

**Theodore R. Kulongoski**  
**Governor**



June 8, 2005

The Honorable Bill Bradbury  
Secretary of State  
900 Court Street NE – Room 136  
Salem OR 97301

Dear Secretary Bradbury:

I am returning Enrolled Senate Bill 718 unsigned, but not disapproved, for the reasons below.

The Oregon Investment Council is charged with the important task of managing the investment funds of the State of Oregon for the benefit of all Oregonians and for future generations. I agree that members of the Oregon Investment Council must be held to the highest standards of integrity, ethics and professionalism. Conflicts of interest must be publicly disclosed and penalties must exist for failing to make necessary disclosures.

I am not signing SB 718 because I am concerned that the standard established by the bill is ambiguous. SB 718 states that a council member must disclose, in writing, any “potential or actual conflict of interest” within three business days of becoming “aware of the possibility” of a potential or actual conflict of interest. Violation of this requirement could result in the imposition of civil penalties. I have no disagreement with the phrase “potential or actual conflict of interest”, but do not understand what standard of conduct the state is attempting to regulate under the phrase “aware of the possibility of a potential or actual conflict of interest.” I am concerned that this standard is ambiguous and will prove unworkable for members of the council. A council member has no objective standard for knowing what a “possibility” that triggers this requirement is. Nor is it clear how to establish when a council member becomes aware of a “possibility” of a “potential” conflict. The ambiguities embodied in this standard, coupled with civil penalties, may expose our citizen volunteers to unreasonable demands and liability. As such, I am concerned that SB 718 will have a chilling effect on the willingness of qualified persons to serve on the council.

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Because I agree with the underlying goals of this legislation, I have allowed SB 718 to become law without signature. But, I request that the Legislature remedy this problem to provide an objective and working definition of the standards of conduct we want to impose upon our citizens who volunteer to serve as members of the council. It is important to strike the proper balance between high ethical standards and full disclosure, on one hand, and the need for a fair and workable standard for the Oregon Investment Council and the dedicated public servants who serve on the council, on the other hand.

Sincerely,

A handwritten signature in black ink that reads "Theodore R. Kulongoski". The signature is written in a cursive style with a large initial 'T'.

THEODORE R. KULONGOSKI  
Governor

TRK:DCR:lmh