury
Chuck Smith, State Treasury
Bill Nestle, Department of Justice
Grattan Kerans, Oregon State System of Higher Education (OSSHE)
Jim Walker, OHSU
Doug Gough, Ater, Wynne, Attorneys at Law

018 PETER KOHLER, President, OHSU: Difference between SB 2 and what is
being done in other states is we are holding together the academic programs

with the clinical programs.

> Got to make changes in the new market place.

057 JANET BILLIPS, Legal Policy Advisory, OHSU: Talks about agreement with
State Treasury Department and the bond counsel, and about proposed
amendments.

065 SUSAN KING, ONA: Reviews written testimony supporting OHSU in
positioning the institution to compete in the current and future health
care environment (EXH. A).

145 RANDALL EDWARDS, Executive Assistant, State Treasury: Would like to add

lines 5-9 from the -9 amendment (see EXH. G/2-28-95) to -8 amendment (see EXH. D/2-28-95) which was adopted by the committee and replaced the printed bill.

164 BILL NESTLE, Oregon Department of Justice: One of the objectives of SB 2 is to establish OHSU as an independent public corporation that would stand alone in it's capacity to incur indebtedness and would not have an impact on the state's credit rating and debt situation.

> Explains how the -9 amendment accomplishes that objective.

198 SEN. CLIFF TROW: Assumes the public corporation is going to pick up the bond obligation that already exists.

215 NESTLE: Talks about special severability clause on lines 5-9 of the -9 amendments in case any parts of the law are knocked out by court action.

SEN. TROW: Are there some vulnerable areas in this bill to court action, and if so, they ought to be identified?

NESTLE: Have identified some areas where the bill is not crystal clear. None of them have anything to do with the bonding authority or the issues the State Treasury and other parties have been discussing.

> Notes investment in common stock as one of those areas.

CHAIR HARTUNG: Notes SB 2 has a subsequent referral to Ways and Means and the concern can be addressed there.

316 EDWARDS: Reviews language in the -12 (EXH. B) and -14 (EXH. C) amendments which reflect the agreement on how OHSU will pay back to the state obligations incurred by the state on behalf of OHSU.

> Talks about a side agreement between the state and OHSU which is reviewed and approved by the Treasury. Want to make sure existing obligation does not become secondary to any new debt that OHSU may incur on it's own.
> Reviews language in Sec. 58(3) and (4) of the -14 amendment.

SEN. TROW: Will there be some kind of division among the reserve accounts to reflect what is OSSHE's and OHSU's?

396 CHUCK SMITH, Director of Debt management, Oregon State Treasury: Yes, those reserve accounts have been identified for those outstanding bonds used for the benefit of OHSU.

EDWARDS: Reviews the language in the -12 amendment.

> All of the amendments and the side agreement will protect the state's credit.

472 SEN. TROW: Is there every reasonable expectation the side agreement will be agreed to by all the parties?

EDWARDS: Yes, that is our intention.

TAPE 49A

033 NESTLE: The wording that calls for this agreement is in mandatory language. It is a legislative directive.

042 GRATTAN KERANS, Director of Government Relations, OSSHE: Support -12 and -14 amendments and are confident the State Treasury, OSSHE and OHSU will come to an agreement.

CHAIR HARTUNG: Send the bill out of committee with an attached statement regarding the side agreement.

060 SEN. KEN BAKER: Presume we are talking about existing state general obligation bonds. Should know when those bonds are concluded and put a sunset clause on this particular section of the bill.

CHAIR HARTUNG: The side note should also mention the condition of the bonds.

EDWARDS: Bonds are about \$110 million and the COPs are about \$5 million. Scheduled to reduce dramatically.

082 JIM WALKER, Finance and Administration, OHSU: Reviews information on OHSU debt (EXH. D).

SEN. TROW: Important OHSU meet their obligations to this debt before taking on additional debt.

> Need understanding on behalf of the new Board of Directors that the inherited debt be a high priority.

SEN. BAKER: Would be appropriate to put language in the bill concerning the debt.

> Further discussion on paying off the liability.

172 SEN. MARYLIN SHANNON: What kind of IS code is this under?.

DOUG GOUGH, Ater, Wynnee et al, Attorneys at Law, bond counsel: Treated as governmental bonds for tax purposes.

206 SEN. SHANNON: Can OHSU contract with a health care provider and charge less than other physicians providing eye care in Portland or the surrounding area because they are a public corporation and subsidized with tax funds? Also heard that because of OHSU's tax code, they are allowed to

charge half of what Medicare will pay.

DR. KOHLER: Talks about the KC Eye Institutue at OHSU which does not receive enough state funding to cover their teaching costs and has a huge disproportionate share of indigent care.

> OHSU is still on the downside with regards to competitive bids and an even playing field.

> Responds to questions and goes into more detail about the KC Eye Clinic.

SEN. SHANNON: Concerned if OHSU gets bigger and other doctors are unfairly bid against.

DR. KOHLER: In the new environment, we will have to run as a prudent business and there is no way we can cut below what we can afford to pay ourselves in order to compete with someone else. Can't use state money to

subsidize their operation and bid low as a result to sustain it.

> OHSU will be in the business of trying to get contracts for what they do and will be out there competing.

310 SEN. SHANNON: Are you going to be offering to insurance companies that you will do procedures for less than what Medicare pays for nonindigent patients?

DR. KOHLER: I don't know details of the bidding process. We are going to have to operate like a business and we cannot afford to have a bunch of contracts by which we lose money.

SEN. SHANNON: There are a number of doctors concerned about that.

DR. KOHLER: We have had lots of discussions about the fact it is not an

unfair advantage we will have.

> We are going to have to earn enough money to pay for teaching and for indigent care, and carry out the rest of our activities.

CHAIR HARTUNG: This should be pursued in Ways and Means.

DR. KOHLER: Has been in frequent discussions with people from OMA as well as the Oregon Association of Hospitals(OAH) on this issue point and will continue those discussions..

356 SEN. TROW: Will you have any additional advantage with the public corporation model in this area that you now have?

DR. KOHLER: We are going to be absorbing a number of cuts and will be able to save programs with the public corporation that we would not be able to save if we continue on with the higher overhead. These programs tend to be in areas of academics rather than clinical.

WORK SESSION ON SB 2

373 MOTION: Sen. Shannon moves to adopt the -4 amendment proposed by Sen. Timms (see EXH. A/2-28-95).

SEN. BAKER: Talks about the number of board members and having the OHSU president a member of the board.

> Favors a 7 member board - including one OSB HE member and one student and not include the OHSU President.

CHAIR HARTUNG: Talks about the Advisory Committee's rationale of including the President on the Board.

469 GREG KANTOR, Public Corporation Advisory Committee: Committee wanted the President to serve on the board for continuity reasons since the health

care environment is competitive and changes rapidly.

TAPE 48B

036 SEN. TROW: Having the President on the Board changes who the President works for.

> Suggests the statute include the necessary qualifications for the President.

CHAIR HARTUNG: There are objections to adopting SB 2-4.

> Further discussion on board members.

MOTION: Sen. Baker moves to amend the -8 amendment (see EXH. D/2-28-95) on line 11 by changing the number of board members from 9 to 7, on line 28 change to a nonstudent member

of OSB HE, on line 31 have 5 members at the discretion of the Governor, and on page 4 retain one student and delete subsection (d) so the President is not on the Board.

115 KANTOR: The Advisory Committee did not debate on an exact number of Board members but wanted to keep the size manageable.

MOTION ADOPTED: There are no objections.

BILLIPS: Mandating particular credentials for the President could be seen as narrowing the ability of the search committee and the Board. Use

current language for the relationship between the President and the faculty.

151 MARK DODSON, Ater, Wynne et al, Attorney at Law: Talks about public record and public disclosure issues in -7 amendment (EXH. E).

SEN. TROW: Will this amendment exclude the faculty from the process of considering candidates for a new President?

DODSON: This language only addresses the public disclosure of unsuccessful candidates.

KANTOR: Committee recognized the importance of open meeting and public records laws.

226 MOTION: Sen. Shannon moves to adopt the -7 amendments.
MOTION ADOPTED: There are no objections.
MOTION: Chair Hartung moves to insert the language on lines 5-9 from the -9 amendment (see EXH. G/3-28-95) into the -8 amendment (see EXH. D/3-28-95) that was adopted at the February 28 meeting.

247 FALLIE CALDER, Committee Administrator: Reviews what the -12 amendment do (see EXH. B).

MOTION: Senator Trow moves to adopt the -12 amendment.
MOTION ADOPTED: There are no objections.

270 BILLIPS, OHSU: Reviews the housekeeping amendments in -13 (EXH. F).

MOTION: Sen. Trow moves to adopt the -13 amendments.
MOTION ADOPTED: There are no objections.
MOTION: Sen. Trow moves to adopt the -14 amendments.
MOTION ADOPTED: There are no objections.

BILLIPS: Reviews what the -15 amendment do (EXH. G).

MOTION: Sen. Trow moves to adopt the -15 amendment.
MOTION ADOPTED: There are no objections.

350 MOTION: Sen. Trow moves SB 2 as amended to Ways and Means with a subsequent referral.
MOTION PASSES: In a roll call vote, the motion passes with all members voting AYE.

Fiscal analysis submitted on SB 2 (EXH. H).

INTRODUCTION OF COMMITTEE BILLS

370 CALDER: Reviews summary of LCs 3591, 3027, 2875, and 2889.

MOTION: Sen. Trow moves to adopt the LC drafts as committee bills.
MOTION ADOPTED: There are no objections.

PUBLIC HEARING ON SB 378

Witnesses: Sen. Ron Cease
Rep. Margaret Carter
Rep. Cynthia Wooten
Teresa Atwill, teacher from Lincoln County School District
Roger McGarrigle, Oregon Seismic Safety Policy Advisory Commission (OSSPAC)
John Beaulieu, Oregon Dept. of Geology
Nancy Campbell, State Fire Marshal Office
Sherri Patterson, Oregon Earthquake Preparedness Network

413 SEN. RON CEASE District 10: Testifies in support of SB 378 requested by the OSSPAC and provides for instruction and drills for tsunami

preparedness on the Oregon coast. Not included in the Governor's budget.

> Explains how he became involved with the issue.

> Original bill provided for no increased workload on the part of the DOE or school districts.

> Refers to proposed -2 amendment requested by Oregon State Police (EXH. J).

TAPE 49B

046 REP. CYNTHIA WOOTEN, District 41: Serves on the Joint Ways and Means Transportation Subcommittee and while reviewing the budget for the Department of Energy learned about shipments of nuclear waste and hazardous

materials that occur on a routine basis throughout Oregon.

> Concerned that schools along the transportation corridors are not prepared to be able to respond to nuclear and hazardous toxic waste spills.

> Plans to present amendment to SB 378.

075 REP. MARGARET CARTER: Talks about what would happen if a spill happened near schools in northeast Portland near the I-5 corridor.

> Will consult with the DOE and the Department of Energy and have an amendment drafted.

REP. WOOTEN: Talks about hazardous and toxic chemical spills near schools in her area.

> Wants being prepared for nuclear spills included in any planning for providing safety for children in schools. Continues to talk about transporting nuclear and hazardous waste.

139 TERESA ATWILL, teacher in Lincoln County School District and OSSPAC: Reads testimony in support of SB 378 (EXH. K) and provides copies of letters from teachers.

221 ROGER MCGARRIGLE, Chair, OSSPAC: Testifies in support of bill.

243 JOHN BEAULIEU, Oregon Department of Geology: Reviews written testimony in support of SB 378 (EXH. L)

> Refers to chart showing seismic faults off the Oregon coast.

> Lists the resources available to assist the state.

> Strongly urges passage of the bill.

378 NANCY CAMPBELL, State Fire Marshals Office: Supports the -2 amendments presented by Sen. Cease

400 SHERRI PATTERSON, Oregon Earthquake Preparedness Network: Network is a private educational group that focuses on public policy issues regarding earthquake safety.

> Testifies in support of SB 378.

> Concerned schools work closely with fire marshals office and local fire departments that are able to help with the drills.

TAPE 50A

011 CHAIR HARTUNG: Adjourns meeting at 10:05 a.m.

Reviewed and submitted by,

Carolynn Gillson
Assistant

EXHIBIT SUMMARY

A SB 2

ONA

2 pages

B SB 2

State Treasury

1 page

C	SB 2	State Treasury	3 pages
D	SB 2	OHSU	3 pages
E	SB 2	OHSU	6 pages
F	SB 2	OHSU	1 page
G	SB 2	OHSU	1 page
H	SB 2	LFO	6 pages
I	Introduction of Committee bills		8 pages
J	SB 378	Sen. Cease	1 page
K	SB 378	OSSPAC	3 pages
L	SB 378	Dept. of Geology and Mineral Industries	3 pages