

Senate Interim Committee on Business and Transportation
Wednesday, January 15, 2014
State Capitol, Salem, Oregon

Members Present: Members Excused: Sen. Lee Beyer, Chair; Sen. Bruce Starr, Sen. Chris Edwards, Sen. Fred Girod, Sen. Rod Monroe, Sen. Chuck Thomsen

The Senate Interim Committee on Business and Transportation heard its first two agenda items in a joint meeting with the House Interim Committee on Business and Labor.

Overview of Workers' Compensation Self-Insurance Options and Regulations (LC 52)

Patrick Allen, Director of the Department of Consumer and Business Services (DCBS), and John Shilts, Administrator for DCBS' Workers' Compensation Division, provided [testimony](#) and [slides](#) for an overview of workers' compensation (WC) self-insurance and group self-insurance in Oregon.

Most employers who must provide workers' compensation coverage to their employees choose to buy coverage through an insurer, but 119 employers choose to self-insure as individuals and almost 1,000 employers have joined one of five self-insured groups. Self-insurance groups must certify with the DCBS and must prove they have the financial ability to cover workers' compensation costs, which includes carrying excess insurance, maintaining a security deposit, and maintaining a common claims fund equal to 30 percent of known future liabilities. Group members pay an assessment to the group administrator for the cost of claims and administrative expenses. In addition, to the standard 6.5 percent workers' compensation tax, the group pays an upcharge of one percent. If a group were to default or go bankrupt, the group members are liable for claims. If a group member goes out of business, the remaining employers assume their obligations. In addition, in the case of default or insolvency, DCBS can collect from members to pay claims.

DCBS requested that [LC 52](#) be introduced through the Senate Interim Committee on Business and Transportation. Mr. Allen and Mr. Shilts stated that LC 52 is written to provide an orderly exit from group self-insurance and to better protect injured workers by increasing the financial requirements and DCBS authority over groups.

Committee comments and questions for this panel included: how injury claims filed after a termination are dealt with; origins of the Worker Benefit Fund; and the level of state exposure in cases where self-insuring employers declare bankruptcy.

Review of Legislative Concept Relating to Sale of Distilled Spirits (LC 242)

Chair Beyer discussed his request of Rob Patridge, Chair of the Oregon Liquor Control Commission (OLCC), to assemble a group of stakeholders to look at changing the way distilled spirits are sold in Oregon in a way that maintains the existing agent structure but improves consumer access. Mr. Patridge and Steven Marks, Executive Director of OLCC, gave a [presentation](#) the results of that effort. The Retail Innovations Work Group met five times and

included representatives of all parties interested in liquor sales. The Work Group discussed three models: investment and enhancement of the current system; creation of a hybrid system; and privatization of liquor sales. The Work Group agreed that improvement is necessary and the OLCC voted to ask the Legislative Assembly to take action that either: 1) invests in the current system for distributing and selling distilled spirits; or 2) modifies the system. Sen. Beyer then asked OLCC to outline the specific components of a hybrid model, which was drafted in [LC 242](#).

The goal of the LC 242 is to increase consumer convenience, stabilize and grow revenue, and provide a fair economic playing field for competition. The legislation allows off-premises licensees with sites that are at least 10,000 square foot in size to apply for an endorsement to sell distilled spirits. A licensee will purchase the liquor from OLCC on delivery and will be free to set the retail price, as long as the price does not fall below the minimum set by OLCC. To reduce the potential for theft, licensees will only be allowed to offer bottles of 750 milliliters or larger. When applying for an endorsement, the licensee must submit a public safety plan and a plan for promoting the sale of Oregon distilled spirits and how shelf space previously devoted to Oregon beer, wine and cider will be maintained. Retail sales agents will purchase liquor from OLCC, but the wholesale payment will be made after the retail sale occurs. Retail sales agents will also be able to set the retail price but will be prohibited from selling below the minimum set by OLCC. The OLCC can require the retail sales agent to agree to provisions that set minimum sales area for the promotion of Oregon distilled spirits.

Review of Dealer-to-Dealer Title Transfer Legislative Concept (LC 31)

Jerry Hinton, General Manager for Brasher's Portland Auto Auction, offered [testimony](#) in support of the introduction of [LC 31](#). He reviewed current practices for automobile dealer surety bonds and indicated that the 2003 exception to the 15-day payment rule was intended to apply only to traditional flooring agreements with manufacturers and financial institutions and should not apply to transactions between licensed dealers.

Discussion Regarding Trans Pacific Partnership Treaty

Rep. Brad Witt discussed an informational briefing held by the House Interim Committee on Agriculture and Natural Resources regarding the potential impacts of the proposed Trans Pacific Partnership (TPP) Treaty on a number of Oregon industries and producers. He contrasted the benefits and impacts of free trade and fair trade agreements.

Mike Sullivan, representing the Association of Western Pulp and Paper Workers (AWPPW) described the timeline of the TPP as being 'fast tracked' for ratification. He also described the negative impact of the North American Free Trade Agreement (NAFTA) on the U.S. steel industry. He submitted a [letter](#) sent to U.S. Representative Suzanne Bonamici on the subject.

Greg Pallesen of AWPPW provided additional [details](#) regarding the impact of past free trade agreements on Oregon's pulp, paper, wood and timber industries, including a [map](#) and [spreadsheet](#) of mill curtailments and closures nationwide.

Elizabeth Swager, representing the Oregon Fair Trade Campaign, presented [testimony](#) that indicated that the potential member nations of the TPP account for 40 percent of the total global economy. She asserted that the American public is not informed on the issue and that there has been limited congressional review. She also commented on the potential offshoring of workers.

Bill Kluting of the Carpenters Union commented on the impact of the exportation of jobs over the past 30 years. He also referenced past conflicts with Canada regarding timber imports and exports.

Follow-Up Briefing on Efficient Fee Study Methodology

Mark McMullen, Economist for the State of Oregon, provided a review of the state's Efficient Fee Study, which includes an effort to consider factors other than road wear in determining the cost that users impose on the state transportation system. A more comprehensive model could take into account factors such as traffic congestion, environmental impacts and health impacts, among others.

Carl Batten, Managing Director for ECONorthwest, submitted copies of an [issue paper](#) and offered a slide [presentation](#) that provided additional details for an efficient fee road usage charge concept. Such a system would be designed to assess fees in a fair and equitable manner across all classes of vehicle. It could also incentivize optimal use of the road system, and/or disincentivize overuse of the system. He also compared the efficient fee concept to the vehicle miles traveled (VMT) concept and to congestion pricing methodologies.

Introduction of Committee Legislative Concepts

The committee voted unanimously to adopt the following concepts as committee bills for consideration during the 2014 Session:

[LC 31](#) – relating to offense of failure to provide clear title

[LC 52](#) – relating to self-insurance coverage for workers' compensation claims

[LC 242](#) – relating to alcoholic beverages