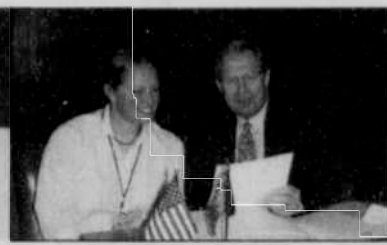




JOBS, JOBS, JOBS . . .

Working To Strengthen Our State's Economy



**Fixing Oregon's Aging Transportation Infrastructure:** Legislators worked hard this session to get serious about fixing Oregon's aging transportation system. In order to effectively enable commerce to move crops and manufactured products to markets or to meet other forms of transportation, it is time to invest in roads and bridges. And in addition to bridges, selected modernization projects and some much needed maintenance and preservation projects for cities and counties will be funded.

The \$2.5 billion package will provide the largest public works project in Oregon since I-5 was built over 50 years ago. This legislation will go a long way toward fixing aged bridges, moving products more efficiently, providing some new roads in strategic places around the state and in creating family wage jobs - helping Oregonians back to work.

**In other legislation, the Oregon Innovative Partnership Program is established.** The Department of Transportation is directed to establish the program to solicit, accept and evaluate proposals for transportation projects from private entities and units of government. The legislation creates financing mechanisms, including, but not limited to the imposition of franchise fees or user fees and the development or use of other revenue sources. When considered as a component of the transportation infrastructure improvement package, it will allow greater flexibility for transportation projects and will allow projects to be completed sooner with a lower cost to the taxpayer.

**A complete rewrite of the public contracting statutes** resulted from an interim workgroup. Over the years, revisions of the statute created contradictory and confusing language. The new legislation consolidates over-arching provisions, definitions, policy statements and contract preferences in one location; outlines and makes consistent source selection process for procurements; and reorganizes current law to reflect current practices.

**Streamlining government regulation:** In discussions with business leaders around the state and community leaders in my senate district, I heard many highlight the need for consistent and simple regulatory and permitting processes. My colleagues and I supported the creation of an Economic Revitalization Team in the Governor's office to identify adequate land that can be developed quickly to meet the need for "shovel ready" industrial lands



"With enactment of these bills, Oregon's business community will see a marked change in the speed of obtaining building permits, the cost of construction and the availability of land for development." Says Senator Nelson, Chair of Senate Business & Labor Committee

for businesses wishing to locate in Oregon. Legislators directed the Department of Agriculture, the Economic and Community Development Department, the Division of State Lands, the Department of Transportation, the Department of Land Conservation, the Department of Environmental Quality and the Housing and Community Services Department to participate and support the development of an inventory of up to 25 priority sites throughout the state.

**Oregon Moves Towards Single Sales Factor:** In another strong signal to businesses within the state that we want them to hire more Oregonians and invest in new facilities in Oregon, we passed legislation that will move Oregon toward a single sales factor corporate tax apportionment. It uses a less complex apportionment factor formula and removes the disincentive for Oregon businesses to expand. It makes Oregon a more attractive location for corporate headquarters.

**Clarification Of State Building Codes:** Government accountability and efficiency was a major theme throughout the session. The Department of Consumer and Business Services Director is now authorized to initiate adoption of rules to clarify provisions of state building codes and the department is permitted to establish a system or network for providing access to building code information and services for all building code jurisdictions within the state. Another measure requires the Director of the Department, upon request, to determine whether adequate resources are available to ensure that essential projects proceed in a timely, consistent and flexible manner.

Other construction/contractor measures will allow contractors to use one form, pay one fee and obtain one license, instead of the current chaotic approach. Large, unique and expensive industrial electrical equipment is now exempt from costly and duplicative certification and evaluation.

**Increasing Efficiency In Collecting Outstanding Debt:** State collection of outstanding debt has been somewhat unproductive and citizens call for a change. Therefore, the legislature modified the state's current debt collection system, creating a more effective way to collect on past due accounts. State agencies currently turn over delinquent and liquidated accounts to the Department of Revenue or a private collection agency after a year of non-payment. A measure passed this session forces state agencies to turn over accounts after they are delinquent for 90 days and would give the Department of Revenue six months to collect payment. Furthermore, agencies are encouraged to utilize private collection agencies in the pursuit of delinquent accounts.

**Support for Tourism:** The legislature gave support to the tourism industry by passing a 1% lodging tax to ensure additional resources for tourism and marketing; Oregon is a great place to set up business or to visit. This is a positive move toward attracting visitors and giving them knowledge about our state, thus encouraging them to stay longer and visit more communities.

**Oregon Universities & Community Colleges Provide Workforce:** Legislation this session provides the Oregon University System with greater flexibility in maintaining quality access including the approval of new degree programs and changes a multitude of regulatory inefficiencies that will allow better service to the state. Investment in Community Colleges increases their ability to serve growing numbers of people who desire to continue their education and to meet the needs of employers seeking qualified workers. Legislators encouraged the expansion and



Visiting with BMCC staff, board and President at a reception honoring legislators for their support of education and BMCC partnerships.

availability of engineering education, nursing education, and technology education with use of distance learning. A student educated in northeastern Oregon is more apt to make it home and place of work.

**PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS) REFORM**

**PERS REFORM; SIX MEASURES PASSED & SIGNED:** After hours of public hearings and studying the issues, the legislature passed measures that would change the system for new employees and get the system back on course. It is important to note the measures as passed and signed by the Governor; however, it is also important to note that some of the measures have been challenged and are on their way to the Oregon Supreme Court for consideration later this year or early next year.

**ASSUMING THE NEW LAWS** hold up in court, PERS is prohibited from crediting regular accounts of Tier One members with earnings in excess of the assumed rate (currently estimated at 8% earnings). It has been estimated that this bill could shave nearly \$1 billion from the PERS system's existing unfunded liability, and could result in reduced rates for employers in the system, saving them approximately \$201.8 million in 2003-05. Local Governments' (cities, counties, special districts) share of that savings is estimated at \$60.2 million.

**SEVERAL LAWSUITS** were filed by employers, claiming that the PERS board violated its fiduciary responsibility when it made a number of decisions that resulted in higher employer rates. Marion County Circuit Court Judge Paul Lipscomb (City of Eugene et al v. State of Oregon, cases 99C-12794,00C-16173,99C-12838 and 99C-20235) agreed with some of the plaintiff's arguments, particularly regarding implementation of mortality tables, earnings credited in excess of the assumed rate in 1999 and employer match of variable accounts. Many of the concerns addressed in these cases were addressed in legislation. The total savings of implementing this measure are estimated at \$677.6 million for the 2003-05 biennium.

"**ACTUARIAL EQUIVALENCY** factor tables" include life expectancy (mortality) and future earnings assumptions. PERS uses these tables to calculate monthly retirement benefits. Prior to this legislative session, the PERS Board used some mortality assumptions dating to 1978 to calculate retirement payments for employees hired before 1999. Recent studies of mortality show that people are living longer than was predicted in 1978. This means that retirement benefits are calculated higher than they would be if current mortality tables were used, resulting in higher benefits paid over a longer life span than had been predicted. New legislation requires the PERS Board update actuarial equivalency factor tables every two years.

**ANOTHER NEW LAW** streamlines the decision process for employee benefits management. Membership of the Public Employees Retirement System Board is reduced from twelve to five members. Further, it specifies membership of the board as: three persons with experience in business management and/or pension management (they may not be members of the system or beneficiaries of the system, and have no interest in the benefits provided by the system); one member that represents public employers; and one member that represents public employees.

**SUBSEQUENTLY,** there is the PERS Successor Plan, the Oregon Public Service Retirement Plan (OPSRP) for all newly hired public employees. It is a hybrid plan composed of two separate account programs, a pension program and an individual account program. It is designed as the successor to PERS Tier's one and two and has no effect on members in those retirement systems, only new employees.

**THE SUCCESSOR PLAN** requires all public employers participating in PERS to participate in OPSRP and allows new employers to join the Defined Benefit or Defined Contribution plan or both. The PERS Board may contract with a private provider for administration of Individual Account Programs to further reduce administrative costs. The estimated savings of the new plan over the old will save Oregon \$31 million in the 2003-05 biennium and \$103 million in 2005-07.

**COMPONENTS OF THE TWO ACCOUNT PROGRAMS**

**The Pension Program**

- Employee is vested after 5 calendar years
- Police and Fire is 1.8% of final average salary
- General Service 1.5% of final average salary
- Normal Retirement 65, or 58 with 30 years service
- Equivalency factor tables adopted every two years
- COLA capped at 2%

**The Individual Account Program**

- Employee must work 6 months before membership
- Requires member to make employee contribution of 6%
- Allows employer to pay employee contribution
- Requires employers currently paying employee contribution to continue til Dec. 31, 2005
- Allows employers to make voluntary contributions of 1% to 6% of salary