

HOUSE COMMITTEE ON RULES AND PUBLIC AFFAIRS

August 7, 2003 Hearing Room HR E
1:30 PM Tapes 112 - 115

MEMBERS PRESENT: Rep. Dan Doyle, Chair
 Rep. Linda Flores, Vice-Chair
 Rep. Laurie Monnes Anderson, Vice-Chair
 Rep. Vic Backlund
 Rep. Phil Barnhart
 Rep. Betsy Close
 Rep. Joanne Verger

STAFF PRESENT: Cara Filsinger, Committee Administrator
 Ray Kelly, Janet Adkins, Administrator
 David Peffley, Committee Assistant

MEASURES HEARD: SCR 7 – Public Hearing and Work Session
 SB 899 – Public Hearing
 SB 7A – Work Session
 SB 260 B – Public Hearing and Work Session

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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
Tape 112, A		
003	Chair Doyle	Calls the meeting to order at 1:39 p.m., announces the hearing schedule, and opens a work session on SB 260 B.
<u>SCR 7 – PUBLIC HEARING</u>		
009	Sen. Gordly	SD 23, Northeast and Southeast Portland. Introduces SCR 7, commemorating Charles Britton Maxey. Offers a brief overview of Mr. Maxey's life, accomplishments, and impact.
098	Rep. Verger	Adds further information regarding the life of Mr. Maxey and expresses support for SCR 7.
105	Rep. Backlund	Also expresses support for SCR 7, addressing the history of Mr. Maxey.
111	Sen. Gordly	Informs the committee of former Senator Mark Hatfield's admiration of Mr. Maxey and his legacy.
114	Rep. Doyle	Closes the public hearing and opens a work session on SCR 7.
<u>SCR 7 – WORK SESSION</u>		
116	Rep. Flores	MOTION: Moves SCR 7 be sent to the floor with a BE ADOPTED recommendation.
124		VOTE: 7-0
130	Chair Doyle	AYE: In a roll call vote, all members present vote Aye. The motion CARRIES. REP. MONNES ANDERSON will lead discussion on the floor.
132	Chair Doyle	Closes the work session on SCR 7 and opens a public hearing on SB 899.
<u>SB 899 – PUBLIC HEARING</u>		
134	Sen. Kate Brown	SD 21. Testifies in favor of SB 899 in order to allow a Portland-

		based license plate manufacturing company to bid for Oregon license plate contracts.
159	Rep. Diane Rosenbaum	Submits (EXHIBIT A) and testifies with support for SB 899 in order allow Oregon to compete for family-wage jobs.
183	Rep. Tootie Smith	Offers background to SB 899, details the controversy regarding the bill, and explains how it got to this point. Reaffirms that the legislation is very important in order to keep license plate manufacturing jobs in the state.
245	Rep. Close	References the -1 amendments (EXHIBIT B) and asks for clarification.
249	Rep. Brown	States that the amendments were drafted at her behest in order to gain the governor's support. Continues that as the Governor now supports the bill as written, urges adoption without the amendments.
272	Rep. Smith	Also speaks in opposition to the -1 amendments.
279	Rep. Close	Asks if the bill provides for an annual contract.
281	Rep. Smith	Acknowledges that it does and notes that it comes up for re-bid every year.
284	Grover Simmons	Pacific Printing and Imaging Association and Irwin-Hodson Company. Submits (EXHIBIT C) , affirms previous testimony and adds further background information. In response to Rep. Close's concern, affirms that the contract is for one year, but renewable.
351	Chair Doyle	Asks if the loss of ten jobs is directly related to the loss of the license plate contract.
355	Simmons	Affirms that the loss is directly related.
359	Chair Doyle	Asks how many employees are employed by Irwin-Hodson.
362	Simmons	Replies that thirty people are employed by the metals division.
363	Chair Doyle	Asks for a rough estimate of the total number of employees by the company.
371	Simmons	Replies that the company employs about eighty-five workers. Recommends asking TJ McDonald for more exact figures. Asserts that Irwin-Hodson is one of only two North American companies who manufacture license plates and that good public policy would attempt to bring this business back to Oregon.
391	Rep. Monnes Anderson	Asks about the figures for the contract before it was awarded to Nova Scotia.
395	Simmons	States uncertainty.
401	TJ McDonald	President, Irwin-Hodson. Notes that the license plates did cost three dollars per pair and now they cost \$2.60.
410	Rep Monnes Anderson	Asks about the original figure of the contact bid.
419	Simmons	States the figures for the current bid as opposed to the bid launched by the Canadian firm.
434	McDonald	States that the figures are misleading and offers more reasonable figures.
Tape 113, A		
002	Chair Doyle	Asks about the competition from the Canadian company.
005	McDonald	States that prisons can also bid on the contract.
008	Chair Doyle	Expresses concern over a possible monopoly.
011	McDonald	States that the bill would allow anyone in Oregon to bid on the contract.
020	Chair Doyle	Reiterates his concern about price monopoly.
024	McDonald	Points out that in forty-one other states, prison labor produces

		license plates and if the price became too high, the same might happen in Oregon. Highlights previously mentioned figures to illustrate that they conduct business equitably. Cites free-market economics.
036	Chair Doyle	Observes that Irwin-Hodson would be the only company in the industry, underscoring his previous concerns regarding monopoly.
040	McDonald	Denies that the price advantage is too minimal for a monopoly to take hold.
044	Chair Doyle	Asks about the timing of the layoffs of the ten people.
046	McDonald	States that the layoffs were a result of the loss of work. Asserts that they held the workers as long as possible.
053	Chair Doyle	Asks if Simmons' assertion of eighty-five workers in the company is correct.
055	McDonald	Affirms that is correct.
059	Rep. Barnhart	Asks about economic impact and taxes as a percentage of the contract.
063	Simmons	References the Governor's statement and talks about the governmental rule of thumb. Addresses the value of the economic impact.
098	McDonald	Adds to the economic assessment.
105	Rep. Barnhart	References that those figures arose from the work group on ORS 297.
111	Chair Doyle	Asks if there are reciprocity issues with Oregon's preference programs.
114	McDonald	States that the reaction varies from state to state
117	Chair Doyle	Asks what other states Irwin-Hodson has contracts with.
118	McDonald	Notes some of the other states. States that the contract with Mississippi is the most significant.
124	Chair Doyle	Asks how the company was forced into layoffs with so much other business.
126	McDonald	Affirms that the decrease in volume forced the layoffs.
136	Harvey Mathews	Associated Oregon Industries (AOI). Speaks in favor of SB 899 in order to save Oregon jobs. Affirms prior testimony and opposes the -1 amendments.
145	Tim Nesbitt	American Federation of Labor – Congress of Industrial Organizations (AFL-CIO). Cites job creation as the key reason for supporting SB 899. Asserts that this bill allows Oregon to provide more family-wage manufacturing jobs.
171	Rep. Close	Refers to Canadian subsidies in other industries and asks whether the present industry being discussed is subsidized.
174	Nesbitt	States uncertainty, but suspects that they might be.
184	Rep. Verger	Affirms support for the present legislation in order to provide more high-paying jobs.
196	Chair Doyle	Asks Nesbitt's opinion of the likelihood and potential for a monopoly in this case and the possibility of prisons competing for contracts.
203	Nesbitt	States that he does not agree that this bill would eliminate competition.
211	Chair Doyle	Restates his concern about monopoly.
214	Nesbitt	Reasserts that he is not concerned.
218	Chair Doyle	Asks about the issue of prison labor taking over.

221	Nesbitt	States that AFL-CIO wouldn't encourage prison labor in this industry.
224	Tim Martinez	Waldale Manufacturing. Speaks to the contract bidding history and affirms the impact of competition in the industry. Expresses the concern on the transportation package if this bill passes.
286	Rep. Close	Asks why the Canadian company didn't have representation at the previous hearing.
297	Martinez	Points out that Waldale did not have representation in the building at the time.
301	Rep. Close	Asks about the old statutes referring to the use of Oregon labor being used whenever possible.
306	Martinez	States that his knowledge on this issue is limited and that question would fall outside the realm of his knowledge.
309	Rep Monnes Anderson	Asks for confirmation about the location of raw materials used for the license plates.
311	Martinez	States that he doesn't know, but that he will find out.
313	Rep. Monnes Anderson	Asks about the length of the contract.
314	Martinez	States that the contract is for one year, with four one-year renewals possible at the discretion of the state.
343	Rep. Monnes Anderson	Asks for clarification on potential litigation with the Canadian company.
349	Martinez	Gives his impression of the contract bidding process.
356	Rep. Verger	Notes the connection between the private and the public sector.
367	Martinez	Concurs with Rep. Verger and points out the past history with regard to this issue.
371	Rep. Verger	Asserts that good conduct has to be managed.
381	Martinez	Notes that the DMV and DAS finds the Canadian company to be quite reputable.
396	Rep. Doyle	Addresses potential impact and asks for further information.
404	Martinez	Asserts that the DMV should address the issue.
421	Rep. Doyle	Asks Kelly Taylor to address transportation funding in relation to the current bill and to elaborate on the relationship with the Canadian firm currently under discussion.
426	Kelly Taylor	Oregon Department of Transportation (ODOT). Addresses fees and discusses the dedication of funds to cities and counties. Notes the potential losses which would necessarily take that money away. Speaks to the satisfaction with the firm's delivery times over the past year.

TAPE 112, B

009	Chair Doyle	Asks if cause is needed to cease a contract.
019	Taylor	Affirms that cause is not necessary for bidding, although the issue has never arisen.
023	Chair Doyle	Asks who makes the decision.
027	Taylor	Notes that ODOT makes the decision.
029	Rep. Backlund	Asks if the quality of Irwin-Hodson's plates was also satisfactory.
030	Taylor	Affirms that both companies put out a quality product.
036	Rep. Doyle	Closes the public hearing on SB 899 and opens a work session on SB 7 A.

SB 7 A – WORK SESSION

045	Rep. Doyle	Introduces SB 7A, the State Foundation Fair Bill and addresses the –A6 amendments (EXHIBIT D), establishing the emergency clause on top of the amendments already included in
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		the bill.
052	Rep. Flores	MOTION: Moves to ADOPT SB 7-A6 amendments dated 6/19/03.
055		VOTE: 6-0
		EXCUSED: 1 - Close
057	Chair Doyle	Hearing no objection, declares the motion CARRIED.
061	Rep. Flores	MOTION: Moves SB 7A to the floor with a DO PASS AS AMENDED recommendation.
065	Rep. Barnhart	Asks for a quick review of the history of SB 7A in the House Committee on Rules and Public Affairs.
066	Chair Doyle	Recaps the history in the Rules committee, including the adoption of the –A5 amendments in the previous hearing.
068	Rep. Barnhart	Asks for affirmation that the committee did not adopt the –A3 amendments.
079		VOTE: 7-0
		AYE: In a roll call vote, all members present vote Aye.
083	Chair Doyle	The motion CARRIES.
		REP. VERGER will lead discussion on the floor.
085	Chair Doyle	Closes the work session on SB 7A and opens a public hearing on SB 260B.
<u>SB 260 B – PUBLIC HEARING</u>		
092	Chair Doyle	Recesses the hearing
093	Chair Doyle	Reconvenes the meeting. Introduces the background to SB 260 B.
097	Joel Ario	Insurance Administrator, Department of Consumer and Business Services. Introduces the concept of credit scoring as it relates to SB 260 B Underscores the fact that credit scoring can not be the sole factor on an adverse effect on one’s insurance policy.
144	Rep. Close	Addresses the fact that the present form of the bill is a fair compromise between many differing factors.
147	Chair Doyle	Asks Ario to expand upon the rationale regarding limits on competition between companies to benefit the consumer.
163	Ario	Affirms that the bill will lead to the marketplace addressing these complaints. Addresses the actuarial processes for review of statistical evidence for making decisions. Affirms that fairness is an important variable.
258	Chair Doyle	Asks the basis for credit scoring between companies.
264	Ario	Affirms that different companies score differently, but that core variables are similar.
284	Chair Doyle	Asks if most complaints result from renewals. Asks about letters explaining policy rate changes.
290	Ario	References the Federal Fair Credit Reporting Act regarding notice. Affirms that the decision is reinforced by both federal and state requirements. Addresses the broader issue of existing accounts versus new accounts.
314	Rep. Close	References (EXHIBIT E) - Chart 4 regarding regression analysis from the Bureau of Business Research (BBR) report from the University of Texas. Asks Ario’s opinion of the study on regression analysis.
331	Ario	Addresses the correlation between a bad credit score and the likelihood of getting in an accident. Addresses the deeper policy issue.
375	Rep. Close	Refers to the committee amendments dealing with appeals and

		asks if the changes go beyond the current rules.
387	Ario	Notes that there is a provision in the rules for correction of credit history mistakes.
391	Rep. Monnes Anderson	Asks how much weight an insurance company gives to a poor credit rating.
397	Ario	Notes that it is a factor, but not the primary factor.
428	Rep. Monnes Anderson	Asks about the selection formula.
431	Ario	Details the underwriting process.
450	Rep. Backlund	Asks about benefits incurred by removing the credit scoring system.
TAPE 113, B		
002	Ario	Notes that winners would outpace the losers.
011	Rep. Backlund	Cites a hypothetical example and asks who would apply credit scoring.
018	Ario	Affirms that credit scoring would be employed for new drivers into the state.
021	Rep. Backlund	Expresses concern that the system might lead to good drivers paying higher premiums.
024	Ario	Restates that there will be both winners and losers, but under the compromise agreement, the system should work to the benefit of most applicants.
042	Rep. Close	Points to the correlation between actions and penalty.
047	Rep. Flores	Asks about actuarial evidence in correlation to credit rating and home owner insurance.
049	Ario	Asserts that home owner insurance invites slightly stronger correlation than auto insurance.
053	Rep. Backlund	Notes that the testimony has been helpful.
058	Steve Dixon	OSPIRG. Submits (EXHIBIT F) . Testifies to inconsistencies in the practice of credit scoring and the arbitrary nature of the practice. Notes that good credit does not necessarily correlate to a good score. Cites a Freddy Mac study which states that this system is biased against specific groups of people. Asserts that the bill lapses in protection for those who need it most.
203	Rep. Close	Asks Dixon's opinion on the appeals process in the amending of the bill.
212	Dixon	States that the appeal process is easier for the consumers to understand.
227	Rep. Close	Asks Dixon if he believes that all companies will be using the same criteria in selecting customers and charging rates.
243	Dixon	Reaffirms his concern with the arbitrary nature of credit scoring.
256	Rep. Barnhart	Asks Dixon to address the BBR report.
258	Dixon	Addresses the possible correlation in the report.
270	Rep. Barnhart	Asks if Dixon agrees with the statistical relationship between credit history and losses.
290	Dixon	Speaks to methodology and expresses skepticism about the research methodology.
313	Rep. Barnhart	Asks if the BBR study addresses race and income.
314	Dixon	Affirms that it does not, nor does it relate to other factors.
318	Chair Doyle	Asks Dixon if he has tangible evidence of racial discrepancies with regard to credit scores.
327	Dixon	Notes that race is only one of the problems with credit scoring. Affirms that there have been studies done, including one by Bernie Birnbaum, however he doesn't have any tangible

		references at hand.
334	Chair Doyle	States that he would need to see documentation to take race assertions seriously. Asks what yardstick Dixon would use to measure success and failure of the program.
366	Dixon	References an Alaska study on race.
371	Chair Doyle	States that without documentation he can not consider the evidence.
380	Rep. Barnhart	Concurs with Chair Doyle in his assessment of credit history in relation to behaviour. References Page 15, Section 4 of the bill in order to address where the legislation has attempted to improve credit rating.
424	Chair Doyle	Asks Dixon how he would assess success or failure of the program.
426	Dixon	States that it would depend on many factors, including fewer customer complaints. Also notes that the current bill is an improvement upon the current rules.
Tape 114, A		
003	Rep. Doyle	Asks Dixon how he would quantify good versus poor work on this bill in the future.
007	Dixon	States that he has not engaged in that discussion, although such a discussion would need to be addressed.
019	John Powell	State Farm Insurance Companies, North Pacific Insurance Company. Offers the testimony plan for himself and Shawn Miller, speaking on behalf of the bill.
030	Shawn Miller	National Association of Independent Insurers (NAII). Submits the previously referred to BBR report (EXHIBIT E) and discusses background to the bill and statistical correlation.
058	Rep. Backlund	Asks the size of the sample for the University of Texas BBR study.
060	Miller	Replies that 150,000 insurance policies were sampled. Continues testimony by referring to the way insurance rating works. Addresses market disruption. Speaks the compromise which the insurance industry has made. Discredits race discrimination in the insurance industry.
161	Rep. Barnhart	Asks for further clarification.
163	Miller	States that this bill would put Oregon in the Top 10 in regulation and that the insurance industry will accept that level of regulation. Recommends moving the B-engrossed version of the bill.
193	Powell	Testifies in lieu of Lana Butterfield in support of SB 260 B. Submits Butterfield's written testimony (EXHIBIT G), that of Ronn Passmore (EXHIBIT H), and that of Kelsey Wood (EXHIBIT I).
211	Powell	Submits an actuarial study on the Relationship of Credit-Based Insurance Scores to Private Passenger Automobile Insurance Loss Propensity (EXHIBIT J), and testifies in favor of SB 260 B. Corrects previous points of testimony in explaining the credit rating system and credit history in determining insurance coverage. Addresses concessions made by the insurance industry.
399	Rep. Barnhart	Asks for clarification of the meaning of the words "attributes"

407	Powell	and “factors” in Section 5, Page 15, Lines 43-Line 2 on Page 16. Clarifies the meaning.
416	Rep. Barnhart	Asks what the two words include.
418	Powell	Clarifies the meaning.
422	Rep. Close	Asks about information disclosure.
424	Powell	Affirms that the information is proprietary information.
429	Rep. Verger	References Page 14, Line 14 and asks for clarification.
437	Powell	Clarifies on the reasons for an adverse underwriting decision.
TAPE 115, A		
007	Rep. Verger	Asks about a hypothetical situation and asks how it is to be written.
010	Powell	Replies with the differences between insurance scoring and mortgage scoring.
029	Rep. Verger	Responds that business and processes have become much more complicated.
035	Rep. Flores	Asks about the dissemination of knowledge and how the common consumer would go about obtaining credit checks.
040	Miller	States that it can be done on the internet.
050	Rep. Flores	Speaks to the common citizen with relation to this process.
056	Powell	Refers to Page 14, Line 6 and notes that a notice will be sent out explaining how to get a free credit report and that this notice will give the necessary information to the consumer.
072	Rep. Close	Asks Ario to confirm what the bill says about the algorithm on the last page of the bill.
085	Ario	Clarifies for Rep. Close.
102	Rep. Barnhart	Asks how this algorithm can be properly used.
110	Ario	Explains the variables and models.
118	Rep. Barnhart	Asks if they are actually tested to see if they are reasonable.
120	Ario	Notes that there is an actuarial assessment.
128	Rep. Barnhart	Asks what would happen in the case that they didn’t like the information found.
131	Ario	Replies that the legislature would need to address that.
139	Rep. Barnhart	States that he meant to ask about statistical correlations.
141	Ario	Notes that discussions ensue in such a case.
147	Chair Doyle	Closes the public hearing and opens a work session on SB 260 B.
<u>SB 260 B - WORK SESSION</u>		
152	Rep. Flores	MOTION: Moves SB 260B to the floor with a DO PASS recommendation.
156	Rep. Barnhart	Notes his own previous skepticism with regard to the BBR study, but that seeing the entire report has caused him to reconsider, thus making him more comfortable with the legislation.
171	Rep. Monnes Anderson	Notes her previous concerns with credit scoring, but asserts that this legislation might help the majority of rate-payers, thus despite concerns, she will vote aye.
194	Rep. Close	Affirms that she will vote aye on this bill.
202	Rep. Flores	States that she will give a courtesy aye vote, citing the persuasive testimony. Notes that she still has concerns over the bill.
213	Rep. Verger	Expresses concern with overregulation. States that she will go along with the compromise, but is undecided on how she will vote on the floor. States that she must have talks with her constituents.
245	Rep. Backlund	Asserts that this bill provided an effective compromise. Praises the work done on the bill.
261	Rep. Barnhart	Concurs with Rep. Backlund with regard to the correlation and

290	Rep. Doyle	notes that he will vote aye. Commends the committee on the work executed on this bill. Refers to the need of the industry to know their new customers. Believes that the insurance industry did a great job coming to compromise on SB 260 B.
364		VOTE: 7-0
367	Chair Doyle	AYE: In a roll call vote, all members present vote Aye. The motion CARRIES.
368	Chair Doyle	REP. CLOSE will lead discussion on the floor. Closes the work session on SB 260 B and adjourns the meeting at 4:37 p.m.

EXHIBIT SUMMARY

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- A – SB 899, written testimony, Representative Diane Rosenbaum, 1 p.**
- B – SB 899, -1 amendments, staff, 1 p.**
- C – SB 899, written testimony, Grover Simmons, 2 pp.**
- D – SB 7A, -A6 amendments, staff, 1 p.**
- E – SB 260 B, written testimony, Shawn Miller, 16 pp.**
- F – SB 260 B, written testimony, Steve Dixon, 2 pp.**
- G – SB 260 B, written testimony, Lana Butterfield, 1 p.**
- H – SB 260 B, written testimony, Ronn Passmore, 1 p.**
- I – SB 260 B, written testimony, Kelsey Wood, 1 p.**
- J – SB 260 B, written testimony, John Powell, 44 pp.**