

SENATE COMMITTEE ON BUSINESS AND LABOR

March 3, 2003
1:00 PM

Hearing Room C
Tapes 22-24

MEMBERS PRESENT: **Sen. David Nelson, Chair**
 Sen. Vicki Walker, Vice-Chair
 Sen. Roger Beyer
 Sen. Rick Metsger

STAFF PRESENT: **Dennis Dotson, Committee Administrator**
 Romy Dye, Committee Assistant

MEASURE/ISSUES HEARD: **HB 2295A – Public Hearing and Work Session**
 HB 2321 – Public Hearing and Work Session
 SB 235 – Public Hearing
 SB 237 – Public Hearing and Work Session
 HB 2055A – Public Hearing

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 22, A		
005	Chair Nelson	Calls the meeting to order at 1:06 PM. Opens a public hearing on HB 2295A.
<u>HB 2295A – PUBLIC HEARING</u>		
007	Dennis Dotson	Committee Administrator. Provides an overview of HB 2295A.
013	Roger Mansfield	The Traditional Company. Testifies in support of HB 2295A. Submits written testimony (EXHIBIT A).
064	Richard Ford	Owner, Ford Farm Cyderworks. Testifies in support of HB 2295A. Expresses concern with not being able to ship in and out of states for cider producers.
083	Chair Nelson	Asks how many bottles to a case..
084	Mansfield	Responds twelve bottles to a case.
086	Chair Nelson	Asks whether this looks like an exploding industry with 100 producers.
090	Mansfield	Responds it leaves the door open for others who want to get involved in cider production.
092	Ford	Agrees; elaborates.
094	Sen. Walker	Asks if there are only three commercial producers of cider in Oregon.
096	Ford	Responds aware of only three.
098	Mansfield	Comments another producer is Widmer Brothers who is getting out of cider business.
100	Ford	Adds another producer is McMennamins Brothers Brewing who sell through retail establishments.
109	Sen. Walker	Asks if small size makes hard to do retail sales.
112	Mansfield	Responds wine shops and bars are primary customers but demand for product also outside of state creating problems due to small size.
122	Sen. Walker	Asks if drink cider with meal.

125	Mansfield	Responds absolutely.
133	Ford	Discusses expensive fruit drinks now on shelves in stores.
145	Chair Nelson	Closes the public hearing on HB 2295A and opens a work session on HB 2295A.
<u>HB 2295 – WORK SESSION</u>		
156	Sen. Beyer	Asks question about emergency clause.
159	Chair Nelson	Responds an emergency clause was not mentioned.
164	Gary Conklin	Oregon Wine Growers. Says when bill drafted didn't include emergency clause no objection to add one.
174	Sen. Beyer	Asks when selling season is.
180	Ford	Responds product currently in warehouse with apple crop on line October 2003.
191	Conklin	Adds shouldn't be a problem to discuss amending bill for emergency clause.
198	Allen Foster	Owner, White Oak Cider. Comments would like law amended to be able to compete with other cider makers and wineries in marketplace.
212	Chair Nelson	Closes the work session on HB 2295A and opens a public hearing on HB 2321.
<u>HB 2321 – PUBLIC HEARING</u>		
220	Dotson	Provides overview of HB 2321.
225	Greg Chaimlov	Legislative Counsel. Testifies in support of HB 2321. Discusses Section 3. Submits written material (EXHIBIT B).
250	Chair Nelson	Asks if fees reduced.
254	Chaimlov	Responds does not affect fees.
257	Chair Nelson	Closes the public hearing on HB 2321 and opens a work session on HB 2321.
<u>HB 2321 – WORK SESSION</u>		
260	Chair Nelson	MOTION: Moves HB 2321 to the floor with a DO PASS recommendation.
265	Chair Nelson	VOTE: 4-0 Hearing no objection, declares the motion CARRIED. SEN. NELSON will lead discussion on the floor.
269	Chair Nelson	Closes the work session on HB 2321 and opens a public hearing on SB 235.
<u>SB 235 – PUBLIC HEARING</u>		
277	Dotson	Provides overview of SB 235.
282	Joel Ario	Administrator, Department of Consumer and Business Services. Testifies in favor of SB 235. Provides summary of SB 235. Submits written testimony (EXHIBIT C).
380	Ario	Continues discussion..
TAPE 23, A		
010	Ario	Discusses three amendments to SB 235.
060	Ken Sherman	General Counsel, Oregon Bankers Association. Testifies in support of SB 235. Submits written testimony (EXHIBIT D, E).
141	Sen. Metsger	Refers to testimony and asks why necessary having another person who is expert in insurance in regards to significantly interfering..
161	Sherman	Responds economic impossibility to have a separate person involved in insurance activities. Concern is anti-time provision and illegal to retain.
175	Sen. Metsger	Asks if it is markable product wouldn't the marketing of the product imply worthwhile having someone there to do that.

183	Sherman	Agrees but need volume of business to justify hiring another person; elaborates on restrictions further.
196	Sen. Metsger	Asks if other financial institutions can do things other than group insurance not able to be done.
199	Sherman	Responds positively.
202	Sen. Walker	Asks if credit unions can do all of this?
206	Sherman	Responds they are not subject to the restriction and do not have to observe a rule saying they cannot have a loan officer selling insurance.
210	Sen. Walker	Agrees and provides personal example.
215	Sherman	Elaborates on other insurance products.
217	Sen. Walker	Comments on great testimony.
222	Sen. Beyer	Asks if suing insurance division if amendment not drafted.
227	Sherman	Responds possibility exists with any financial institution.
233	Tim Martinez	Oregon Bankers Association. Comments on need to put the issue to rest.
245	Sen. Walker	Asks how many employees in the smallest bank in state.
250	Martinez	Responds in rural Oregon may have less than ten employees.
253	Sherman	Elaborates different branches scattered around known to have small numbers.
264	Chair Nelson	Asks if any other litigation that defines prevents or substantially interferes terms.
266	Sherman	Responds not aware of any; elaborates on not being able to afford personnel and that it is a substantial impairment.
270	Chair Nelson	Asks if language in federal act is only a couple years old.
275	Sherman	Responds that is correct.
281	Chair Nelson	Asks about proposed amendment.
285	Sherman	Responds deleted areas in italics is the restriction being referring to.
300	Dave Nelson	Oregon Association of Insurance and Financial Advisors. Testifies in favor of SB 235. Provides overview of SB 235. Submits written testimony (EXHIBIT F).
335	Richard Yost	Legislative Committee Chair, Oregon Association of Insurance and Financial Advisors. Testifies in support of SB 235. Discusses past issues. Discusses loan applicants and protections in course of loan applications.
397	Nelson	Comments on little oversight when allowing loan officer to become an insurance agent. Discusses ways banks have with implementing and complying with existing statute restriction.
415	Nelson	Discusses restriction. Agrees to elimination of separation of facilities.
TAPE 22, B		
005	Sen. Walker	Asks about agreeing to remove restriction so banks do not have to have separate location but separate person instead other than loan officer.
008	Nelson	Responds correct.
010	Sen. Walker	Asks what classifies as a loan officer.
012	Nelson	Responds proper training of specific title in bank specifically doing a loan officer function. .
015	Sen. Walker	Asks if there is training and certification.
017	Nelson	Responds there is training and all other approvals.
018	Sen. Walker	Asks just as there is training for insurance agents.
019	Nelson	Responds positively.
020	Jack Munro	Independent Insurance Agents and Brokers of Oregon.

		Summarizes previous comments made. States reason a lot of banks not in insurance related activity is because they are different businesses and have not done well if gone into the business.
090	Sen. Walker	Asks why issue coming up this year and not years in the past.
092	Munro	Responds unsure why it is coming up but probably opportunity.
098	Sen. Walker	Asks whether action taken against a bank.
103	Munro	Responds not personally knowledgeable on that.
106	Sen. Beyer	Asks if provision applies to credit unions.
111	Munro	Responds does not believe so.
128	Lana Butterfield	Professional Insurance Agents of Oregon and Idaho. Testifies in support of SB 235. Agrees with previous testimony.
141	Pam Leavitt	Credit Union Association of Oregon. Refers to Section 6 in SB 235 that it does not apply to credit unions. Says credit unions are not licensed agents. Comments will obtain more information.
168	Sherman	Discusses physical separation issue in SB 235.
195	Chair Nelson	Asks whether federal act misinterpreted
200	Sherman	Responds and reiterates discussion.
209	Sen. Beyer	Expresses confusion because issue is regarding loan officer not deposits accepted.
221	Sherman	Discusses definition of business of banking. States business of loan officer is separate issue.
233	Sen. Beyer	States two terms do not mean the same thing when read.
238	Sherman	Agrees and defines business of banking term.
241	Sen. Metsger	Inquires if opinion asked from attorney general whether requirement changed at all.
253	Ario	Responds attorney general was not asked but did look at litigation brought on issue.
290	Ario	Discusses two points: <ul style="list-style-type: none"> • If credit unions involved in insurance sales provisions of bill will apply to them • Question of whether credit unions can be currently involved in sale of insurance
305	Sen. Metsger	Comments would like to find out specifics if law permissive currently and if legislation enacted what if any changes would do.
319	Ario	Adds credit unions asked if this bill could be used to allow them into the insurance industry.
324	Sen. Beyer	Asks why brought forward now as amendment.
333	Sherman	Comments the bill came, was reviewed and saw an element not covered and so suggested to take it to legislature and have not had opportunity to deal with it. States for sixteen years nothing on federal scene saying provision questionable or illegal whereas now it is.
359	Ario	Adds ten months is how long it has taken to get everyone's attention. Discusses aim to take issues that can be accomplished in legislation.
388	Sen. Beyer	Asks why federal code brought forward now opposed to last session.
401	Ario	Responds still large set of disputes last session on translation from federal to state law. Adds final language is better now than last session.
437	Sen. Metsger	Comments regarding firewall and making changes and deleting

		out of insurance company bill. Asks if important issue for banking industry then why not piece of legislation proposed by them to make that change.
450	Sherman	Responds it is a significant issue; elaborates.
TAPE 23, B		
005	Chair Nelson	Closes the public hearing on SB 235 and opens a public hearing on SB 237.
<u>SB 237 – PUBLIC HEARING</u>		
015	Dotson	Provides overview of SB 237.
018	Renee Bryant	Tax Manager, Employment Department. Discusses providing further information relative to number smaller non-profit organizations who failed to meet obligations to reimburse trust fund.
026	Chair Nelson	Closes the public hearing on SB 237 and opens a work session on SB 237.
<u>SB 237 – WORK SESSION</u>		
033	Sen. Metsger	MOTION: Moves SB 237 to the floor with a DO PASS recommendation.
038	Chair Nelson	VOTE: 4-0 Hearing no objection, declares the motion CARRIED. SEN. METSGER will lead discussion on the floor.
043	Chair Nelson	Closes the work session on SB 237 and opens a public hearing on HB 2055A.
<u>HB 2055A – PUBLIC HEARING</u>		
047	Dotson	Provides overview of HB 2055A.
048	Matt Markee	The Oregon Collectors Association. Testifies in favor of HB 2055A. Submits written testimony (EXHIBIT G).
079	Chair Nelson	Comments Legislative Counsel has been asked to check on the do process and whether it can be added on without giving notice.
081	Markee	Responds does not know if it is a problem. States amendment has been requested on commercial accounts to make sure was in agreement between the two parties prior to collection fee being added.
091	Sen. Beyer	Asks about \$1.8 billion in 1997 as latest report.
095	Markee	Responds \$1.1 billion was reported because things reported to fiscal is different criteria than original inventory.
100	Chair Nelson	Asks about \$350 million.
104	Sen. Beyer	Comments there is in latest report in Department of Revenue between \$320 and \$350 million general fund dollars.
111	Markee	Adds from 2001 to 2002 of stuff reported to Legislative Fiscal grew by \$60 million in that year not counting adjustments in write-offs.
117	Chair Nelson	Asks if there are figures on success in collection agencies.
121	Markee	Adds percentage rate of private collection agencies collected has been lower than national average due to old accounts and not allowed to sue or issue garnishments in accounts.
128	Chair Nelson	Ask about 8%.
135	Markee	Responds average is under 8% but can vary. States the faster the turnover then collection rates will increase.
141	Lisa Zavala	Oregon University System. Discusses concern with federal loans. Asks for amended language. Needs more clarification for business officers to have authority and responsibility to assess

		additional fees.
150	Chair Nelson	Asks if notices are given.
155	Zavala	Responds promissory notes students sign when signing for a loan indicates they will be assessed additional fees.
158	Sen. Walker	Asks if amendments been run by legislation.
161	Zavala	Responds yes.
168	Susan Browning	Oregon Department of Revenue (ODR). Discusses summary of what is in accounts receivable for Department of Revenue. Submits written material (EXHIBIT H).
180	Chair Nelson	Asks if summary based on general funds.
191	Browning	Responds it is the personal income tax program. Discusses report.
209	Sen. Walker	Asks how notice obtained from criminal law enforcement that someone making money doing an illegal activity so assessment can be done and tax sought from them.
220	Browning	Responds have many sources of information and confirms and sorts information and then sees what translates into taxes owed. Adds report adjusted accordingly with true information.
254	Sen. Beyer	Asks if \$125 million is amount for non-filing taxpayers.
260	Browning	Responds positively. Elaborates want people to get back in system, become filers and pay debt.
270	Sen. Beyer	Asks if part of addition in line 2 is non-filing taxpayers.
275	Browning	Answers that is correct.
276	Sen. Beyer	Asks about another line in the summary in reference to non-filing taxpayers.
278	Browning	Responds \$78 million as of December 2002; elaborates.
287	Sen. Beyer	Asks how much out of \$78 million is for non-filing taxpayers.
294	Browning	Responds \$20 million to the \$78 million.
298	Sen. Beyer	Asks how much actually collected in taxes with additional dollars as more was added to delinquent accounts.
300	Browning	Responds line 3 in the summary states over \$32 million is the collections.
305	Sen. Beyer	Asks how much if not added extra people in June.
307	Browning	Responds filing enforcement additional people of a gross of \$27.9 million and on track with collections with new staff. Discusses accounts further.
418	Sen. Beyer	Asks when is the turnover to private collection agencies.
426	Browning	Responds Department of Revenue has one year to get a payment before turned over to private collection agency.
TAPE 24, A		
005	Sen. Beyer	Asks why numbers keep growing if doing so well at collection.
020	Browning	Responds filing enforcement takes longer to collect due to type of person and situation found in.
047	Sen. Beyer	Asks how much is less than a year old and what percent can be collected between now and June 30 if put in private collection agency.
063	Browning	Responds 14% rate for all state agency and over time Department of Revenue gets 97%.
070	Sen. Beyer	Comments wants to see aging on accounts because over time number continues to grow. .
074	Browning	Responds can provide information showing accounts receivable without filing enforcement fees.
080	Sen. Beyer	Adds would like accurate aging on accounts for entire portfolio.
086	Sen. Metsger	Asks whether private collection agency has same powers to

		collect as Department of Revenue.
094	Browning	Responds they do not have same powers. Elaborates Department of Revenue may issue warrants and use other tools given to collect for more difficult cases..
096	Sen. Metsger	Comments private collector may have harder time to collect.
103	Browning	Adds Department of Revenue provides collection services for other state agencies who are getting rate of 8%.
113	John DuFrene	Statewide Regional Services Manager. State Controllers Office. Discusses account information and Oregon's assets comparisons and revenue increase to constant receivables. Submits written material (EXHIBIT I).
225	Browning	Comments individuals on paid plans still on accounts receivables. Adds rise in pay plans due to economy and high unemployment.
246	Sen. Beyer	Asks about \$18 million in reference to graph.
252	Browning	Responds \$18 million in total needing to be collected and repaid..
256	Sen. Beyer	Asks if \$18 million is part of \$321 million.
258	Browning	Answers correct.
260	Sen. Beyer	Asks what collection rate is for the first agency.
272	DuFrene	Responds will locate the rate. Comments the write-off rate is 2.4%.
280	Chair Nelson	Asks how affected by agency viewpoint when adding a fee in the do process.
284	DuFrene	Responds it has to be a liquidating process with notification and opportunity to be heard when adding a fee.
291	Chair Nelson	Closes the public hearing on HB 2055A and adjourns the meeting at 3:24 PM.

EXHIBIT SUMMARY

A – HB 2295A, written testimony, Roger Mansfield, 2 pp

B – HB 2321, copy of statute, Greg Chaimlov, 1 pp

C – SB 235, written testimony, Joel Ario, 3 pp

D – SB 235, written testimony, Ken Sherman, 5 pp

E – SB 235, proposed amendments, Ken Sherman, 3 pp

F – SB 235, written testimony, Dave Nelson, 2 pp

G – HB 2055A, written testimony, Matt Markee, 1 pp

H – HB 2055A, ODR accounts receivable balance sheet, Susan Browning, 1 pp

I – HB 2055A, state's liquidated and delinquent accounts sheet, John DuFrene, 2 pp