

HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

May 9, 2001
3:15 PM

Hearing Room 50
Tapes 140 - 143

MEMBERS PRESENT: **Rep. Bill Witt, Chair**
 Rep. Tim Knopp, Vice-Chair
 Rep. Betsy Johnson, Vice-Chair
 Rep. Alan Bates
 Rep. Alan Brown
 Rep. Janet Carlson
 Rep. Richard Devlin
 Rep. Bill Garrard
 Rep. Jerry Krummel
 Rep. Laurie Monnes-Anderson
 Rep. Vicki Walker

STAFF PRESENT: **Dan Clem, Administrator**
 Patrick Brennan, Administrative Support

MEASURE/ISSUES HEARD: **HB 3649 Public Hearing**
 HB 3740 Public Hearing and Work Session
 HB 3980 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 140, A		
004	Chair Witt	Calls the meeting to order at 3:45 p.m. Opens a public hearing on HB 3649.
<u>HB 3649 PUBLIC HEARING</u>		
010	Rep. Bill Morrisette	House District 42. Testifies in support of HB 3649. States that the measure removes self-service displays for tobacco products in retail outlets, and prohibits certain types of tobacco advertising. Explains that the tobacco industry sometimes penalizes retailers from moving advertising or displays.
025	Pete Shepherd	Deputy Attorney General. Testifies in support of HB 3649 (EXHIBIT A). Discusses efforts to curb smoking, especially youth smoking. Says many retailers are hindered from instituting efforts to curb self-serve tobacco products by their contracts with manufacturers. Refers to advertising practices that seem to be designed specifically to appeal to youth.
063	Shepherd	States that HB 3649 prohibits manufacturers or distributors from penalizing retailers for using clerk-assisted displays, modifying advertising campaigns, or entering into agreements with local tobacco control commissions. Concedes that the bill will not stop kids from smoking entirely but asserts it is a modest step toward that goal.
080	Rep. Johnson	Asks whether the bill will interfere with contracts between manufacturers and distributors. Wonders why Oregon should get involved in contract negotiations.
084	Shepherd	Replies that the measure should not affect existing contracts.
095	Rep. Johnson	Asks whether other states have passed similar measures.

098	Shepherd	Answers that he is unaware of any other states that have banned self-service displays, but says there are some that have hindered them.
106	Chair Witt	Suggests that section 1 of the bill could be interpreted broadly enough to apply to almost any action.
114	Shepherd	Replies that the measure was intended to be interpreted broadly so that it could apply to numerous methods of reaching minors. Comments on efforts to limit advertising that impacts youth, such as advertisements placed at a child's eye level. Emphasizes that retailers still have a profit motive for selling tobacco products and are therefore unlikely to bury tobacco products where they are inaccessible to all customers.
134	Chair Witt	Requests an explanation of section 1 subsection (C).
138	Shepherd	Explains that a balance is sought that will allow collaboration between retailers and local tobacco cessation programs. Says there was a desire to create incentives for both retailers and local coalitions to cooperate.
148	Chair Witt	Asks whether such cooperation is already occurring.
151	Shepherd	Answers that there have been such discussions in some locations, adding that in some cases the discussions have resulted in changes to advertising policies.
157	Rep. Krummel	Asks whether there have been any retailers that have been penalized by manufacturers for switching to clerk-assisted tobacco displays.
164	Shepherd	Replies affirmatively, offering the example of a retailer with six local outlets who was prevented from switching to clerk-assisted displays by his contract with the distributor.
179	Rep. Krummel	Concludes that the retailer in the example provided by Mr. Shepherd was reprimanded for not following the terms of an existing contract. Wonders whether HB 3649 represents a legislative release from existing contracts and, if so, whether passage of the bill would be participating in the legislation of contract law.
188	Shepherd	Acknowledges that the measure would prevent certain advertising practices and displays from being included within contracts between retailers and tobacco manufacturers or distributors.
195	Rep. Krummel	Suggests that if existing contracts include provisions that run counter to the measure then those contracts would be invalidated should the bill be signed into law.
200	Shepherd	Anticipates that if the bill becomes law such contracts will no longer contain the offending provisions. Asserts that HB 3649 arms retailers with the ability to do the right thing.
217	Rep. Morrisette	Remarks that the measure applies only to new contracts signed after the measure takes effect.
221	Rep. Krummel	Notes that the measure prohibits any action hindering cooperation between retailers and tobacco coalitions.
227	Shepherd	Explains that after the bill becomes law it will simply no longer be allowed to enter into contracts with such provisions that are prohibited by the bill. Clarifies that the question is not one of invalidating existing contracts, but of making future contracts consistent with the tenets of the bill.
250	Rep. Krummel	Concedes the bill is prospective but says it does affect renewable contracts. Argues that if the manufacturer refuses to follow the

		new terms then the state has effectively entered into in contract law.
263	Shepherd	Concurs.
277	Mark Nelson	RJ Reynolds, 7-11. Testifies in opposition to HB 3649. States that the issue is whether the bill deals with sale of tobacco to minors or with contract law. Asserts that the bill makes a major incursion into the relationship between retailers and manufacturers. Mentions that cigarettes in 7-11 stores are accessible only to clerks, but can currently be displayed as the store sees fit. Opines that the bill is a clear infringement on the relationship between retailers and tobacco manufacturers and distributors. Suggests that current agreements regulating the advertising of tobacco products are sufficient. Acknowledges that local tobacco coalitions may not like the contract terms retailers and distributors sometimes agree upon.
328	Nelson	Mentions that another of his clients, Anheuser Busch, may face similar restrictions in the future if this bill becomes law. Submits that tobacco products should be distinguished from others with regard to advertising.
341	Rep. Brown	Remarks that retailers who do not wish to agree to contract terms dictated by distributors or manufacturers are free to refuse to carry the product.
347	Nelson	Agrees. Reiterates that tobacco products should be treated no differently than other products.
358	Rep. Brown	Concludes that the retailer makes the final decision whether to carry a particular product.
360	Nelson	Concurs.
363	Rep. Carlson	Recalls a study that indicated that one strategy for getting kids hooked on tobacco products was to place displays in locations where the products could easily be shoplifted.
372	Richard Kosesan	Disputes that retailers, manufacturers or distributors would willingly participate in their products being stolen.
385	Nelson	Asserts that companies have no desire to give away their product, as they are in the business of selling them for profit.
389	Rep. Carlson	Wonders why displays should not then be placed far from exits in retail outlets so as to prevent shoplifting.
393	Nelson	Responds that such decisions should be left to retailers and manufacturers to make.
411	Rep. Bates	Disagrees that tobacco is "just another product," countering that it is a dangerous and addictive one.
425	Chair Witt	Closes the public hearing on HB 3649 and opens a public hearing on HB 3760.

HB 3740 PUBLIC HEARING

430	Dan Clem	Committee Administrator. Gives a brief description of the bill. Indicates that the -2 amendments (EXHIBIT B) have been submitted for the committee's consideration.
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TAPE 141, A

003	Rep. Diane Rosenbaum	House District 14. Testifies in support of HB 3740 and the -2 amendments (EXHIBIT C). Asserts that if employers do not provide proper training regarding the sale of alcohol then they should not be terminated for a first offense of sale to a minor. Says that clerks are the people who make the decisions of who to sell to and who not to, something their employers should be assisting them with. Mentions that employees are already
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		subject to civil penalties for selling to minors. Submits that the measure will benefit both employees and employers.
053	Rep. Garrard	Asks how much it will cost to mandate that employers provide alcohol training.
057	Rep. Walker	Responds that the –2 amendments do not require training.
060	Rep. Rosenbaum	Says that there will be cost to the employer only if the decision is made to provide the training.
064	Rep. Brown	Requests clarification as to whether there is already a requirement for training imposed by the Oregon Liquor Control Commission (OLCC).
067	Rep. Rosenbaum	Replies she was surprised to learn that OLCC does not mandate such training, except when an individual is found to have sold to a minor. Opines that ideally the training should come first, so as to help prevent sale to minors.
074	Rep. Bates	Asks whether there is a civil penalty imposed against a clerk who sells alcohol to a minor during a police sting operation.
079	Rep. Rosenbaum	Answers that a civil penalty of up to \$500 can currently be imposed. Adds that the original bill removed that penalty, but says the –2 amendments retain it.
085	Rep. Johnson	Presumes there is a chain of sanctions for repeat offenders. Asks how offenses are tracked and whether employers make note of citations without taking punitive action.
092	Rep. Rosenbaum	Says both OLCC and the employer would keep track of violations for a particular employee. Reiterates that the goal of the bill is to ensure that training is provided. Says that if a clerk has no knowledge that a law has been broken and it is first offense then they should not be terminated.
104	Rep. Walker	Comments that it seems that most who are caught and penalized are caught through a police sting operation.
125	Steve Lanning	American Federation of Labor-Congress of Industrial Organization (AFL-CIO). Testifies in support of the –2 amendments to HB 3740 (EXHIBIT D). States that many employees have been fired for doing something they did not know was illegal.
153	Skip Kyer	United Food and Commercial Workers (UFCW). Testifies in support of the –2 amendments to HB 3740. States that many clerks have lost their jobs due to this sort of violation. Provides a training booklet (EXHIBIT E) and comments on alcohol sale and service training that OLCC provides. Says most companies automatically terminate clerks for being caught in a sting operation. Agrees that companies should not be targeted unfairly by sting operations, but adds that employees should not be targeted, either. Argues that there should be some level of punishment below termination.
208	Mary Verpoorten	Member, UFCW Local 555. Testifies in support of the –2 amendments to HB 3740. Says if a Fred Meyer clerk sells to a minor they are terminated, whether it was a mistake or intentional. Notes that there are laws to protect consumers and says it is time to pass a law to protect cashiers from inappropriate termination. Indicates that Fred Meyer’s current alcohol training process is distributing instruction sheets and requiring that employees sign them. Emphasizes the need for comprehensive alcohol training.
255	Rep. Walker	Asks whether Fred Meyer offers more comprehensive training.

260	Verpoorten	Indicates that she received her training through UFCW.
264	Rep. Walker	Asks whether the union offers training to employees.
268	Kyer	Explains that the training is part of regular meetings, which are voluntary, and says they therefore do not cost either the employee or the union. Says most employees look forward to the training
285	Rep. Walker	Asks whether a person caught selling alcohol to a minor is charged with a crime that goes onto their official record.
288	Verpoorten	Replies that it can be placed on a person's record, depending on how far the matter is pressed.
292	Rep. Walker	Asks what training Albertson's offers.
294	Kyer	Replies that Albertson's training is similar to that offered by Fred Meyer.
300	Rep. Walker	Recalls a case where a manager at Albertson's was fired for a first offense of selling alcohol to a minor.
305	Rep. Garrard	Wonders what the cost is to employers, specifically to small ones. Says it should be the state, not employers, who should be paying for alcohol training.
320	Lanning	Replies that alcohol training is available from OLCC at no cost to employer, but says the employee must be paid for the training if it is done during work time.
327	Chair Witt	Clarifies that the amended bill simply states that the training is not required, but that an employee cannot be fired for first offense unless training was offered.
338	Rep. Garrard	Comments on the difference in impact on large chains such as Safeway and smaller retailers.
353	Rep. Walker	Asks how often training is required.
357	Kyer	Says that policies change, depending on the penalties that are incurred.
379	Joanne Weislogel	Member, OFCW 555. Testifies in support of the -2 amendments to HB 3740. States she was terminated for a first offense of selling to a minor. Indicates that the store in which she was employed was not penalized for the first offense violation. Asserts that many employees are placed in a very vulnerable position when they can lose their job due to a mistake. Remarks that she had no desire to sell to minors and wanted to prevent them from getting the controlled substances. Implores committee to help employees receive proper training. Opines that the current read-and-sign training method offers employers no way of knowing whether the employee understands the material.
TAPE 140, B		
017	Teresa Pronovost	Shop Steward, OFCW. Testifies in support of the -2 amendments to HB 3740. Says employees should receive the proper training. Assures that the majority of clerks take seriously the responsibility for keeping alcohol out of the hands of minors. Submits that termination is a heavy penalty for those who receive little or no training on how to avoid it.
032	Rep. Johnson	Remarks that termination for first time offense seems draconian. Asks whether Ms. Weislogel was the subject of a sting operation.
037	Weislogel	Replies affirmatively, adding that it is the policy of her former employer to terminate for first-time offenses.
044	Rep. Walker	Asks whether Ms. Weislogel must disclose information pertaining to her dismissal when applying for another job.

048	Weislogel	Responds that she is currently collecting unemployment insurance, which Fred Meyer is contesting. Says any future employers have the right to know about her previous work history, adding that she would assure them that she has learned from her mistakes.
058	Rep. Bates	Indicates he has heard about sting operations and says they sound similar to entrapment. Wonders whether identification was shown at the time of the purchase. Expresses belief that other entities should bear some of the responsibility.
069	Weislogel	Recalls that the purchaser was a minor who looked close to legal age. Says the purchaser provided a valid and accurate identification that showed the person was underage, but says she miscalculated the age due to fatigue and distraction.
081	Jon Stubenvoll	OLCC. Testifies in support of the –2 amendments to HB 3740 (EXHIBIT F) and provides informational materials (EXHIBIT G) .
131	Rep. Bates	Asks whether certain establishments are targeted repeatedly for sting operations.
135	Stubenvoll	Concedes that people sometimes make honest mistakes. Assures that OLCC has not brought undue pressure on establishments unless there are ongoing problems with compliance. Points out that OLCC does not revoke alcohol licensure for a single violation.
145	Rep. Bates	Recommends the committee receive testimony from employers. Says there seems to be no reason to terminate long-term employees for first time offenses.
152	Rep. Walker	Asks whether the bill as amended by the –2 amendments has fiscal impact.
155	Stubenvoll	Replies negatively.
163	Brian Boe	Oregon Grocery Industry Association (OGIA). Testifies to a position of neutrality on HB 3740 and the –2 amendments. Says the required training is initial and ongoing. Assures that the industry has no desire to terminate good employees, but says licensees are treated harshly by OLCC. Comments that zero-tolerance by OLCC is reflected in zero tolerance to employees. Identifies strict licensure requirements as the real issue.
194	Tom Gallagher	AM-PM. Testifies to a position of neutrality on HB 3740 and the –2 amendments. Concedes that workers making decisions at the check stand regarding who to sell to will occasionally make mistakes. Opines that the “three strike” policy makes it difficult to prevent license revocation in a large establishment with scores of employees.
226	Boe	Highlights ongoing efforts to deal with the issue.
231	Chair Witt	Concludes that OLCC has put pressure on employers, which has in turn been passed on to employees
235	Gallagher	Reiterates that stores can have their licenses revoked for three instances. Says employees are first line of defense against such revocation and should therefore be trained.
247	Chair Witt	Closes the public hearing and opens a work session on HB 3740.

HB 3740 WORK SESSION

252 Rep. Walker

MOTION: Moves to ADOPT HB 3740-2 amendments dated 5/8/01.

255

VOTE: 10-0-1

EXCUSED: 1 - Garrard

	Chair Witt	Hearing no objection, declares the motion CARRIED.
256	Rep. Walker	MOTION: Moves HB 3740 to the floor with a DO PASS AS AMENDED recommendation.
264	Rep. Walker	Says this is an excellent bill that will retain good employees when they have not received adequate training to meet the job requirements.
275	Rep. Bates	Adds that the bill provides protection to employees. Says the problem should be addressed comprehensively next session. Asserts employees should not be fired for a one-time simple mistake.
289	Chair Witt	Indicates he likes the simple incentives the bill offers. Sympathizes with employees who interact with customers during long shifts.
304	Rep. Walker	Asks whether read-and-sign programs count as training.
310	Chair Witt	Clarifies that only those training programs recognized by OLCC will be considered adequate.
315		VOTE: 10-0-1
		AYE: In a roll call vote, all members present vote Aye.
		EXCUSED: 1 - Garrard
	Chair Witt	The motion CARRIES.
		REP. ROSENBAUM will lead discussion on the floor.
322	Chair Witt	Closes the work session on HB 3740 and opens a work session on HB 3980.
		<u>HB 3980 WORK SESSION</u>
326	Dan Clem	Committee Administrator. Gives a brief description of the bill. Reviews the amendments before the committee:
		<ul style="list-style-type: none"> • HB 3980 –1 amendments (EXHIBIT H) • HB 3980 –2 amendments (EXHIBIT I) • HB 3980 –3 amendments (EXHIBIT J) • HB 3980 –4 amendments (EXHIBIT K) • HB 3980 –5 amendments (EXHIBIT L) • HB 3980 –6 amendments (EXHIBIT M) • HB 3980 –7 amendments (EXHIBIT N) • HB 3980 –8 amendments (EXHIBIT O)
367	Chair Witt	Requests confirmation that the –2 amendments remove the limitations discussed at the previous hearing.
373	Clem	Replies affirmatively, adding that the –2 amendments are a logical starting place for the discussion, as they effectively replace the original bill.
380	Rep. Bates	Recalls that the original bill called for removing funds, while the –2 amendments do not. Lack of competition is why the workers comp is in the state it is in. Some of the others improve.
398	Clem	Provides information regarding the –3 amendments, which allow the director of the Department of Consumer and Business Services (DCBS) to set rates. Mentions that the –3 amendments incorporate the –2 amendments.
		TAPE 141, B
009	Clem	Describes the –4 amendments, which delete the legislative findings section and remove the mission of the Examination and

		Accountability Commission (EAC).
020	Rep. Walker	Observes that the –4 amendments appear to obliterate the intent of the bill by requiring only a report.
026	Clem	Agrees that a report is already submitted but says the –4 amendments add reporting requirements for the Industrial Accident Fund (IAF). Notes that the amendments use slightly different criteria than those in the original bill.
030	Rep. Walker	Says there is no independent criteria for the reporting requirements.
031	Rep. Bates	Agrees, adding that he opposes the –4 amendments.
033	Rep. Carlson	Explains the –5 amendments, which incorporate the –2 amendments. Indicates that the –5 amendments establish a revenue stream for the program with the anticipation that the Treasurer’s Office will be in charge of the operation.
054	Chair Witt	Refers to Treasurer’s testimony (EXHIBIT P) regarding the bill.
058	Clem	Asks if the –5 amendments remove the legislature’s and EAC’s review of surplus funds.
066	Rep. Carlson	Explains that the –5 amendments require a report on reserves and surplus that are necessary for operation of the State Accident Insurance Fund (SAIF).
072	Rep. Devlin	Indicates that the –6 amendments incorporate the –2 amendments. Says he cannot support the original bill, but asserts that the –2 amendments were insufficient. Notes that the –6 amendments remove three of the whereas clauses that declare assumptions prior to the first meeting of the commission. Says the –6 amendments require the accountant performing the analysis to have actuarial experience and add the SAIF board chair as a seventh, ex officio, member. Indicates that the –6 amendments sunset the program January 2008. Reiterates e did not support HB 3797 or HB 3980, but agrees there is a need for review. Believes SAIF has done everything it has been asked to do.
120	Rep. Devlin	Says he is unsure whether the unemployment insurance market in Oregon can continue in its current form.
131	Chair Witt	Asks why Rep. Devlin believes it necessary to add a seventh member.
133	Rep. Devlin	Clarifies that he does not wish to imply that SAIF has done anything other than what they have been asked to do. Emphasizes the importance in SAIF being represented on the commission.
143	Chair Witt	Wonders whether the chair of SAIF sitting on the EAC would represent a conflict of interest.
145	Rep. Devlin	Replies negatively, as the SAIF chair will be only an ex officio member, adding that the Secretary of State and Treasurer will ensure that the process is fair and unbiased.
151	Chair Witt	Asks why Rep. Devlin wanted to include a sunset provision.
154	Rep. Devlin	Voices dislike for creating programs that never go away. Assures that the program can be continued past the sunset date, should the legislature determine it necessary to do so.
167	Rep. Bates	Expresses support for the –6 amendments.
177	Chair Witt	Asks whether the –3 amendments and –6 amendments are compatible.
179	Clem	Replies affirmatively.
185	Chair Witt	Describes the –7 amendments, which require that any surplus be

191 Rep. Johnson sent back to policyholders on an equitable basis. Asks for clarification as to whether the -7 amendments specify rebates to current policyholders or current and former policyholders.

193 Chair Witt Clarifies that it applies to both.

195 Rep. Walker Inquires whether SAIF already does that.

197 Chair Witt Explains that the -7 amendments provide for rebates not only of refunds but also of surplus funds.

202 Clem Explains that the -8 amendments are separate from the others and reimburse the Treasurer for any charges incurred. Mentions that the -8 amendments and -5 amendments are not compatible.

224 Fred Van Natta Liberty Northwest Companies. Testifies in support of HB 3980 and the -3 amendments, -6 amendments, and -8 amendments. Refers to testimony submitted before the House Committee on School Funding and Tax Fairness/Revenue committee that emphasized the need for an independent actuarial study of SAIF. Submits a chart (**EXHIBIT Q**) showing that the Industrial Accident Fund (IAF) has twice the reserves that are necessary.

265 Chair Witt Asks whether the chart demonstrates that SAIF has loss reserves vastly greater than other insurers in Oregon or the rest of the nation.

275 Van Natta Replies affirmatively. Says there is agreement that an independent actuarial analysis of SAIF is necessary.

295 Rep. Walker Asks which members of this committee serve on the Revenue Committee.

305 Chair Witt Answers that Reps. Bates, Brown, Carlson, and Witt serve on the Revenue Committee.

315 Rep. Bates Agrees that the testimony before the Revenue Committee was compelling and accentuated the need for a review of SAIF. Says SAIF has done what has been requested of it but in doing so has weakened the marketplace for worker's compensation insurance.

340 Van Natta Warns that without adjustments to the current system the state will soon have a single-carrier worker's compensation insurance system.

350 Rep. Krummel Recalls that Oregon's worker's compensation insurance system was monopolistic previously.

355 Van Natta Provides a brief history of the worker's compensation insurance system in Oregon, which was originally administered by the State Industrial Accident Commission.

370 Rep. Krummel Wonders whether the process of privatization was slow in the beginning.

375 Van Natta Agrees that the process of bringing in private carriers was somewhat slow. Emphasizes that the marketplace requires better competition.

401 Rep. Krummel Mentions that SAIF's largest competitor was founded in 1983. Wonders why insurance companies would come to Oregon if the market is slanted against competition.

414 Van Natta Comments that dividend payments are a relatively new phenomenon and are the primary cause for the current inequity in the marketplace.

438 Rep. Krummel Wonders whether Liberty Northwest and other private companies should be investing their resources into the market as SAIF has done.

001	Van Natta	Replies that SAIF receives a higher return on its reserve investments because it is less restricted in how it can invest them.
017	Rep. Krummel	Replies that the state is restricted in the type of investments allowed through the Oregon Investment Council (OIC). Acknowledges that a similar problem has caused trouble for the Public Employees Retirement System (PERS).
033	Jon Egge	Chair, SAIF Board of Directors. Testifies in support of the —4 amendments to HB 3980. Submits informational materials regarding the board members (EXHIBIT R). Assures that the SAIF board takes its mission very seriously. Explains that SAIF is currently subject to five reviews and says a sixth will be added should the bill pass. Wonders what the additional review will contribute to improving the system and submits that it appears to be more related to making a political statement. Objects to raising worker’s compensation premiums for the purpose of making the market more competitive.
086	Rep. Brown	Thanks SAIF for providing small businesses and their employees an affordable worker’s compensation system. Objects to bills that punish state agencies for being overly efficient.
099	Rep. Bates	Assures that the purpose of the bill is not to question the board or its work. Explains that serious questions have been brought to the legislature regarding flat premiums despite mounting losses. Argues that HB 3980 provides a means of ensuring that Oregon’s worker’s compensation insurance system remains healthy.
113	Egge	Counters that the SAIF board is not leading the state in a dangerous direction.
119	Rep. Walker	Requests a list of the five entities that perform reviews of SAIF.
122	Egge	Indicates that SAIF is reviewed internally and by the Secretary of State, DCBS, the legislature, and also through an independent actuarial analysis.
133	Rep. Krummel	Asks whether Mr. Egge has seen the chart submitted by Mr. Van Natta demonstrating the instability within the system.
150	Egge	Says he has seen the chart. Indicates that SAIF insures about one-third of the market, while another 15 percent is self-insured.
158	Rep. Krummel	Refers to another chart, which shows the total number of insurers in Oregon to be 196, adding it is predicted to increase to above 200 this year.
163	Egge	Responds that such statistics seem to underscore the health of the system.
166	Chair Witt	Counters that the statistic is artificially inflated since these companies may be licensed here without necessarily providing coverage for companies here.
173	Rep. Krummel	Asks whether private insurance companies need to be licensed in every state.
183	Egge	Replies that SAIF cannot insure workers outside the state, meaning that it is limited in that regard when compared to private competition.
196	Rep. Krummel	Says he has been told that worker’s compensation rates would increase if SAIF was privatized. Comments that this suggests that SAIF being public is keeping rates artificially low, or that its large size would create a huge rise in demand.
218	Egge	Agrees with the statement. Asserts that SAIF is doing a good job at protecting small business. Suggests that if the goal is to create a competitive environment then the legislature should consider

		changing SAIF's mission. Remarks that worker's compensation insurance is and considered a tax because it is required, adding that higher rates equate to higher taxes.
244	Rep. Walker	Asks Mr. Egge if he attended the Revenue committee
248	Egge	Replies he did not, but says that the report is shallow.
269	Steve Telfer	Alliance of American Insurers. Voices respect for the SAIF Board. Asserts that SAIF should also be accountable to the taxpayers who own it, adding that the legislature is the appointed representative of those taxpayers. Says his OIC experience has shown him that actuarial analysis is difficult. Opines the problem will get worse in the next 10 years, especially for insurers.
318	Rep. Monnes-Anderson	Asks what percentage of the national worker's compensation market is held by Liberty Mutual.
324	Telfer	Replies he is not sure.
330	Chair Witt	Thanks all who have been parties to the bill.
340	Rep. Brown	MOTION: Moves to ADOPT HB 3980-4 amendments dated 5/7/01.
344	Rep. Brown	Asserts that the -4 amendments are sufficient.
350	Rep. Knopp	Counters that he does not believe that the -4 go far enough to provided the independent oversight that is necessary. Comments that the recently released report raises more questions about the future of worker's compensation insurance in Oregon. Emphasizes both the legislature's obligation to request the information and SAIF's obligation to provide it. Opposes the motion.
406	Rep. Walker	Expresses opposition to the -4 amendments. Concurs that the legislature has the responsibility to provide oversight of SAIF.
TAPE 143, A		
014	Rep. Monnes-Anderson	Indicates she does not like any of the proposals and prefers the quasi-public worker's compensation system in its current form. Comments that the legislature has not asked for specific information in the past. Expresses support for the -4 amendments and a desire to prevent the bill from dying in the budgetary process.
034	Rep. Carlson	Supports the -4 amendments. Says the Revenue committee heard telling testimony and that she is not satisfied that there are clear answers. Opines that the bill as amended by the -4 amendments will provide much better information. Asserts that nothing in the amendments precludes use of an actuary for the report.
052	Rep. Bates	Opposes the -4 amendments. Accuses SAIF of being an independent organization that has refused to provide information to the legislature in the recent past. Asserts it would be a mistake to move in that direction. Comments that without more information the legislature will not even know the right questions to ask.
060	Rep. Garrard	Says he has heard no evidence that SAIF has done anything wrong, only that there was reluctance to provide certain information that may or may not have been confidential. Voices support for the -4 amendments.
078	Rep. Krummel	Compares the situation with SAIF to the investigation of the Oregon Department of Transportation (ODOT) during the 1999 Legislative Session, which exonerated that agency. Opines that a review of SAIF might be helpful. Concurs that rates are being

130 Rep. Krummel artificially lowered. Indicates he opposes the –4 amendments. Concedes that SAIF is doing its job according to the legislative mandate, but in doing so is contributing to the creation of a duopolistic system. Argues that the –4 amendments do not go far enough to investigate the ramifications of such a duopolistic system. Agrees there is a need for an external, independent audit.

178 Chair Witt Says he will not support the motion for adoption of the –4 amendments. Asserts that the principle of a competitive marketplace needs to be maintained, as does fairness to private sector providers. States that the bill is already significantly reduced from its original intent and should not be weakened further.

218 **VOTE: 5-6**
AYE: 5 - Brown, Carlson, Garrard, Johnson, Monnes Anderson
NAY: 6 - Bates, Devlin, Knopp, Krummel, Walker V, Witt

227 Chair Witt **The motion FAILS.**
Rep. Devlin **MOTION: Moves to SUSPEND the rules for the purpose of adopting a conceptual amendment to the HB 3980 –6 amendments.**

240 Rep. Devlin Describes the conceptual amendment to HB 3980 –6 amendments.

270 **VOTE: 7-4**
AYE: 7 - Bates, Devlin, Garrard, Knopp, Krummel, Walker V, Witt
NAY: 4 - Brown, Carlson, Johnson, Monnes Anderson

286 Chair Witt **The motion FAILS.**
Rep. Devlin **MOTION: Moves to ADOPT HB 3980-6 amendments dated 5/9/01.**

297 **VOTE: 7-4**
AYE: 7 - Bates, Devlin, Knopp, Krummel, Monnes Anderson, Walker V, Witt
NAY: 4 - Brown, Carlson, Garrard, Johnson

309 Chair Witt **The motion CARRIES.**
Rep. Devlin **MOTION: Moves to ADOPT HB 3980 –3 amendments dated 5/7/01.**

320 **VOTE: 7-4**
AYE: 7 - Bates, Devlin, Knopp, Krummel, Monnes Anderson, Walker V, Witt
NAY: 4 - Brown, Carlson, Garrard, Johnson

329 Chair Witt **The motion CARRIES.**
Rep. Devlin **MOTION: Moves to ADOPT HB 3980 –8 amendments dated 5/9/01.**

343 Rep. Walker Says funding the program through the General Fund is inappropriate, so she will support the –8 amendments.

347 Chair Witt Agrees. States that the Treasurer would need to pay for the program by tapping the IAF.

361 Rep. Krummel Wonders whether payment from the IAF could result in raised premiums.

370 Chair Witt Emphasizes the importance of providing the information and

380	Rep. Krummel	predicts that the price will be nominal. Suggests that the General Fund may be an appropriate vehicle if it truly benefits all workers.
388	Rep. Brown	Requests confirmation whether SAIF provides funds for the IAF.
391	Chair Witt	Confirms that only SAIF employers pay into the IAF.
393	Rep. Brown	Asks whether use of IAF money to pay for the study may constitute grounds for a lawsuit.
396	Chair Witt	Replies he does not believe so.
TAPE 142, B		
004	Rep. Carlson	Points out that the fiscal impact of the measure is estimated at \$770,000. Says members are entitled to compensation, meaning that the commission will be reimbursed by money pulled from the fund. Opposes the –8 amendments.
010	Rep. Devlin	Counters that the Treasurer has a responsibility for many funds and that fees pay for the staff necessary to provide the proper oversight.
020	Rep. Bates	Comments that it is appropriate for SAIF to reimburse the commission.
035		VOTE: 7-4 AYE: 7 - Bates, Devlin, Knopp, Krummel, Monnes Anderson, Walker V, Witt NAY: 4 - Brown, Carlson, Garrard, Johnson
	Chair Witt	The motion CARRIES.
038	Rep. Devlin	MOTION: Moves HB 3980 to the floor with a DO PASS AS AMENDED recommendation.
047	Rep. Devlin	Laments that SAIF failed to satisfy its critics through the use of an internal audit. Says he is confident the Treasurer will do a good job. Assures that the decision to appoint a commission to provide oversight is not meant to be a slight against SAIF. Declares his goal is to provide a good worker's compensation system.
061	Rep. Monnes-Anderson	Expresses disappointment that the two sides could not work out a mutually beneficial solution. Indicates she will support the motion but oppose the bill on the floor.
066	Rep. Johnson	Says that when the dialogue began it was not about SAIF but about two insurance companies. Asserts that workers have not factored into the discussion. Says no one seems concerned about the workers who have been provided with good insurance at very reasonable rates.
080	Rep. Brown	Opposes the motion. Says that the auditors declared that SAIF is doing nothing but fulfilling its mission. Concludes that this measure is the result of a fight between insurance companies at the expense of workers and small businesses.
090	Rep. Bates	Clarifies that the measure is meant not as an attack on SAIF or those who administer it, but rather is an effort to secure a future for worker's compensation insurance in Oregon.
108	Rep. Garrard	Concurs with Rep. Johnson's comments and indicates he will not support the motion.
112	Rep. Carlson	Expresses opposition to the amended measure, as it goes too far in presupposing the findings of the commission's study.
121	Rep. Walker	Takes exception to the assertion that the workers have been ignored in this discussion. Remarks that some employers pay nothing into the program while others pay more than their share.

		Notes that SAIF has lobbied people to object to the bill. Asserts HB 3980 is a good bill that will ensure a competitive marketplace.
150	Rep. Knopp	Says he supports the bill and feels forced to do so because the documents requested were not provided despite SAIF's status as a public agency. Indicates that until the requested documents are provided he will support the bill.
162	Rep. Krummel	Says SAIF has been accused of many things, including predatory pricing. Asserts that this study will help clear the air and resolve the matter once and for all. Mentions a recent poll showing small business owners support the creation of an independent group to look into SAIF. Asserts the bill will help make decisions about workers compensation markets. States he supports the motion.
199	Chair Witt	Reiterates the motion is not about a fight between insurance companies, but is instead about maintaining a fair marketplace. Assures he has no interest in hurting workers or the programs that benefit them. Says the bill will provide needed information.
210		VOTE: 7-4 AYE: 7 - Bates, Devlin, Knopp, Krummel, Monnes Anderson, Walker V, Witt NAY: 4 - Brown, Carlson, Garrard, Johnson The motion CARRIES.
	Chair	
		REPS. BATES AND WITT will lead discussion on the floor.
216	Rep. Johnson	Serves notice of possible minority report.
220	Chair Witt	Closes the work session on HB 3980 and adjourns the meeting at 6:55 p.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Dan Clem,
Committee Administrator

EXHIBIT SUMMARY

- A – HB 3649, testimony and informational materials, Pete Shepherd, 25 pp.**
- B – HB 3740, -2 amendments, staff, 6 pp.**
- C – HB 3740, testimony, Rep. Diane Rosenbaum, 1 p.**
- D – HB 3740, testimony, Steve Lanning, 4 pp.**
- E – HB 3740, booklet, Skip Kyer, 33 pp.**
- F – HB 3740, testimony, Jon Stubenvoll, 2 pp.**
- G – HB 3740, booklet, Jon Stubenvoll, 7 pp.**
- H – HB 3980, -1 amendments, staff, 1 p.**
- I – HB 3980, -2 amendments, staff, 1 p.**
- J – HB 3980, -3 amendments, staff, 1 p.**
- K – HB 3980, -4 amendments, staff, 2 pp.**
- L – HB 3980, -5 amendments, staff, 2 pp.**

M – HB 3980, -6 amendments, staff, 3 pp.
N – HB 3980, -7 amendments, staff, 2 pp.
O – HB 3980, -8 amendments, staff, 1 p.
P – HB 3980, testimony, Randall Edwards, 1 p.
Q – HB 3980, chart, Fred Van Natta, 1 p.
R – B 3980, directory, Jon Egge, 2 pp.