

**SENATE COMMITTEE ON BUSINESS & CONSUMER AFFAIRS**

**January 18, 1999 Hearing Room C**

**1:00 P.M. Tapes 5 - 6**

**MEMBERS PRESENT: Sen. David Nelson, Chair**

**Sen. Lee Beyer, Vice-Chair**

**Sen. Rick Metsger**

**Sen. Randy Miller**

**Sen. Charles Starr**

**MEMBER EXCUSED:**

**STAFF PRESENT: Y. Sherry Sheng, Administrator**

**Nancy Masee, Administrative Support**

**MEASURE/ISSUES HEARD:**

**SB 15 Public Hearing**

**SB 44 Public Hearing and Work Session**

**SB 433 Public Hearing and Work Session**

**SB 215 Public Hearing**

**SB 217 Public Hearing and Work Session**

**SB 283 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.

TAPE/#	Speaker	Comments
TAPE 5, A		

007	Chair Nelson	Opens meeting at 1:05 p.m.
<b><u>SB 15 PUBLIC HEARING</u></b>		
005	Fred Safford	<p>Attorney, representing Ear Piercing Manufacturers of U. S. Authored SB 15. Explains the reasons for SB 15: Presents <b>(EXHIBIT A)</b></p> <ul style="list-style-type: none"> <li>• To modify ORS 690.500</li> <li>• To differentiate ear piercing from body piercing</li> <li>• To alleviate costs of licensing and supervision</li> <li>• To bring back ear piercing businesses</li> </ul>
035	Chair Nelson	Asks if Wal-Mart does other piercing than ear piercing. Asks committee for questions.
040	Safford	Answers they do not. Explains the training needed to protect individuals from potential health problems. States that the original statute was brought about to address the questions of body piercing, and that the ear piercing industry was not brought into the discussion.
091	Safford	Explains licensing cost inhibits piercing ears free.
095	Chair Nelson	Asks about the cost of licensing. Asks for questions from the committee.
100	Safford	States \$100 is the application fee, \$100 is the institution fee, \$25 is the fee per employee. Explains it is now not cost effective to pierce ears for free, as it was before.
110	Jamie Grace	District Manager, Specialty Group for Wal-Mart. States there are 23 stores in Oregon. Says Wal-Mart supports SB 15, as Wal-Mart lost a lot of business as a result of the statute.
120	Sen. Beyer	Asks if there have been any problems in the operation of ear piercing at Wal-Mart.
122	Grace	Says in five years at Wal-Mart, he has never had a problem.
127	Safford	Says the consumer is getting shortchanged due to high fees. He feels it is a loss to the state of Oregon.
130	Chair Nelson	Calls Tracy Faraca and Sue Wilson who oppose the bill.
141	Susan Wilson	Health Licensing Program, State of Oregon, opposes SB 15. Presents <b>(EXHIBIT B)</b> . Discusses how regulation came about. In 1995, regulation started due to concern by Barbara Ross and Barbara Naito. States the Health

		Licensing Program disagrees with SB 15. Believes ear-piercing standards should be carried out. Suggests ear piercing regulation and fees could be modified, and that the current procedures be carried out with modification to the bill. Suggests clarifying the definition and modifying fees for ear piercing.
202	Sen. Beyer	Asks if there have been any problems with ear piercing.
205	Wilson	Describes a hepatitis outbreak as the only incident she knows of.
210	Sen. Metsger	Asks when the incident was.
212	Wilson	Says it was in 1996; she would need to check the file.
213	Sen. Miller	Asks if that was after the law went into effect. Asks what dangers Oregonians faced prior to the time this regulation took effect.
215	Wilson	Relates the previous history of ear piercing without regulation.
220	Metsger	Reiterates the understanding that ear piercing was not part of the intent of the original bill. Asks if the bill encouraged people to go to body piercers for this service.
225	Wilson	Says universal standards have been followed in other states. Suggests working on the bill so that it does not create an unnecessary barrier.
230	Sen. Metsger	Concludes that maintaining some standard for ear piercing would be the best outcome for this issue.
235	Wilson	Agrees.
295	Tracy Faraca	Owner of Black Hole Piercing, Portland, Member of Board of Association of Professional Piercers. Opposes SB 15. Describes how blood borne pathogens can be transmitted with the piercing gun due to an operator's lack of skill. States medical journals have documented cases of diseases resulting from ear piercing. States that body piercing should include the ears.
354	Sen. Beyer	Asks about the use of surgical gloves during ear piercing.
356	Faraca	Explains how gloves are necessary several times during ear piercing.
400	Chair Nelson	Asks for further questions.

410	Sen. Miller	Asks if some people do the procedure without using gloves.
415	Faraca	Describes how some operators do not use proper precautions.
<b>TAPE 6,A</b>		
011	Faraca	Continues testifying about the dangers of ear piercing.
015	Sen. Miller	Asks if customers ask about the operation of ear piercing.
017	Faraca	Explains how customers are informed of the ear piercing procedures.
020	Sen. Miller	Asks if many people inquire about safety.
022	Faraca	Says precautions and risks are explained to customers.
030	Sen. Miller	Asks for an opinion on Wal-Mart's procedures.
035	Faraca	Says enforcement of the present statute should be carried out.
037	Chair Nelson	Asks for questions. Thanks witnesses. Closes public hearing on SB 15. Says the work session will be scheduled for a later date. Encourages the interested parties to get together and try to come to an agreement on modifying the bill.
<b><u>SB 44 PUBLIC HEARING</u></b>		
094	Chair Nelson	Asks for witnesses on SB 44 to step forward.
095	Jim Markee	Representing the Oregon Mortgage Bankers Association. Introduces John Harlow, President, Intervest Mortgage, Lake Oswego, and Joan Crew, Vice President, Mortgage Exchange, Beaverton.
110	Markee	States that SB 44 is at the request of the Oregon Mortgage Bankers Association and the Oregon Association of Oregon Brokers. <b>(EXHIBIT C, D)</b>
115	Markee	<p>Outlines what the bill will do:</p> <ul style="list-style-type: none"> <li>• Corrects a definition consequence of SB 460 (1997)</li> <li>• Raises bonding requirements</li> <li>• Authorizes mortgage bankers servicing of loans</li> </ul>

118	Markee	Supported by the requesting associations and the department. Says there is no known opposition.
132	Chair Nelson	Asks for questions of the committee.
134	Sen. Miller	Asks about page 4, subsection 8.
136	Markee	Refers to a four-plex.
140	Sen. Miller	Asks about the new amount of \$25,000, and asks if the additional opportunity to collect between \$5,000 and \$10,000 from each office is correct.
142	Markee	Explains the issue was referred to an advisory committee. Comments the bill is a good compromise. If there are many branches exposure is greater, so the fee limit is \$50,000.
167	Sen. Miller	Asks about page 5, line 33 is wording, a "reasonable emergency fund." Asks about Page 6, lines 4-6, (reference to mortgage banking loan), is it redundant.
192	Markee	Responds that counsel thought it was important to be included in there as did the department.
195	Chair Nelson	Asks for further questions.
200	James Krueger	Program Manager, Mortgage Broker Program, Division of Finance, DCBS. Supports section 2 of the bill regarding bonding requirements. Says the department is neutral to the rest of SB 44. Responds to Sen. Miller's question that looking at a reasonable balance refers to two quarters.
205	Chair Nelson	Asks for questions.
207	Sen. Metsger	Asks when is the last time minimum bonding was raised.
231	Krueger	Responds that the original bonding was \$10,000 in January 1994. Says the problem is that the experience requirement was not being met.
240	Chair Nelson	Closes public hearing on SB 44. Opens work session on SB 44.
<b><u>SB 44 WORK SESSION</u></b>		
244	Sen. Beyer	<b>MOTION: Moves SB 44 to the floor with a DO PASS recommendation.</b>

245		<b>VOTE: 5-0</b>  <b>AYE: In a roll call vote, all members present vote Aye.</b>
	Chair Nelson	<b>The motion CARRIES.</b>  <b>SEN. STARR will lead discussion on the floor.</b>
248	Chair Nelson	Opens public hearing on SB 433.
<b><u>SB 433 PUBLIC HEARING</u></b>		
280	Joe Brewer	Administrator, Building Codes Division. Explains SB 433:  <b>(EXHIBIT E)</b> <ul style="list-style-type: none"> <li>• Provides flexibility to the program</li> <li>• Gives better service to customer</li> <li>• Offers predictability in the regulatory environment</li> </ul>
300	Sen. Miller	Asks about quarterly opportunity to change bills. Asks if the regulators like the timeframe of every three months.
308	Brewer	Says he is aware of no opposition of this rule.
324	Burton Weast	Oregon Association of Plumbing, Heating and Cooling Contractors, speaks in support of SB 433. Says the building code industry often needs to reflect changes in rules, and says SB 433 will give more flexibility.
326	Chair Nelson	Asks for any questions. Hearing none, closes public hearing on SB 433, and opens work session.
<b><u>SB 433 WORK SESSION</u></b>		
327	Sen. Miller	<b>MOTION: Moves SB 433 to the floor with a DO PASS recommendation.</b>
328		<b>VOTE: 5-0</b>
	Chair Nelson	<b>Hearing no objection, declares the motion CARRIED.</b>

		<b>SEN. BEYER will lead discussion on the floor.</b>
329	Chair Nelson	Closes work session on SB 433. Opens public hearing on SB 215.
<b><u>SB 215 PUBLIC HEARING</u></b>		
338	Richard Nockleby	Administrator, Division of Finance and Corporate Securities, supports SB 215. Refers members to the handout.
348	Jim Krueger	<p>Describes SB 215 pertaining to the Collection Agency Act. Presents <b>(EXHIBIT F)</b></p> <ul style="list-style-type: none"> <li>• Enhances grounds for denying, suspending, or revoking license</li> <li>• Addresses changing nature of this industry</li> <li>• Makes out-of-date language changes</li> </ul> <p>Explains the collection companies operate nationwide, and the law requires registrant to follow certain rules; many offices maintained are sham offices.</p>
<b>TAPE 5,B</b>		
015	Chair Nelson	Asks for questions.
022	Sen. Miller	Asks about the language on page 1, lines 16 and 17, and page 2, section 3, line 44, as to who makes the determination of "dishonest."
032	Krueger	States that administrative rule would determine the requirements, and an administrative hearing process would be carried out. Clarifies that the Director would appoint a hearings officer.
035	Sen. Miller	Expresses concern about vagueness of language. Says getting significant rule review has been difficult. Comments that without much definition in this language, the hearing process is the agency's power.
070	Sen. Beyer	Asks about specific language.
084	Krueger	Describes administrative rule process. Says the industry wanted to be harder than the regulatory process.
089	Krueger	Offers to give committee a copy of administrative rules.
093	Chair Nelson	Suggests this bill be carried over for more study. Closes public hearing on SB 215. Opens public hearing on SB 217.

**SB 217 PUBLIC HEARING**

110	Nockleby	Administrator, Division of Finance and Corporate Securities. Introduces Jim Harlan to testify in support of SB 217.
115	Jim Harlan	Deputy Administrator, Division of Finance and Corporate Securities. Presents <b>(EXHIBIT G)</b> in support of SB 217. SB 217 proposes four substantive changes. <ul style="list-style-type: none"><li>• Amends the definition of investment advisor representative</li><li>• Permits licensed broker dealers to function as federal investment advisors without additional licensing</li><li>• Permits licensed broker dealers and investment advisors to use trade names</li><li>• Establishes effective date for all references to federal law contained in Chapter 59 of the securities law.</li></ul>
165	Chair Nelson	Asks questions of committee. Asks if this has any affect on internet business.
198	Harlan	Answers it does not affect internet activity.
202	Sen. Miller	Asks if the \$50 fee is used to recover costs.
207	Harlan	Responds that is correct. Says that is a one-time payment, not an annual renewal fee.
212	Sen. Miller	Asks why there is an emergency clause.
220	Harlan	Responds that they are presently not in line with federal regulations, and they would like to get that clarified as soon as possible. Refers to section 3, the proposal that licensees using trade names is not permitted presently, and needs to be changed right away.
240	Chair Nelson	Asks for further questions. Closes public hearing on SB 217. Opens work session on SB 217.

**SB 217 WORK SESSION**

250	Sen. Beyer	<b>MOTION: Moves SB 217 to the floor with a DO PASS recommendation.</b>
251		<b>VOTE: 5-0</b>



	Chair Nelson	<p>Hearing no objection, declares the motion <b>CARRIED</b>.</p> <p><b>SEN. MILLER will lead discussion on the floor.</b></p>
252	Chair Nelson	Closes work session on SB 217. Opens public hearing on SB 283
<b><u>SB 283 PUBLIC HEARING</u></b>		
253	Richard Nockleby	Administrator, Division of Finance and Corporate Securities. Introduces Ed Simkins.
255	Ed Simkins	Manager, Banking Program, Division of Finance and Corporate Securities. Presents <b>(EXHIBIT H)</b> in support of SB 283.
272	Simkins	<p>Continues explanation of how SB 283 corrects:</p> <ul style="list-style-type: none"> <li>• Corrects references to Federal Savings &amp; Loan Insurance Corporation which no longer exists</li> <li>• Reinstates Federal Home Loan Bank membership requirements</li> <li>• Clarifies application requirements for trusts</li> <li>• Requires institute notification for establishment of loan production offices in Oregon</li> </ul>
311	Chair Nelson	Asks how often these situations arise.
315	Simkins	Says they are asking for notification. Explains presently the Division does not have records of agencies from outside Oregon that have established offices in Oregon.
330	Sen. Metsger	Asks if the Oregon offices are satellite offices of institutions already licensed to operate in the state.
340	Simkins	Responds they are operating on their home states' regulations.
345	Sen. Metsger	Asks if this falls under the definition of banking.
350	Simkins	Responds that if they accepted deposits they would need to be chartered by the state or federal government as a bank. They can make loans, however. Says the Division does get inquiries about these offices.
355	Sen. Miller	Asks about testimony referred to in the Bank Act.
358	Chair Nelson	Asks if there are any problems of banking on the Internet.

<b>TAPE 06,B</b>		
015	Simkins	Responds, it is possible. Says the Division has ways to follow issues in other states through federal regulations.
020	Chair Nelson	Asks for questions. Closes public hearing on SB 283. Opens work session on SB 283.
<b><u>SB 283 WORK SESSION</u></b>		
026	Sen. Metsger	<b>MOTION: Moves SB 283 to the floor with a DO PASS recommendation.</b>
		<b>VOTE: 5-0</b>
027	Chair Nelson	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>VOTE: 5-0</b>
028	Chair Nelson	<b>SEN. MILLER will lead discussion on the floor.</b>
030	Chair Nelson	Closes work session on SB 283. Comments that at the meeting on Friday SB 142 will be discussed. Adjourns meeting at 2:35 p.m.

Submitted By, Reviewed By,

Nancy Masee, Y. Sherry Sheng,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

A ñ SB 15, Fred Safford, Wal-Mart, 1 p

**B ñ SB 15, Susan Wilson, 4 pp**

**C ñ SB 44, Jim Markee, 1 p**

**D ñ SB 44, John McCulley, 1 p**

**E ñ SB 44, Joe Brewer, 1 p**

**F ñ SB 215, James Krueger, 4 pp**

**G ñ SB 217, James Harlan, 9 pp**

**H ñ SB 283, Ed Simkins, 5 pp**