

HOUSE COMMITTEE ON
BUSINESS, LABOR, AND CONSUMER AFFAIRS

January 14, 2005 Hearing Room B

8:30 AM Tapes 1 – 3

Corrected 10/7/2005

MEMBERS PRESENT: Rep. Alan Brown, Chair

Rep. Sal Esquivel, Vice-Chair

Rep. Mike Schaufler, Vice-Chair

Rep. Paul Holvey

Rep. George Gilman

Rep. Derrick Kitts

Rep. Chip Shields

STAFF PRESENT: Janet Adkins, Committee Administrator

Katie Howard, Committee Assistant

ISSUES HEARD AND WITNESSES:

Adoption of Committee Rules - Organizational Meeting

Introduction of Members and Staff - Organizational Meeting

Department of Business and Consumer Services - Informational Meeting

Cory Streisinger

Building Codes Division Overview - Informational Meeting

Mark Long

Employment Department - Informational Meeting

Debbie Lincoln

Tom Byerley

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 1, A

004	Chair Brown	Calls the organizational meeting to order at 8:31 a.m.
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ADOPTION OF COMMITTEE RULES – ORGANIZATIONAL MEETING

014	Rep. Schaufler	MOTION: Moves to ADOPT the proposed Committee Rules (EXHIBIT A).
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015		VOTE: 5-0-2
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EXCUSED: 2 – Gilman, Kitts

	Chair Brown	Hearing no objection, declares the motion CARRIED.
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INTRODUCTION OF MEMBERS AND STAFF – ORGANIZATIONAL MEETING

017	Rep. Shields	Represents House District 43. Interests lie in workforce development issues.
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020	Rep. Schaufler	Represents House District 48. Wants to attract investment, create jobs, and increase revenue.
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023	Rep. Esquivel	
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Represents House District 6. Explains he has been a small business owner all his life. Has issues with consumer protection.

- 030 Rep. Holvey Represents House District 8. Expresses that he looks forward to helping create jobs in Oregon
- 036 Rep. Gilman Represents House District 55. Wants to perpetuate good economic development in Oregon and keep current momentum of economy going.
- 043 Rep. Kitts Represents House District 30. Says it is good to be back on committee.
- 048 Chair Brown Invites staff introductions.
- 051 Chair Brown Indicates that meetings will start promptly at 8:30 in the morning and as session goes on meetings may start at 8:00 a.m. Discusses procedural issues. Closes organizational meeting and opens the informational meeting.

DEPARTMENT OF CONSUMER & BUSINESS SERVICES - INFORMATIONAL MEETING

- 099 Cory Streisinger Director, Department. of Consumer and Business Services. Submits **(EXHIBIT B)**. Recites department's mission statement. Begins an overview of the department starting with Oregon Occupational Safety and Health Division (OR-OSHA) and Workers' Compensation. Explains that Oregon has had a declining or flat workers' compensation rates for fifteen years. Details that recent projects including a Core Rules' manual aimed at small businesses. Details the Management Labor Advisory Committee's (MLAC) three major proposals involving: vocational rehabilitation and return to work program, changes in standards for determining and rescinding total disability status, and independent medical exams. Explains basic enforcement of legislation from last session, which limits insurance companies from using credit scoring. Highlights that complaints to the department in this regard have dropped off considerably. Explains that new areas of concern are home owner insurance using claim history and the affordability of insurance in hard market areas.
- 260 Streisinger Talks about Finance and Corporate Securities. Explains that division oversees state chartered financial institutions, state security laws and other financially-oriented companies. Details that during the interim, department took a look at payday lending programs and gathered data about these programs. Explains that payday lending growth has been

substantial in Oregon. Notes that department will putting out new bills in this area. Indicates that department is increasing consumer education about payday lending and is encouraging credit unions to offer programs similar to payday lending. Mentions smaller programs that department offers such as the Oregon Medical Insurance Pool (OMIP). Explains that OMIP is for Oregonians who need coverage but do not have other options due to sickness and other circumstances. Explains that OMIP has market based premiums and then is subsidized by health insurers at large. Mentions Office of Minority, Women, and Emerging Small Businesses and the Office of Regulatory Streamlining. **(EXHIBIT B)**.

- 352 Chair Brown Asks about the high cost of liability insurance for contracts and if the market assist ability program applies to it.
- 360 Streisinger Affirms that it does. Found that contractors did not have adequate information and pay more than market prices, or they were having to devote a lot of time to find someone who can provide insurance. Explains program will match companies and contractors.
- 378 Chair Brown Inquires if it is difficult for contractors to get insurance at any price.
- 382 Streisinger Affirms that it is. Explains that those involved with multifamily housing are having the most difficulty. Describes lawsuits involving certain building products. Indicates that these lawsuits make it difficult for contractors who have used products that have been involved in the lawsuits to find insurance.
- 407 Rep. Gilman Asks if they are doing any work on the problems of limited coverage for contractors' liability insurance.

TAPE 2, A

- 001 Streisinger Responds that they have regulatory authority over what those policies can and cannot include. Have heard that policies exclude more than they include. Affirms that they have been working with potential carriers to discover whether they will enter the market and provide better coverage.

BUILDING CODES DIVISION OVERVIEW – INFORMATIONAL MEETING

- 022 Mark Long Administrator, Building Codes Division. Explains that division adopts statewide building codes, issues trade licenses, certifies building

inspectors and enforces permits and licenses. Indicates that one hundred million dollars was spent on building permits money in Oregon. Points out that the net impact of construction on state is five billion dollars. Explains that there are seven advisory boards appointed by the governor to help set standards. Refers to map on page two **(EXHIBIT C)**. Explains complicated, confusing “patchwork quilt” of services. Indicates that division is a stake-holder driven organization and works with 18 groups to set policy with boards. Refers to list on page three. Explains that Construction Industry Policy Advisory Committee (CIPAC) consists of all 18 groups and that it meets on a quarterly basis in interim and more regularly during session. Explains that CIPAC takes legislation to this committee before bringing it before the legislature. Addresses issues of statewide consistency and adopting standards that make sense. Discusses regulatory streamlining and House Bill 2717 from 2003 to address regulations of advanced technological devices. Explains changes in regulation of inspectors. Expresses desire for inspectors to know standards, have adequate training, and provide the code number, to the customer, of any correction the inspector makes. Discusses consolidated license types and E-pay system. Describes website where customers can renew license and pay with credit card. **(EXHIBIT C)**

- 198 Long Says an agenda exists that involves more license streamlining. Talks about House Bill 2181. Indicates that a bill may be introduced that looks at various types of elevators and regulates certain types differently. Discusses another bill addressing new technology and different industries. Talks about implementation of public/private partnerships. Details one partnerships called Permits Protect. Explains division has worked with private industry to raise money to run ad campaigns to provide information about permits to the public. Discusses another private/public partnership involving an enforcement program with electricians in the Mid-Willamette Valley area. Explains that program helps fund a compliance officer that is available after-hours or on the weekend. Talks about Senate Bill 715 from last session. Explains regulatory streamlining and chart to explain it is on back page. Indicates that One-Stop Electronic Permitting System Pilot Project goes into effect in April and that pilot is with certain local governments. Explains that the pilot will allow customers to apply, pay, and receive some types of permits online in the metro area. Relates that telling people what jurisdiction their project was in was the most difficult part. **(EXHIBIT C)**
- 310 Rep. Esquivel Asks if redlined building permit applications have to be accompanied by the ordinance or statute that is causing the redlining.
- 319 Long Responds on July 1, 2005, they will have to be.

- 322 Rep. Esquivel Likes the idea of the same criteria being used statewide. Applauds process. Asks how many people Mr. Long has on staff and how much he charges entities to do inspections.
- 338 Long Explains that he serves the people in the area that are shaded. See **(EXHIBIT C)**, page two. Fees are set by the legislature. From his perspective, costs go up as he provides services to less populated areas. Explains low fee rates. Cannot say specifically **(EXHIBIT C)**.
- 364 Rep. Esquivel Asks if division has looked at doing contractual agreements with multiple counties, such as Lake and Klamath, so that they would be charged accordingly.
- 374 Long Indicates that areas are typically less profitable to operate and that it is hard to work with local and private companies. States that inspectors average three to five thousand windshield miles a year. Explains that division receives assistance on a statewide basis to maintain services, because division cannot maintain profitability.
- 400 Rep. Esquivel Asks what kind of permits can be applied for online.
- 410 Long Explains that it is for permits where you do not have to provide plans.

TAPE 1, B

- 001 Long Expresses that, in future, the division would like to have all plans submitted online so that the entire permit process is paperless. Indicates that, to implement this next phase, the division needs ten to 15 million dollars.
- 020 Rep. Schaufler Asks how long it would take to implement the plan if division had the money.
- 030 Long Indicates that it would take three to five years. Clarifies that developing the local and state relationships takes awhile, and it also is contingent on getting the software put together.
- 040 Rep. Schaufler Inquires where the bill on wheel chair access and building design is.
- 043 Long Explains that bill is in a different agency.

- 046 Rep. Schaufler Emphasizes that as Oregon modernizes, he does not want to replace the pocket watch, in reference to an early example given by Mr. Long.
- 053 Rep. Holvey Asks whether state agency has any liability for ensuring compliance to the code in properly permitted projects.
- 059 Long Explains that the people running the project have accountability to the division with the new standard. Describes the state standard as a mini-maxi where projects cannot go above or below the standard. Indicates that, if there is a correction, a person has to follow state standard, and if an individual does not, he/she is subject to action by the department.
- 080 Rep. Holvey Expresses concern about an inspector signing off on a project as being in compliance when in fact it is not and the consumer being left with paying for the mistake.
- 089 Long Identifies the Constructors' Board Commission as the place where these issues are resolved. Reiterates that the division has better standards for inspectors now. Concedes that, at some point, it gets into the legal system.

EMPLOYMENT DEPARTMENT – INFORMATIONAL MEETING

- 110 Debbie Lincoln Director, Employment Department. Explains that they will hit high points of exhibit and will emphasize Unemployment Insurance (UI). References mission statement on page one. States that fulfilling first part of mission statement means insuring communities, individuals, and the workforce. Explains second part is business employment services. Indicates that this involves referring qualified individuals to companies. Explains that third part is workforce and economic research (**EXHIBIT D**).
- 155 Lincoln Explains that the fourth element is Childcare Division. Refers to organization chart in packet on page two and provides explanation. Refers to pages four and five. Explains the following changes in the services the Employment Department provides: greater consistency, better customer service, and more efficiency. Emphasizes workforce and economic development. Explains the reauthorization of Workforce Investment Act in congress. Act was passed in 1998. Relates that it has not been reauthorized, but is on the fast track in congress, and that these changes will affect how the Oregon Employment Department does business. Describes how federal revenues have been diminishing for a number of years. Indicates that

department started planning for that before it is in crisis mode **(EXHIBIT D)**.

262 Lincoln Explains how technological advances help with much of the process-oriented activities, particularly in UI. Conveys how the department investigated call centers and decided to move to telephone and internet interaction. Illustrates how this improved standards and created consistency. Explains how they operate with 100 fewer FTE staff. Indicates that the project came in under-budget and on-time. Conveys that the response from clients has been positive. Explains that keeping field offices open helps department serve community by knowing what local business climate is like and what is going on in the community. Mentions I Match Skills, an online database where employers can match workers on skills rather than on job file. Reports that employers appreciate having it available. Refers to note on the bottom of page 5. Summarizes the cost-benefit of changes and that department will save \$3.6 million per biennium in administrative costs. Explains that the department reinvested 50 FTE of the 100 FTE eliminated in UI in Employment Services. **(EXHIBIT D)**

370 Lincoln Mentions the Economic Research Division. Explains that the division brings information about specific communities. Articulates how special surveys and studies help policy makers make informed decisions. Talks about how the department manage all federal money that comes into the state for childcare and transfer it to subsidized childcare grants that the Department of Humans Services manages. Mentions Office of Administrative Hearings. Goes over high points of Unemployment Insurance **(EXHIBIT D)**.

TAPE 2, B

001 Lincoln Explains the types of taxes for UI and how they are dealt with at the federal level. Emphasizes that the state must conform to federal rules and regulations to ensure that Oregon employers do not have to pay federal sanctions. Explains eligibility requirements and how benefits are determined and paid. Provides details about the exclusions that the state can adopt. Refers to page 12. Mentions Federal and State Unemployment Tax and its distribution method. Notes that the State Tax Account is controlled by Oregon statutes. Discusses different budgets on page 13 and the way in which money is distributed. Talks about what happens when a state's trust fund goes insolvent **(EXHIBIT D)**.

111 Lincoln Mentions the REED Act and possibility of payouts back to the state from these monies. Explains that only three or four distributions have occurred in the last fifty years. Recalls the last REED Act payout was

98 million dollars several years ago and that part of it was used to pay for budget shortfalls and the rest was put into the Trust Fund. Refers to page 14 and talks about the tax schedule for Trust Fund (**EXHIBIT D**).

- 159 Chair Brown Inquires whether the Oregon Legislature sets the schedule every two years.
- 161 Lincoln Explains that it is in statute. Expresses that the department wants to change the tax schedule during this legislative session. Refers to the State Unemployment Tax Fund graph on page 15 and explains the benchmark. Mentions House Bill 2127 and that passing it would put department in a better fiscal situation by lowering the benchmark. Explains that it would reduce business taxes by 12 percent and help attract businesses to Oregon. Refers to page 16. Talks about base rates for new employers and how they would be lowered. Predicts that there would be a 17 or 18 million dollar savings for new business over three years. Indicates that this would bring new business to Oregon much in the same way Idaho did last year. Wants to look at the taxable wage base. Explains that the first 27,000 of payroll is the taxable wage base. Details how companies would save 10 million dollars by rounding the projected wage base to the nearest hundred dollar figure rather than the nearest thousand dollar figure (**EXHIBIT D**).
- 270 Rep. Schaufler Refers to adjustment in House Bill 2127 and asks if the companies will pay less taxes if the taxable wage base is raised..
- 284 Lincoln Explains that companies will still save money. Admits that over 20 years changing the adjustment is “a wash” but in the near future it will save money. Refers to page 18 and talks about the statistics of unemployment insurance in different counties (**EXHIBIT D**).
- 308 Rep. Esquivel Asks if the statistics are just for one year. Mentions that it is a little ambiguous.
- 315 Lincoln Affirms that it is just for one year. Indicates that department can give Rep. Esquivel information for all five years. Explains that chart is just a snapshot of how UI has kept communities solvent through recessions. Talks about the Supplemental Employment Department Administrative Fund. Explains that it is the only state controlled money that the state gets. Refers to page 17 and HB 2127, which would get rid of the Benefit Reserve Fund. Discloses that the fund is not financially sound and that the fund is losing one million a year, because the state invests it in its treasury and not the federal treasury.

Explains that since it is invested in short term securities, the state would lose money if state had to dip into it **(EXHIBIT D)**.

TAPE 3, A

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| 003 | Rep. Schaufler | Asks what the federal government is doing to get a better interest rate. |
| 005 | Lincoln | Explains that she does not know. Indicates that it may be because the federal government operates on a larger scale. |
| 008 | Rep. Esquivel | Asks if the state is prohibited from receiving more than a 8% return on investments under state statutes. |
| 010 | Lincoln | Affirms that it does sound correct and states that she will get an answer for Rep. Esquivel. |
| 014 | Rep. Schaufler | Asks whether Ms. Lincoln will find out whether greater returns means a greater risk. |
| 016 | Lincoln | Affirms that she will. Conveys that the departments knows its first responsibility is to serve business, get people back to work, and ensure high quality, high wage, family wage jobs. Emphasizes that it is what the Supplemental Employment Department Administrative Fund (SEDAF) supports. |
| 032 | Rep. Holvey | Acknowledges that the investment sounds good, but he is nervous about reducing this fund in light of insolvency in other states. Expresses a strong interest in seeing the numbers that Rep. Esquivel referred to for the past five years. |
| 041 | Lincoln | Affirms that she will get the numbers for Rep. Holvey. Reiterates that her number one responsibility is to maintain the Trust Fund's solvency. Admits that if Oregon gets into the recession like the one in the early 80s, this model won't work. Emphasizes that the plan has gotten consensus that the model does not put the fund at any risk at the proposed benchmark. |
| 058 | Rep. Esquivel | Mentions that Idaho does not fluctuate with their ins and outs like Oregon does. |
| 063 | Lincoln | Explains that this is correct. States that California went bankrupt because they did not adjust their taxes over the years. |

067	Tom Byerley	Assistant Director of Unemployment Insurance, Employment Department. Explains that Idaho has not indexed its taxable base rate like Oregon has and Idaho has had to cut benefits to workers. Conveys that it makes Idaho an undesirable state for workers, because Idaho had to cut benefits.
078	Lincoln	Refers to page 22. Discusses that there are other bills that may be before the committee and most are minor changes. Refers to contacts on last page. Introduces Craig Hickman, Deputy Director, Department of Employment, and Tamara Brickman, Legislative Coordinator, Department of Employment.
085	Rep. Esquivel	Asks for a geographical breakdown of where the people on the advisory council come from and forward it to his office. Asks whether you can sign up to receive UI online.
096	Rep. Lincoln	Affirms that you can sign up online.
097	Rep. Esquivel	Asks if staff will be reduced through retirement.
098	Lincoln	Affirms that it is the plan.
099	Rep. Esquivel	Asks if an employer can be notified when a type of employee comes onto the system that the employer is seeking.
106	Lincoln	Explains that the employer can do more than just that task. Notes that employers can search by skills not the title of applicants.
110	Rep. Esquivel	Asks whether the program would flag the employer's computer if someone new came into the database.
112	Lincoln	Clarifies that she does not think the program has that automatic flagging yet. Explains that it is a continually evolving system. Emphasizes that the staff that monitors that industry would know that a new employee was there and the employer would be called.
121	Rep. Shields	Asks if it is possible for sole proprietors to participate in the UI system
123	Byerley	Explains that a sole proprietor usually is not covered but they could provide coverage for themselves and be covered.

129	Chair Brown	Mentions the list of Department of Unemployment bills could come before the committee. Close informational meeting.
131	Adkins	Mentions that committee will meet Monday.
139	Rep. Brown	Adjourns the meeting. 10:32 a.m.

EXHIBIT SUMMARY

- A. Committee Rules, Proposed, Staff, 2 pp**
- B. Business and Consumer Affairs, Informational packet, Cory Streisinger, 54 pp**
- C. Building Codes Division, Informational packet, Mark Long, 4 pp**
- D. Oregon Employment Department, Informational packet, Debbie Lincoln, 27 pp**