

House Committee on Agency Reorganization and Reform March 14, 1991 -
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statements made during this session. Only text enclosed in quotation
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proceedings, please refer to the tapes.

HOUSE COMMITTEE ON AGENCY REORGANIZATION AND REFORM

March 14, 1991Hearing Room D 3:30 p.m.Tapes 39 - 40

MEMBERS PRESENT:Rep. Clarno, Chair Rep. Hugo, Vice-Chair Rep. Katz
Rep. Derfler Rep. Jones

EXCUSED MEMBERS:Rep. Clark Rep. Brian

STAFF PRESENT: Susan Browning, Committee Administrator Scott
Kaden, Committee Assistant

MEASURES CONSIDERED:HB 2890 - Publications Bill, PH (POSTPONED) HB 2891
- Out-of-State Travel, PH

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proceedings, please refer to the tapes.

TAPE 39, SIDE A

005 CHAIRPERSON CLARNO: Calls the meeting to order at 3:35 p.m.. -
Addresses the business of the Committee (budget notes and future
agenda).

(Tape 39, Side A) HB 2891 - OUT-OF-STATE TRAVEL, PUBLIC HEARING
Witnesses: Theresa McHugh Marjorie Lowe Lynn Schoessler Bob Bothman
David Lohman

011 SUSAN BROWNING, COMMITTEE ADMINISTRATOR: Explains the handout for
the bill packet on HB 2891.

039 CHAIRPERSON CLARNO: Any questions on the information provided to
the committee? Introduction of Theresa McHugh, Executive Department.

044 THERESA MCHUGH, EXECUTIVE DEPARTMENT: Introduces Marjorie Lowe,
Budget and Management Division (Executive Department). - Executive
Department is looking for inefficiencies and non-necessity items which
can be cut. We do not want to cut out travel that keeps the State of
Oregon solvent. We are very reluctant to ban all out-of-state travel.
In many instances, grants are not issued without travel. Also, we must

have the flexibility to travel to the Region X Office (located in Seattle, Washington).

067 CHAIRPERSON CLARNO: How often do you have to go to the Region X Office? And why cannot you fax information? Do they request that we be there?

070 McHUGH: The Department of Human Resources is here and they can answer how often they travel to Region X. It is my understanding that they use the fax machine quite often as well. When we ask for waivers to work around the federal mandates, often a meeting is required at the Region X Office. The overall policy is that we don't want to shut off Oregon from the rest of the country. We will put up a fence and say people can come in but we cannot go out and learn from the rest of the country at a time when (in light of Ballot Measure 5) we have to learn how to do things better. We look at this bill as cutting off possibilities for additional training. - The Executive Department does agree on the fact that we can get tougher on abuse. We are working on making sure that dollars are spent efficiently.

103 MARJORIE LOWE, BUDGET SUPERVISOR WITH THE EXECUTIVE DEPARTMENT BUDGET AND MANAGEMENT DIVISION: Refers to EXHIBIT A (Administrative Rules

for out-of-state travel and regional travel expenses).

121 REP. DERFLER: Who grants approval?

122 LOWE: They (state agencies) are required to get approval from the Executive Department prior to taking the trip.

134 CHAIRPERSON CLARNO: The person who analyzes this form doesn't necessarily have the authority to deny travel. It is usually already ok'd?

136 LOWE: This is prospective. Agencies are going through budget execution at the same time as they are going through budget development. The agencies propose a total figure for travel - usually related to their past history and activities. The agencies' employees receive reimbursements for their travel. All agency travel must be reimbursed through the State's accounting system. So now, those agencies must bill the other agencies for any travel, recording it as an expense of the agency.

156 CHAIRPERSON CLARNO: When did you change that by administrative rule?

157 LOWE: That change was made during this current biennium. I am not sure of the exact date.

158 CHAIRPERSON CLARNO: Prior to that point, you were using the confusing system that you just mentioned.

160 LOWE: Yes. It was not consistent. Some agencies reported all travel and accounted for the travel as expenses. Other agencies did not follow this policy. - The travel budgets are based on recommendations and are part of the overall agency budgets. Those budgets are reviewed by the Ways and Means Committee. The analysts from the Legislative Fiscal Office again review the agencies line-items. That information is provided to the subcommittees of the Ways and Means Committee to review

for appropriateness. Once the bill goes through the Ways and Means process, and passes through the House and the Senate, it is signed by the Governor. It then comes to us, and we enter it in our allotment plan. - We do not actually review the type or purpose of the trip. That is an agency management function, not the Budget and Management Division's responsibility. Once the agencies fully expend their allotment, they must seek authorization from our office to increase their total out-of- state travel. When agencies request this, we require several things. First, we ask for a plan for the completion of the biennium. Second, we require that they identify where in their budget they have surplus resources that can be reallocated to out-of-state travel. Then we look at the purpose for travel, frequency of travel, and the extent of travel. - There are statutes that say if an agency official overspends their travel budget, they can be held personally liable for any level of over-expenditure.

227 CHAIRPERSON CLARNO: Has that ever happened?

229 LOWE: In my ten years at the Budget and Management Division, I am can only recall one instance where an agency official was required to reimburse for over-expending their budget.

231 CHAIRPERSON CLARNO: Do you remember an estimate of what amount we are talking about? \$100 or \$10,000?

233 LOWE: I believe it was about \$1,000.

236 CHAIRPERSON CLARNO: Any other questions from the committee? If not, thank you for your testimony.

238 MCHUGH: I know that we have representatives from the departments of Higher Education, Transportation, Human Resources, as well as Economic Development. They can respond to questions on this issue.

245 CHAIRPERSON CLARNO: Introduction of Lynn Schoessler.

252 LYNN SCHOESSLER, DEPUTY DIRECTOR - OREGON HOUSING AGENCY: I would like to echo some comments made earlier. The necessity of travel (for our staff to attend national training) is directly tied to Oregon's ability to secure federal funding. We have out-of-state training which we have to attend in order to deliver federal tax credits and assure their compliance with IRS compliance. Our business is issuing tax exempt bonds for housing. We do not receive any General Funds; we are entirely supported by the issuance of bonds. Therefore, that is how we do business and maintain our operations. Those closings, due to the financial market concentrations of the United States, are generally in New York. Generally, we would have the bond underwriters, some of their staff, our financial advisor, our underwriters counsel, our agency counsel, and a couple of trustees attend these closings. We have to be there in person to sign the documentation. This bill, if not modified to allow us to continue our travel, would preclude us from attending these meetings.

276 CHAIRPERSON CLARNO: You are totally funded by the issuance of bonds, correct? Is your out-of-state travel funded by bonds as well?

278 SCHOESSLER: Yes, that is correct.

281 CHAIRPERSON CLARNO: Are you telling me that you do not get General Fund dollars?

282 SCHOESSLER: That is absolutely correct.

283 CHAIRPERSON CLARNO: And no Other Fund dollars besides the bonds?

284 SCHOESSLER: Madame Chair, we issue bonds and then loan those funds to borrowers, adding 1.5% to the amount. That difference is what we exist on.

286 REP. HUGO: If the bill said no governmental agency shall expend General Fund money, then you would be all right?

288 SCHOESSLER: Yes, that would be accurate. Or just say that we can travel in order to carry on the strict business of the agency.

291 CHAIRPERSON CLARNO: You are, by federal requirements, asked to be there physically to sign the documents? Is that what I heard you say?

294 SCHOESSLER: Through the course of issuing and selling the bonds, and closing these deals, yes, we have to be there physically to sign them. Either we send the Director and the Controller to New York to sign them, or we fly eight people from New York out here to sign the papers. We are going to have to pay for this one way or another. Obviously, it is cheaper for us to send two people, than fly eight people out here from New York.

302 CHAIRPERSON CLARNO: From my perspective, you might be able to see how ludicrous it seems to fly people to New York just for their signatures. Can you tell me the federal law which requires this procedure?

308 SCHOESSLER: The practices are absolutely necessary. I am not sure that there is a law which mandates this matter. Through the course of executing contracts, signatures have to be represented in person and be notarized.

311 REP. HUGO: As do securities, like any treasurer bond. Otherwise, it is not negotiable and it's not binding.

313 CHAIRPERSON CLARNO: Two people have to sign these, correct?

314 SCHOESSLER: That is correct. We send our Director and the Controller. The Controller attests to many of the statements regarding the agency's financial situation. The Director has the authority to sign on behalf of the Agency.

319 CHAIRPERSON CLARNO: So somewhere in the securities laws, it says that people must physically be there to sign?

321 SCHOESSLER: Yes.

322 CHAIRPERSON CLARNO: We have so many things that are federally mandated that cost the state of Oregon a tremendous amount of money. In light of Measure Five, we need to put together a packet of information which outlines some of the concerns we have regarding items such as this. Even though we are not paying for two people to fly back to New York, some taxpayer is paying. When we have the technology that we have today, it seems like there could be a better way.

336 SCHOESSLER: To summarize, travel is an element of doing business.

During the course of a bond sale, we do use express mail several times a day, and we do use the fax machine for numerous revisions. But for the final closing, everybody must be in the room, simultaneously signing so that the securities are executed. The trustee accepts the funds and places them in the proper escrow accounts.

345 CHAIRPERSON CLARNO: Do you have any proposed amendments for the consideration of this committee?

346 SCHOESSLER: I would just look at the bill, and make an exception for those instances where travel is required by law or through the due course of the Agency's business.

348 CHAIRPERSON CLARNO: What was the wording that you suggested?

349 REP. HUGO: Nothing. It probably wouldn't cover them. If you are after General Fund money, then you would probably want to say that no agency shall expend General Fund dollars for out-of-state travel. That would probably take care of the Housing Agency because they operate on Other Funds. But you will find other examples that will include General Fund money as well. - How many dollars are involved in your agency's activities in the course of a biennium?

358 SCHOESSLER: About \$70 million in bonds annually.

360 REP. HUGO: I think the question of sending two people back to New York to sign \$70 million dollars worth of bonds is not really the question. The question is who is going to buy \$70 million worth of bonds with facsimile signatures?

365 CHAIRPERSON CLARNO: In other words, we don't change anything and instead continue business as usual.

366 REP. HUGO: I know that I wouldn't buy a house from anybody with a facsimile signature, much less \$70 million worth of bonds. I would want to see the real people there, to make sure that they exist, that the document is notarized, and that the state of Oregon's credit is represented.

369 CHAIRPERSON CLARNO: Thank you for your testimony, Mr. Schoessler. We will look forward to an amendment from you with regard to this bill.
- Introduces Bob Bothman.

379 BOB BOTHMAN, DIRECTOR - OREGON DEPARTMENT OF TRANSPORTATION -
Submits and summarizes written testimony on HB 2891 (EXHIBIT B).

TAPE 40, SIDE A

112 REP. DERFLER: If you were to install a policy for limiting travel, how much reduction do you think you would get?

114 BOTHMAN: Our budget now is just under \$500,000 a biennium. I would suggest that we could probably reduce that by 25%. To be honest with you, I am just pulling that figure off the top of my head. I think we could probably conserve some in this area.

121 REP. DERFLER: You think you could probably get a 25% reduction?

121 BOTHMAN: I think we could. We work pretty hard now because of the

various budget restraints.

124 REP. DERFLER: It wouldn't be very productive if we did all of these things and then it ended up not reducing actual travel.

125 BOTHMAN: I just think it would be different at every agency.

126 REP. JONES: I have been through this in the corporate world, so this is not new to me. Are you currently using telecommunications conferencing, or video conferencing with any other location in the nation?

134 BOTHMAN: We do not have any ability with video or telecommunications. That is the future and maybe we ought to be looking at those items. We do have a number of commission meetings that we do by telephone. I think you probably need to get into video to make meetings more productive. I am not sure that you can do a good debate on the telephone.

141 REP. JONES: It does depend on the type of meeting. The capabilities are there, and I think sometimes we fail to look at the obvious. Telecommunications makes teleconferencing a viable option, but it does work with some meetings better than others (you can't sign a document for example). I know you are nervous about what we are trying to do here. I would like to require the management of each agency to look at travel and see how it benefits the agency and the citizens of Oregon. We shouldn't run, just to run!

163 BOTHMAN: I agree with you totally. I think there is some travel that occurs which really shouldn't. On the in-state travel, that is a bit of a different story. I travel two days a month travelling Oregon, where I speak to a variety of groups and users. We probably do have some travel that we shouldn't be doing. There should be a definite benefit derived from travel.

180 REP. JONES: I think we should look for substitutes to travel.

181 BOTHMAN: I am on seven national committees, and that is why I travel. I chair three of those committees. If you chair the meetings, you don't travel and instead you hold them in Oregon.

186 REP. DERFLER: Perhaps we don't have any unnecessary travel, perhaps we do. Could you give us some help with determining what travel is necessary, and what travel is being done that really serves no purpose?

192 BOTHMAN: That is really hard to do. It is difficult to pick a number. You have to work on setting the criteria and the parameters so you let each agency do their own controlling.

201 REP. DERFLER: Would you have the individual agencies doing this, or would you have that centralized?

203 BOTHMAN: You would have to do that by agency. Human Resources, with the Region X requirement, is much different than the Transportation Department. Everybody is really different, and that is why you have to deal on an agency by agency basis.

207 REP. DERFLER: I would think a good agency manager would be doing that today.

208 BOTHMAN: I would agree with that.

209 REP. DERFLER: I am just wondering if we are chasing rainbows here.

210 CHAIRPERSON CLARNO: That is exactly why we drafted the bill the way we did. It is very difficult to discern what the agencies are doing. When we have to make the tough decisions, we need to be aware that everyone is trying to do the best possible. The hard part is determining who is doing a good job managing and who, in fact, is not.

224 BOTHMAN: If you have a well-run agency, you will have the decision at the program level, so the manager will make the trade-off between two or three different items (travel being one of them). The decision-making process is crucial to this issue. Managers will make the proper decision, if they see all the issues. If you have out-of-state travel at the Director's level, you lose that.

238 REP. HUGO: In your earlier comments, you agreed that your Department should go to Executive Department's system of monitoring. The option would be to rely on your managers, I would assume.

241 BOTHMAN: We essentially use the Executive system right now. That is the only system that we have. We do not have an out-of-state travel policy within our department. I think we should probably pick some policy, in addition to Executive's.

245 REP. HUGO: Why do you think you need a policy?

246 BOTHMAN: To give some parameters to managers for their judgment calls.

248 REP. HUGO: How would that policy anticipate an earthquake in San Francisco where travel would offer you the opportunity to see earthquake structure damage? How could you possibly write such a policy?

251 BOTHMAN: That is a good question.

252 REP. HUGO: The answer is we expect you to exercise good judgment. If you don't, then you will see us next session.

256 BOTHMAN: I agree, but obviously you do not see us observing hurricanes in North Carolina. There is no reason for that.

258 REP. HUGO: I realize that. But, bureaucrats cannot be bound by policies and rules. I want you to exercise judgment because I want you to be able to succeed. To do that you must have the opportunity to fail. If you fail, then we will fire you, somehow, by budget, policy or statute. But you must have freedom, use good judgment, and be able to justify your expenditures.

271 BOTHMAN: Your committee is obviously concerned with this issue. So it appears to be a major concern, and it certainly is down at Ways and Means.

278 REP. HUGO: Let me follow up on Rep. Derfler's question. You have been in state government a long time. Are we spending too much on travel, as a state?

279 BOTHMAN: I don't think my agency is at all. I cannot respond for

other agencies. On the other hand, I think we could trim it back a notch if we had to and it wouldn't kill us. We do bring a lot of money into the state, as a result of our travel.

309 CHAIRPERSON CLARNO: If we could do that in all agencies, this committee would not be hearing this bill.

312 REP. DERFLER: We are trying to cut the fat out of government, but yet it is hard to get a handle on the situation when we don't hear from you whether we can cut fat. We might have to get the message to the citizens that maybe state government is being run as efficiently as possible. At this point, I don't feel people believe that fact. We are grasping for items to go back to them with so that we can say this is what we are trying to do.

325 BOTHMAN: We have conducted a public opinion survey which showed 76% approval by the public of our department's activities. I would say that we are not doing too bad.

332 REP. DERFLER: I can guarantee what my mail says. There are an awful lot of upset people out there.

338 REP. JONES: When Bob Bothman retires, committee assignments will go down and travel will go down because Bob's replacement will not be as widely accepted. You will take some expense with you. If you are managing well, I don't want to tie your hands or create a lot of confusion. I want to give you guidance without tying your hands.

365 BOTHMAN: I agree.

381 CHAIRPERSON CLARNO: We appreciate your testimony. As you have noted in your remarks, many people do feel this bill is a little severe. But we started this committee by asking agencies to tell us how we can help them. Unfortunately, no one has helped us and so we have to look for ways to help them.

409 REP. JONES: Ways and Means should really be clamping down on this issue. That is one area where we could really exert some pressure.

425 CHAIRPERSON CLARNO: That is very true, and I am working very closely with Ways and Means. - Introduction of David Lohman.

434 DAVID LOHMAN, SENIOR DEPUTY DIRECTOR - OREGON ECONOMIC DEVELOPMENT DEPARTMENT: I don't have much advice to offer with regards to Measure Five. I can tell you of the impact this bill would have on the Oregon Economic Development Department (OEDD). - Submits and summarizes written testimony in opposition to HB 2891 (see EXHIBIT C).

TAPE 39, SIDE B

053 CHAIRPERSON CLARNO: Thank you for comments and your information. How much is your travel budget?

055 LOHMAN: I don't have that figure, but we are collecting the information needed for that figure.

057 CHAIRPERSON CLARNO: Do you have any measurement for what you are doing and what you bring back into Oregon's economy?

059 LOHMAN: In terms of international out-of-state travel?

060 CHAIRPERSON CLARNO: So much of what we look at in this committee does not have any measuring device. In your travel budget, how do you decide what you spend? Is there some way of determining what you bring into Oregon's economy?

068 LOHMAN: We do try to measure as much as we can. For instance, with regard to lottery money spent in the Special Public Works Fund Program, we spend "x" dollars and as a result, we think we had a significant part in creating "y" jobs. We must be careful, because we don't know for certain that our efforts served a critical function in getting those jobs or funds.

076 CHAIRPERSON CLARNO: You mentioned your offices in Korea, Taiwan, and Japan. Are these offices necessary? We must have a pretty good idea of the business that goes through there that helps Oregon's economy, right?

079 LOHMAN: Actually we don't have a very good idea. The reason is because we don't actually make the "deals." We are the matchmakers for Oregon sellers. These are private deals.

085 CHAIRPERSON CLARNO: I understand that, but is there no criteria for the matchmaking service, which would enable us to know how this it Oregon's economy? Let's say it was somebody making tennis shoes. Don't we have some way of knowing what that has brought into the Oregon economy?

091 LOHMAN: We have some very rough ideas. For instance, we can track how much goes out of the Port of Portland, via ships. But even our current ability to track that is very, very rough. It is very hard to get reliable statistics. We could spend a lot more time and effort trying to track down these statistics. But we would do it at the expense of actually getting work done.

101 REP. DERFLER: Do you have a policy or criteria for your travel? Could you make any suggestions on this matter? Could we reduce your travel by 10%?

108 LOHMAN: We do require a check-off by either the Director or the Deputy Director for any out-of-state travel. We probably could cut travel, but not much. If you cut us ten percent, you probably will not see so many overseas trade missions. We wouldn't be able to serve as many Oregon companies. We would do less. I don't think we could get any more efficient, frankly.

119 REP. DERFLER: I guess efficiency is the question. You are saying that you are running a very efficient operation. Is that what I am hearing from you?

121 LOHMAN: Yes. I actually do believe that.

122 REP. HUGO: I guess I am amused by the whole bill, but what 10% would you reduce, the 10% that brought Armstrong Industries to St. Helens with a \$12 million payroll? That would be inefficient to my standpoint.

126 LOHMAN: I think the only area we would reduce, is in the fourth area that I was going to mention, the catch-all category. These are not critical, they are just important items (such as our Ports Division's

lobbying in Washington, D.C.).

138 REP. HUGO: But the Lower Columbia River would not be willing to take that chance.

139 LOHMAN: There would be ports that would be very upset that we were not providing that lobbying service.

141 REP. HUGO: Do you have a policy on what class you fly?

142 LOHMAN: We never fly first class.

143 REP. HUGO: Is that a state policy or is that your policy?

144 LOHMAN: Actually, I am not sure. I believe that is a state policy.

146 CHAIRPERSON CLARNO: Theresa, do you know if that is state policy? I think Marjorie is going to help us with that item.

148 LOWE: If you will note on our policy (Exhibit A), there is a requirement that agency administrators are expected to request the most economical commercial flight. This state also coordinates all of its travel through a single travel agency. That travel agency must offer the agency the least expensive trip available. If the agency doesn't accept the cheapest flight, then they make a note and provide us with that information. If we see a pattern or a problem, we contact that agency and seek more information about the reasons for the deviation. Many times it is due to the schedule of the person travelling.

168 CHAIRPERSON CLARNO: You mentioned the branch offices in Taiwan and Seoul. Are those first class flights?

172 LOHMAN: No.

175 REP. JONES: Have there been more flights now as compared to the last two biennia?

187 LOHMAN: I am afraid that I don't have those numbers. I think it was roughly the same as the last biennium, except for normal inflation. Our travel budget for the upcoming biennium has been cut by \$50,000.

199 REP. DERFLER: I don't think we are going to get any place on this bill because we are not going to get anybody to admit that they are spending more money than they need to spend. I think this kind of program has to be done through the Executive Department.

207 CHAIRPERSON CLARNO: Ways and Means has asked us to look at this issue. It is a difficult situation, but we must examine it. - Public hearing on HB 2891 is closed (4:50 p.m.). - Work Session on HB 2890 is postponed due to the lack of a quorum.

241 REP. DERFLER: I think the Executive Department should look into the possibility of doing some telecommunication conferencing. With the satellites of today, we can do wondrous things.

251 CHAIRPERSON CLARNO: We also have Ed-Net that we could utilize to a greater extent.

257 REP. JONES: The capability is there and has been for some time. - Explains the telecommunications and teleconferencing capabilities

available. - We must discuss reducing travel and provide alternatives to travel. As we build new buildings, we should include new communication capabilities. State employees should not be travelling from Portland to Salem and Eugene when meetings could be done by telephone and video equipment.

295 REP. DERFLER: I agree with Rep. Jones. We must be a leader in this field.

320 CHAIRPERSON CLARNO: We cannot continue with business as usual. Thank you for your comments and suggestions. We will revisit this issue at a later date. - This meeting is adjourned (4:48 p.m.).

EXHIBIT LOG

Exhibit A - Marjorie Lowe - 4 pages Exhibit B - Robert Bothman - 4 pages
Exhibit C - David Lohman - 4 pages

Submitted by:

Reviewed by:

Scott Kaden

Susan M. Browning