

# Lawmaker wants \$120M in bonds for transportation

By Hillary Borrud  
Capital Bureau

SALEM — A state lawmaker from Wilsonville wants Oregon to issue as much as \$120 million in bonds to pay for transportation projects starting in 2016.

Rep. John Davis, R-Wilsonville, said he plans this month to introduce an interim bill, to start tackling the state's backlog of highway, bridge and other transportation projects ahead of a larger transportation funding package that lawmakers could pass in 2017.

Oregon needs the money in order to compete for a share of the \$800 million in federal grants for freight projects, which will be available this year as a result of the transportation funding bill Congress passed in December, Davis said. He hopes to motivate other lawmakers and the governor to start working now on a larger state transportation funding bill they could pass next year.

"The (federal) funding starts immediately in 2016 for this," Davis said of the freight project grant program. "We're in a tenuous spot because



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Washington passed a transportation package, Idaho passed a transportation package, and California always has money ... That's a significant thing that's shifted since the (2015 legislative) session."

Davis said an example of a project that might qualify for a federal freight grant is the Oregon Department of Transportation plan to widen Interstate Highway 5 to three lanes through Portland's Rose Quarter and improve highway ramps. He is waiting for ODOT to produce a list of eligible projects. Davis expects

to unveil the bill by early to mid-January so that people can critique it and offer suggestions for improvement.

Any transportation funding bill faces long odds in the short 2016 legislative session, which starts in February. Gov. Kate Brown, Senate President Peter Courtney, D-Salem, and House Speaker Tina Kotek, D-Portland, have all said it is unlikely they will pass a transportation bill this year. Davis could also run into opposition because his proposal would eliminate part of the state's low-carbon fuel program,

although he is discussing the plan with environmental groups.

Davis was a member of the bi-partisan group of state lawmakers that Gov. Kate Brown dubbed the "gang of eight," who met secretly toward the end of the 2015 legislative session to negotiate a transportation funding package. The legislation lost support after the Oregon Department of Transportation revealed the plan would not achieve the promised reductions in greenhouse gas emissions, which was a sticking point for environmentalists because the deal would have repealed the state's low-carbon fuel standard. Republicans had refused to support any increase in the state gas tax, a crucial funding source for transportation, while the fuel standard remained in place.

Davis' proposal would modify the low-carbon fuel standard, so that fuel producers and importers would only be required to reduce greenhouse gases by blending biofuels with lower carbon content into gasoline and diesel. Fuel companies would no longer have to purchase carbon credits generated by elec-

tric vehicle charging stations and other businesses in order to meet the fuel standard. The cost of the carbon credits fueled much of the opposition to the standard, Davis said.

The Oregon Environmental Commission voted in December to delay enforcement of the fuel standard until 2018, and commissioners said they wanted frequent updates on the supply and cost of alternative fuels and carbon credits.

Oregon's low-carbon fuel standard is supposed to reduce emissions from transportation fuels by 10 percent over a decade. So far, carbon credits sales under a similar program in California have increased the cost of gas by approximately 1 cent per gallon, Oregon Department of Environmental Quality Air Quality Planner Cory-Ann Wind told the commission in December. At this point, California has reduced carbon emissions from fuels by 1 percent.

Oregon has \$167 million in available bonding capacity from the general fund during the current two-year budget cycle, Davis said. That bonding capacity remained unallocated at the end of the 2015

legislative session, when lawmakers decided against using it to overhaul the Capitol.

The Capitol project, which would upgrade the 1938 building to withstand earthquakes, is a top priority for Courtney. However, Courtney's plan ran into opposition from both parties after the Willamette Week newspaper reported that Courtney had not informed other lawmakers that the price tag increased to \$337 million and the project included extras such as an expanded cafe and gathering place for lobbyists, along with a 3,000-square-foot "legislative lounge."

Courtney was unavailable to comment Monday on Davis' proposed use of the bonding capacity.

"We've got the capacity right now, at very, very low interest rates that will only go up," Davis said.

Finally, Davis said he wants to increase oversight of ODOT's spending. His legislation will create a special legislative committee to review the agency's spending and call for "some pretty robust audits."

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## Older generation rules state famous for its youth

By Paris Achen  
Capital Bureau

In the state where "young people go to retire" — as depicted in IFC's comedy Portlandia — baby boomers hold the power.

Millennials, ages 18-34, represent only 3 percent of seats in the Oregon Legislature, while they make up 29 percent of the voting-eligible population, according to a survey by Pew Charitable Trusts' Stateline and the National Conference of State Legislatures.

Baby boomers, ages 51-69, make up less than one-third of Oregon's potential voters yet hold more than half of legislative seats.

The survey found a similar disparity in state legislatures around the nation.

The imbalance might be "tilting policymaking toward the interests of seniors and away from the country's largest living generation: millennials," wrote Stateline's Rebecca Beitsch.

Oregon's handful of legislators who are 35 and younger think the political tilt toward seniors is a reality.

"Young people simply don't vote as frequently as senior citizens, and that is what skews political outcomes far more than the age of legislators," said Rep. Brent Barton, a 35-year-old Democrat from Oregon City.

Climate change and higher education are "two examples of issues where seniors and millennials weigh issues differently," Barton said. "I am certain that climate change and higher education would receive more policy attention if young people voted more."

At age 30, Rep. Dallas Heard, R-Roseburg, is the youngest legislator serving in Salem.

Heard sought election after struggling with state regulations to kick off his landscape consulting business in Douglas County. He said policymakers often enact regulations that make it harder for young people to start businesses and careers.

"The older generation is already in place in their businesses or endeavors so when they vote for more policy that hinders young people, they don't understand that regulation is getting so thick and heavy and onerous that it is shutting down my generation and people younger than me from even getting started," Heard said.

## Oregon games not implicated in lottery fixing scandal

By Paris Achen  
Capital Bureau

SALEM — The likelihood of winning a lottery jackpot is less than dying in a plane crash, catching a flesh-eating bacteria or being duped by a corrupt lottery employee.

The integrity of lottery games nationwide are in question amid an investigation into jackpot fixing that started in Iowa and has spread to at least four other states, Colorado, Wisconsin, Oklahoma and Kansas, according to The Associated Press.

There is no information that games offered in Oregon have been compromised, said Oregon Lottery spokesman Chuck Baumann.

The investigation stems from accusations that a former security director at the Urbandale, Iowa-based Multi-State Lottery Association installed root kit software on the association's random number generators to find out winning numbers



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**There is no information that games offered in Oregon have been compromised by a lottery fixing scandal involving the Multi-State Lottery Association.**

in advance, The Associated Press reported.

Former security director Eddie Tipton, who worked for MUSL for 11 years, was convicted in July of fraud for working with associates to try to claim a \$16.5 million Hot Lotto jackpot he had rigged in Iowa. He has since

been charged with criminal conduct and money laundering involving lotteries in Colorado, Wisconsin and Oklahoma, The Associated Press reported.

The nonprofit lottery association administers a variety of lottery games in 44 states, including Hot Lotto, Wild Card, Powerball and Mega Millions.

The only MUSL-administered games Oregon participates in are Powerball and Mega Millions, Baumann said. The winning numbers for those games are selected in a live televised drawing. The Powerball drawing is held at Universal Studios in Orlando, Fla. The process is the same for Mega Millions except that the drawing takes place in Atlanta, Ga.

Idaho Lottery Director Jeff Anderson, chairman of the MUSL board, did not immediately respond to messages inquiring whether Tipton had access to lottery equipment or computers outside of Iowa, where MUSL is based.

Oregon's Game Mega-

bucks uses an International Game Technology random number generator to yield winning combinations. That computer is housed at the Oregon Lottery headquarters in Salem. The random number generator is a stand-alone computer under 24-hour video surveillance and is not part of the Oregon Lottery's central computer system, Baumann said.

International Game Technology and Oregon State Police Lottery Security Section evaluate and monitor the security controls, he said.

The random number generator "has no knowledge of the ticket number combinations that have been purchased for any of the drawings," Baumann said.

At draw time, the lottery's central computer system, with no human involvement "asks" the random number generator for the set of winning numbers, he said.

An independent testing laboratory also certifies the numbers generator at random, he said.

He did not immediately have information about how many people have access to the random number generator.

Geoff Greenwood, spokesman for the Iowa Attorney General, said that office would notify proper authorities of any alleged illegal activity in other states that might be discovered during the course of its investigation.

What are the odds of winning the lottery in Oregon? The odds of winning the jackpot in any of the three games offered in Oregon are dismal, but players have better chances winning at the state's home-grown game, Oregon's Game Megabucks. According to the Oregon Lottery, the odds of winning that is 1-in-6.1 million compared with winning Powerball, 1-in-292 million, and Mega Millions, 1-in-258 million.

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## Oregon investment officials stick with hedge funds

By Hillary Borrud  
Capital Bureau

Oregon officials searching for ways to blunt the impact of future stock market crashes on the state's \$70 billion pension fund have increasingly looked at hedge funds as part of the solution.

The state started to buy into the funds in 2011, and now has more than \$300 million invested in them. That's a small portion — roughly 0.5 percent — of the pension fund's assets. But under its investment policy, the amount could grow. The policy calls up to 45 percent of the alternatives portfolio, or roughly 6 percent of the entire pension fund, to be invested in a category that includes hedge funds.

Pension officials are sticking with the strategy, in spite of recent critiques of pension systems' investments in the funds and the 2014 decision by the nation's largest pension fund, Calpers, to divest from hedge funds.

State Treasurer Ted Wheeler and other members of the Oregon Investment Council hope hedge funds and other alternative investments will help the state avoid a repeat of what happened in the 2008 financial crash, when the public employees' pension fund lost a third of its value in six months.

The fund has largely recovered from the effects of the crash, but for a variety of other reasons the state now faces an \$18 billion unfunded pension liability over the next two decades. The shortfall could grow if the state's investment returns continue to fall short of the 7.5 percent assumed rate of return or if there is an economic downturn.

Oregon pension officials are most interested in hedge funds' promise of uncorrelated returns, meaning that the funds will lose less — or perhaps even produce returns — in a down economy. Although research has shown hedge fund performance is correlated to the stock market, Oregon has invested in funds with "truly uncorrelated returns," according to Oregon State Treasury Communications Director James Sinks.

"Currently, about 70 cents of every \$1 in (pension) ben-

efits comes from investment gains, so sustainable and strong performance is key," Sinks wrote in an email.

In late November, researchers at the Roosevelt Institute released a report that examined hedge fund investments by 11 other states. The researchers, who also received support from the American Federation of Teachers and the Haas Institute for a Fair and Inclusive Society at the University of California, Berkeley, found "significant correlation" between hedge fund returns

and overall pension fund investment performance. The researchers also cited market data that showed hedge fund performance was "highly correlated" with the stock market.

As it turns out other state

pension funds have not followed Calpers' decision to divest. The California pension system cited costs and complexity as reasons for its 2014 decision to exit from hedge funds.



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