

SENATE REVENUE COMMITTEE
March 27, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Witnesses Present: Pamela Leavitt, Credit Union Association of Oregon
Hal Scoggins, Farleigh, Wada & Witt, P.C.
Ralph Goodwin, Grant-Baker Federal Credit Union
Ava Milosevich, Selco Credit Union
Tim Martinez, Oregon Banker's Association
Ken Sherman, Oregon Banker's Association Counsel
Brady Adams, Evergreen Federal Savings Bank
Roger Christensen, Columbia River Bank
Brigid O'Callahan, US Bank
Senator Rick Metsger, District 26

Staff Present: Paul Warner, Legislative Revenue Office
Tara Lantz, Committee Assistant

TAPE 74, SIDE A

003 Chair Deckert Calls meeting to order at 1:07pm.

OPENS PUBLIC HEARING ON SB 331

016 Sen. Ferrioli Introduces SB 331, which adds credit unions to the list of financial institutions in which public entities may deposit and invest funds. Discusses SB 331-4 amendments. Testifies in support of the bill because it allows credit unions to serve public entities in their communities.

064 Pamela Leavitt Gives background on credit unions and public funds. Testifies in support of SB 331 because it would increase competition for public dollars, creating better interest rates. Refer to written testimony. Exhibit 3.

167 Sen. Starr Asks why the witnesses are talking about taxes and other aspects of credit unions when the relating clause to the bill is public funds and advises the chair to limit testimony.

191 Sen. Deckert Agrees with Sen. Starr and asks if the -4 amendments mollify the treasurer's office.

197 Leavitt Responds affirmatively.

201 Sen. Ringo Asks if there is a difference in credit unions and banks in their executive compensation.

208 Leavitt Responds that the compensation of a financial institution is usually related to the financial assets of the institution, but that credit unions are lower on average.

221	Harold Scoggins	Responds that credit unions have no opportunity to give stock options to their employees like stock institutions do.
228	Leavitt	Refers members to written testimony from the Special Districts Association of Oregon. Exhibit 7.
236	Scoggins	Testifies in support of SB 331 and discusses the limits put on credit unions to ensure their safety and security. Refer to written testimony. Exhibit 4.
317	Sen. Ringo	Asks how many communities in Oregon have an issue with keeping funds locally because there isn't a local community bank.
321	Scoggins	Responds that he isn't sure because there are so many small communities in Oregon.
336	Sen. Deckert	Asks if they have an estimate over the next five years of the amount of money that would flow in with the passage of SB 331.
347	Scoggins	Responds that nobody can guess that because it is an open market place.
360	Leavitt	Responds that she surveyed states that have passed this legislation and they all said there wasn't a significant amount of change from anybody's perspective. Discussion follows.
390	Ralph Goodwin	Testifies in support of SB 331 because taxing districts desire a change in the market to provide an alternative to their present choices. Discusses taxes paid by credit unions. Refer to written testimony. Exhibit 5.

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023	Sen. Deckert	Asks how Goodwin would respond to community banks that pay income taxes and argue that credit unions are at a competitive advantage.
028	Goodwin	Responds that all financial institutions are competing every day for deposits from individuals and businesses and that this one narrow segment of the market being included would not make a significant difference.
056	Leavitt	Challenges the banks that think credit unions are so great because they don't pay income tax to become one and restrict services and return profits to their customers.
071	Ava Milosevich	Testifies in support of SB 331. Discusses Selco Credit Union and the differences between credit unions and banks. Refer to written testimony. Exhibit 6.
209	Sen. Ringo	Asks if credit unions have reduced the rules for membership.
213	Leavitt	Responds affirmatively and discusses field of membership legislation. Discussion follows.
251	Sen. Deckert	Asks what percentage of people cannot be placed in credit unions.
252	Leavitt	Responds that she doesn't know but will look into it.
276	Tim Martinez	Responds to earlier question regarding credit union membership. Testifies in

opposition to SB 331 because there needs to be a line drawn somewhere in what credit unions are allowed to do if they are going to be treated differently than banks.

- 368 Sen. Ringo Asks if there is any way to get a concrete number on the amount of tax revenue that would be lost.
- 373 Martinez Responds negatively.
- 387 Brady Adams Testifies that he is supportive of credit unions, but that he is opposed to SB 331 because it is an issue about fairness. Discusses his own financial institution, which is chartered similarly to credit unions and yet is still taxed.

TAPE 74, SIDE B

- 087 Sen. Starr Asks how many financial institutions there are in the state chartered like Evergreen Federal Savings Bank.
- 089 Adams Responds that there are two and discusses why there needs to be a line drawn.
- 110 Sen. Ringo Asks if Adams could change to a credit union and still fulfill its mission.
- 113 Adams Responds that he could become a credit union or a bank but that he doesn't have any intentions of doing so because he feels strongly about the charter he has.
- 139 Sen. Ringo States that Adams seems to be asking the committee to apply the arguments for his bank to the banking community in general.
- 142 Adams Responds that he cannot speak for other banks, but if they are talking about the issue of fairness, this is not fair for his bank.
- 183 Sen. Ringo States that a compelling reason for him to pass SB 331 is that credit unions are membership owned and most banks are not.
- 190 Adams Responds that if one institution that is membership owned, such as own, and pays taxes when credit unions do not, then the system is unfair.
- Discussion follows.
- 212 Sen. Deckert Asks why this bill is where the line should be drawn.
- 214 Adams Responds that the public entities are dependent on tax dollars to make their programs work.
- 227 Martinez Responds that Oregon has a good mix of large and small banks to serve Oregonians and that they do things for the community as well.
- 251 Roger Christensen Testifies in opposition to SB 331 because it is unfair to banks that pay income taxes. Discusses his own bank's contributions to the community.
- 330 Sen. Starr Asks if the -4 amendments change his opinion at all.
- 334 Christensen Responds negatively.
- 358 Sen. Ringo Asks how many towns have a credit union and no community bank.
- 364 Christensen Responds that he doesn't know.

Discussion follows.

382 Brigid O'Callahan Testifies in opposition to SB 331 because public entities in Oregon are well served by banks in Oregon. Refer to written testimony. Exhibit 8.

TAPE 75, SIDE B

101 Sen. Ringo Asks about limitations of deposits.

Discussion follows.

136 Sen. Metsger Testifies in support of SB 331 because public entities should have the option of using credit unions.

CLOSES PUBLIC HEARING ON SB 331

OPENS WORK SESSION ON SB 331

249 Sen. Ringo MOTION: MOVES SB 331-4 AMENDMENTS DATES 3/27/03 BE ADOPTED.

251 Sen. Deckert ORDER: HEARING NO OBJECTION, MOTION PASSES: 4-0-2. SENATORS EXCUSED: HANNON, FERRIOLI.

252 Sen. Ringo MOTION: MOVES SB 331 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

255 Sen. Deckert ORDER: ROLL CALL VOTE:
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, DECKERT.
SENATORS EXCUSED: HANNON, FERRIOLI.
Sen. Ferrioli and Sen. Metsger will carry the bill on the Senate Floor.

257 Sen. Deckert Adjourns meeting at 2:49pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. SB 331, Paul Warner, Staff Measure Summary, 1p.
2. SB 331, Paul Warner, Proposed SB 331-4 Amendments, 1p.
3. SB 331, Pamela Leavitt, Written Testimony, 4pp.
4. SB 331, Harold Scoggins, Written Testimony, 2pp.
5. SB 331, Ralph Goodwin, Written Testimony, 2pp.
6. SB 331, Ava Milosevich, Written Testimony, 4pp.
7. SB 331, Hasina Squires, Written Testimony 1p.
8. SB 331, Brigid O'Callaghan, Written Testimony, 3pp.