

SENATE COMMITTEE ON GENERAL GOVERNMENT

May 11, 1999 Hearing Room C

3:00 p.m. Tapes 78 - 79

MEMBERS PRESENT: Sen. Verne Duncan, Chair

Sen. Cliff Trow, Vice-Chair

Sen. John Lim

Sen. Frank Shields

MEMBERS EXCUSED: Sen. Marylin Shannon

STAFF PRESENT: Marjorie Taylor, Administrator

Valerie Luhr, Administrative Support

MEASURE/ISSUES HEARD: HB 2774-A Public Hearing

HB 3041-A Public Hearing and Work Session

HB 2023-A Public Hearing and Work Session

HB 2053-A Public Hearing and Work Session

HB 2097 Public Hearing and Work Session

HB 2098 Public Hearing and Work Session

HB 2212-A 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.

TAPE/#	Speaker	Comments
TAPE 78, A		
004	Chair Duncan	Opens the meeting at 3:08 p.m. as a subcommittee. Opens a public hearing on HB 2774-A. Opens the meeting as a full committee.

<u>Hb 2774-a PUBLIC HEARING</u>		
013	Charles Stern	Yamhill County Clerk, and Chair, Oregon Association of County Clerks Legislative Committee on Land Records. Introduces Phil Miles. Submits and presents testimony in support of HB 2774-A [EXHIBIT A] . Comments on concerns about the use of "silver halide permanent photocopy." Mr. Miles displays examples for the committee.
030	Sen. Shields	Asks how old the displayed plats are.
031	Stern	States the plats are about 10 years old.
032	Phil Miles	Recording Manager, Marion County. States one plat is from June 1994.
033	Stern	Explains requirements in the current law. States HB 2774-A takes out the requirement that the originals can be marked. States the plats can now be microfilmed. Reviews provisions of the proposed amendments to HB 2774-A.
081	Sen. Trow	Asks Mr. Stern why he is introducing the amendments in the Senate.
083	Stern	Explains Section 1 of the bill was an amendment developed by Rep. Jim Hill. Explains "county clerk and" was removed from one place in the bill where it should not have been.
098	Marjorie Taylor	Committee Administrator. States Legislative Counsel is drafting the proposed amendments to HB 2774-A.
102	Chair Duncan	Closes the public hearing on HB 2774-A. Opens a public hearing on HB 3041-A.
<u>HB 3041-A PUBLIC HEARING</u>		
106	Marjorie Taylor	Committee Administrator. Reviews provisions of the bill.
110	Charles Stern	Yamhill County Clerk. States he supports Rep. Jim Hill's efforts to begin developing the pathway for county clerks to move to electronic recording, and the bill is permissive for cities and counties to move in that direction. States the needed investments will not be made without implementation language.
119	Chair Duncan	Indicates Rep. Hill supports the bill.
121	Sen. Trow	Asks if the bill needs any changes.
122	Stern	States the county clerks do not have a problem with the bill. States they could come back to the legislature after they have had time to use the technology to discuss ways it could be changed.
132	Chair Duncan	Closes the public hearing on HB 3041-A. Opens a work session on HB 3041-A.
<u>HB 3041-A WORK SESSION</u>		
135	Sen. Trow	MOTION: Moves HB 3041A to the floor with a DO PASS recommendation.

		<p>VOTE: 3-0</p> <p>AYE: In a roll call vote, all members present vote Aye.</p> <p>EXCUSED: 2 - Shannon, Shields</p>
	Chair Duncan	<p>The motion CARRIES.</p> <p>SEN. LIM will lead discussion on the floor.</p>
144	Chair Duncan	Closes the work session on HB 3041-A. Opens a public hearing on HB 2023-A.
<u>HB 2023-A PUBLIC HEARING</u>		
147	John Lattimer	Director, Audits Division, Secretary of State's Office. Introduces Phil Hopkins. Submits and presents testimony in support of HB 2023-A [EXHIBIT B] . Reviews provisions of HB 2023-A. Comments on the Audits Division's work with public accounting firms statewide to audit all local governments under the Municipal Audit Act.
184	Chair Duncan	Indicates the fee amount is only a few hundred dollars.
185	Lattimer	States agreement. States the largest fee would be \$400 under the new fee structure.
191	Sen. Trow	Asks if there is resistance to increasing the fees.
192	Lattimer	States he does not believe there is opposition.
197	Chair Duncan	Asks about the no votes in the House.
199	Lattimer	States a member of the House Committee on Agency Performance and Operations expressed local governments were opposed to the bill, but the committee had received letters of support.
203	Chair Duncan	Comments the fee increase seems reasonable.
208	Sen. Trow	Asks if the bill needs amending.
209	Marjorie Taylor	Committee Administrator. Reviews provisions of the SB 2023-A2 amendments [EXHIBIT C] . States the bill will need to return to the House for concurrence if the amendment is adopted.
216	Sen. Trow	Asks if the inclusion of the additional section in the bill will cause problems in House.
218	Lattimer	States the Audits Division does not believe so. Explains the cycle the division goes through to perform the audits. States there currently is a bill in the legislature that would set effective dates for nonemergency clause bills. States the division needs the proposed date in the amendments if the other bill passes.
233	Sen. Lim	Asks if the municipalities' fiscal cycle begins on July 1.
237	Phil Hopkins	Audit Administrator, Audits Division, and in charge of the Municipal Audits Act

		operations. States most entities that assess taxes have a July 1 through June 30 fiscal year. States approximately 200 districts have other fiscal years, but they are the minority.
245	Sen. Lim	Asks if the bill deals with property taxes only.
247	Lattimer	States the division supervises the audits of all local governments. Explains Mr. Hopkins said that all units that assess an ad valorem tax have the June to July fiscal year.
255	Sen. Lim	References the table in Mr. Lattimer's testimony. Asks what the \$5 million represents.
258	Hopkins	States the amounts represent the total expenditures by an entity during the course of the year, not the budgeted amount. States the \$5 million was appropriated in 1977, and the level has been increased to \$50 million due to inflation and other factors.
270	Sen. Lim	Clarifies the \$50 million or more is for 37 municipalities. Expresses concern about the \$350 fee for the \$10 million to \$50 million expenditure category.
279	Hopkins	Explains a sliding scale was used. States the \$10 million to \$50 million will primarily encompass cities and counties and some school districts. States the largest entity spends about \$800 million.
305	Jennifer Miller	Special Districts Association of Oregon (SDAO). States SDAO is happy with the bill. In response to Sen. Lim, states SDAO worked to create a sliding fee structure so that bigger districts, cities, and counties that could better take an increase, did take the increase. States SDAO recognizes it is time for a fee increase.
320	Chair Duncan	Closes the public hearing HB 2023-A. Opens a work session on HB 2023-A.
<u>HB 2023-A WORK SESSION</u>		
324	Sen. Lim	MOTION: Moves to ADOPT HB 2023A-2 amendments dated 5/11/99.
		VOTE: 3-0 EXCUSED: 2 - Shannon, Shields
	Chair Duncan	Hearing no objection, declares the motion CARRIED.
328	Sen. Trow	MOTION: Moves HB 2023A to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Shannon, Shields
	Chair Duncan	The motion CARRIES.

		SEN. DUNCAN will lead discussion on the floor.
344	Chair Duncan	Closes the work session on HB 2023-A. Opens a public hearing on HB 2053-A.
<u>HB 2053-A PUBLIC HEARING</u>		
356	John Lattimer	Director, Audits Division, Secretary of State's Office. Submits and presents testimony in support of HB 2053-A [EXHIBIT D] . Reviews provisions of the bill. States he reviewed the way the division is funded and the complex mechanisms used to plan audits and bill auditees. States it is difficult to arrive at a true-up of audit versus budgeted costs at the end of a biennium. Explains the division has devised a six-year true-up process, but they never true-up. Introduces Keith Crawford, a consultant, who reviewed the division's cost allocation process.
TAPE 79, A		
016	Keith Crawford	Crawford and Associates. States he reviewed the assessment methodology in place based on the three-year rolling average. Explains the methodology used. States nine different cost allocation methods were developed, and the recommended method is based on risk.
058	Chair Duncan	Asks about response from agency heads.
060	Lattimer	States the Department of Administrative Services and some of the major agencies think the proposed method is a much better way. States Crawford and Associates audited the process to estimate spending and the Audits Division will save a quarter-million dollars with the change.
068	Sen. Trow	Asks if there is resistance from those who will experience the new method.
070	Lattimer	States there is no resistance. States the Audits Division has reduced their budget because of the savings. States the Ways and Means Committee and the Joint Legislative Audit Committee agree on the proposed change.
078	Sen. Shields	Asks if the \$250,000 is per biennium or per year.
079	Lattimer	States it is per biennium.
083	Sen. Lim	States it is good that one agency reduced its budget.
086	Sen. Trow	Closes the public hearing on HB 2053-A. Opens a work session on HB 2053-A
<u>HB 2053-A WORK SESSION</u>		
089	Sen. Lim	MOTION: Moves HB 2053A to the floor with a DO PASS recommendation.
		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Duncan, Shannon

	Vice-Chair Trow	<p>The motion CARRIES.</p> <p>SEN. LIM will lead discussion on the floor.</p>
098	Vice-Chair Trow	Closes the work session on HB 2053-A. Opens a public hearing on HB 2097.
<u>HB 2097 PUBLIC HEARING</u>		
104	Marjorie Taylor	Committee Administrator. Reviews provisions of HB 2097.
109	Jan Sullivan	Director, Corporation Division, Secretary of State's Office. Submits and presents testimony in support of HB 2097 [EXHIBIT E] . States the three bills before the committee today are an effort to improve customer service by automating processes, reducing costs, and simplifying business registration.
126	Vice-Chair Trow	Asks if there is resistance to the bill.
128	Sullivan	States the Oregon Bankers Association and the Business Law Section, Oregon State Bar, support the bill.
130	Vice-Chair Trow	Asks if there is opposition.
131	Sullivan	States she is not aware of any opposition.
132	Vice-Chair Trow	Asks if someone needs to pay the entire \$10 fee.
136	Sullivan	Reviews the division's process when a filing is rejected. States the division thinks they will receive the corrected filing, even with the nonrefundable fee, before a refund would be generated. States the bill eliminates an expensive process of generating refunds that far exceeds the \$10 filing fee.
159	Vice-Chair Trow	Asks why the agency has decided to do make the change now.
161	Sullivan	Explains the problems did not surface until the division implemented its payment link with the new Uniform Commercial Code system.
172	Sen. Shields	References the after effects of refunds. Expresses concern about the cost of items 4, 5, and 6.
182	Sullivan	States the division issues about 500 refunds per month.
188	Vice-Chair Trow	Asks what kind of opposition was articulated in the House.
190	Sullivan	Indicates some House members misunderstood who the division's customers are.
200	Sen. Lim	Requests clarification of the biennial savings.
202	Sullivan	States the division's fiscal impact estimates a \$65,000 per biennium on expenditures and the effect of revenue not being refunded is about \$120,000 per biennium.
210	Vice-Chair Trow	Asks if there is the likelihood of the state being sued by passage of the bill.

211	Sullivan	States she does not think so.
213	Vice-Chair Trow	Clarifies the financial institutions are okay with the bill.
217	Sen. Shields	Expresses concern about the no votes in the House and asks why the carrier in the House did not know the bill does not affect the "small people."
220	Sullivan	States the division should have provided more information for the carrier and they did not expect that aspect to surface.
227	Vice-Chair Trow	Asks Sullivan to consider all the possible questions and have answers for the Senate.
230	Sullivan	States she has already prepared the information.
231	Vice-Chair Trow	Closes the public hearing on HB 2097. Opens a work session on HB 2097.
<u>HB 2097 WORK SESSION</u>		
235	Sen. Lim	MOTION: Moves HB 2097 to the floor with a DO PASS recommendation.
		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Duncan, Shannon
Vice-Chair Trow		The motion CARRIES. SEN. TROW will lead discussion on the floor.
243	Vice-Chair Trow	Closes the work session HB 2097. Opens a public hearing on HB 2098.
<u>HB 2098 PUBLIC HEARING</u>		
245	Jan Sullivan	Director, Corporation Division, Secretary of State's Office. Submits and presents testimony in support of HB 2098 [EXHIBIT F] . Explains the bill streamlines the division's acknowledgement process by removing the requirement that customers file two copies of their documents. Reviews other incentives for making the change.
275	Vice-Chair Trow	Comments on support of the bill in the House and asks if there were any arguments against it.
280	Sullivan	Indicates there were no arguments.
281	Vice-Chair Trow	Asks if the bill needs any changes.
282	Sullivan	States the bill is fine.
283	Vice-Chair Trow	Closes the public hearing on HB 2098. Opens a work session on HB 2098.

hb 2098 WORK SESSION

285	Sen. Lim	MOTION: Moves HB 2098 to the floor with a DO PASS recommendation.
		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Duncan, Shannon
	Vice-Chair Trow	The motion CARRIES. SEN. TROW will lead discussion on the floor.
296	Vice-Chair Trow	Closes the work session on HB 2098. Opens a public hearing on HB 2212-A.
<u>HB 2212-A PUBLIC HEARING</u>		
300	Marjorie Taylor	Committee Administrator. Reviews provisions of HB 2212-A.
309	Vice-Chair Trow	Asks if the bill will make \$10 million for the General Fund.
311	Jan Sullivan	Director, Corporation Division, Secretary of State's Office. States the division generates \$10 million to \$11 million in excess revenue that is transferred to the General Fund each biennium. Submits and presents testimony in support of HB 2212-A [EXHIBIT G]. States the bill would simplify business registry fees by repealing the existing fees found in 13 Oregon Revised Statute (ORS) chapters. States the fees would be replaced with one \$20 fee. Reviews the documents that will be affected by passage of the bill. States the bill does not affect expenditures or revenue for the 1999-2001 biennium.
376	Vice-Chair Trow	Expresses his understanding of the transfer of \$10,300,000 to the General Fund in the 1999-2001 biennium.
379	Sullivan	States the Corporation Division has excess revenue each biennium that is transferred to the General Fund.
383	Chair Duncan	Clarifies there will be a reduction in the amounts transferred to the General Fund.
384	Sullivan	States the reduction will begin July 1, 2001.
386	Vice-Chair Trow	Asks if the fiscal impact is negative.
387	Sullivan	States the prepared fiscal impact would show no additional revenue for the General Fund.
396	Vice-Chair Trow	Expresses dislike for the bill. Asks why the bill is necessary.
399	Sullivan	States the division is requesting the simplified fee schedule because they do about 7,500 transactions per month. States the inconsistent fees are confusing for both staff and the public.

412	Chair Duncan	Asks if the workload is the same.
413	Sullivan	States the workload would not change and the same number of filings would still come in. Clarifies the division generates about \$20 million over the biennium, with a balance of \$10 million to \$11 million after operating expenses.
429	Chair Duncan	Asks how the dollar amounts will change.
TAPE 78, B		
005	Sullivan	States the division will generate about \$3 to \$4 million in excess revenue under the new fee schedule. States the fee can be lowered but not go above \$20 according to the bill.
010	Sen. Shields	Asks why would the state want to do something that would create a smaller General Fund, especially in this period of fiscal crisis. Asks if the fee schedule could be simplified without costing the General Fund so much money.
015	Sullivan	States the division could come back with a fee schedule that would make domestic fees one amount and foreign fees another.
021	Vice-Chair Trow	Asks if those who pay the fees support the bill.
023	Sullivan	States there has been no opposition to lowering the fees.
026	Sen. Lim	Asks which fees generate the most money.
028	Sullivan	States the "assumed business name" filings generate more revenue. Reviews fees for assumed business name filings.
040	Sen. Shields	Asks if the fee increase from \$10 to \$20 will still include the \$2 charge.
042	Sullivan	States they are dropping the \$2 charge.
044	Sen. Lim	Asks why the corporation filings need to be increased since they are currently generating a lot of money.
046	Sullivan	States the filings for assumed business names are mainly in three counties, and the division feels more people will file statewide to assure others will not file an identical name in an adjacent county.
053	Vice-Chair Trow	Asks if the Governor's office has taken a position because of the loss of funds.
055	Sullivan	States she cannot answer the question. States the bill does not go into effect until July 1, 2001.
066	Vice-Chair Trow	Asks if the committee is ready for a work session.
068	Sen. Shields	States he is willing to defer the decision to other members of the committee. States he is understanding of the need to simplify but would like it done without the impact to the General Fund.

080	Vice-Chair Trow	Suggests having the division reconsider how to do the bill and return to the committee with their suggestions.
089	Rick Hanson	Secretary of State's Office. States the Corporation Division is funded solely from fees and it has consistently generated more money than needed to run the division. Explains why the division's surplus has been increasing. States the division anticipates continued efficiencies and does not anticipate substantial decreases in filings. The division believes the trend of increasing revenue will continue and the surpluses will be there. States the division is willing to return with a revenue-neutral bill.
118	Chair Duncan	Asks if the division is receiving complaints about the fees.
120	Sullivan	States the division has not received complaints, but believes the fee simplification will make it easier for the public to do business with the division.
126	Sen. Lim	Requests clarification of fees.
131	Sullivan	States there would be a \$10 application fee for an assumed business name plus \$2 for each county in which they want to do business.
133	Sen. Lim	States his understanding of the fees.
137	Sullivan	States \$20 will cover the whole state.
141	Sen. Lim	States the bill will generate more money.
144	Sullivan	States assumed business names are half the division's business registry.
148	Sen. Lim	States the bill is a good bill.
149	Hanson	States the division has improved its customer service level. States the division now provides some free information over the internet. States their customer feedback has been consistently supportive.
162	Sen. Lim	States the bill received 60 yes votes in the House.
165	Sen. Trow	Asks if anyone addressed the \$10 million on the House floor.
169	Sen. Shields	Questions how the House could pass the bill without addressing the \$10 million revenue impact.
172	Hanson	States the revenue impact was discussed in committee because the bill originally took effect in the current biennium.
179	Chair Duncan	States the same kind of discussion took place in the House as before this committee.
181	Sullivan	States Sen. Duncan is correct.
184	Sen. Trow	States he thinks it makes sense to pass the bill, except for the impact on the General Fund. States the process is simpler and the fees ought to pay for the

		service provided, not make money for the state.
190	Sen. Shields	Discusses issues revolving around a business started by his church and fees paid. States he would like to see a more revenue-neutral bill.
233	Sen. Lim	States he has a small business that is registered only in Multnomah County. Comments on what would happen with his business if the bill passes and there is a business in another county with the same name.
242	Sullivan	Explains if Sen. Lim has a business registered in one county and someone has the same name in another county, the bill would not change that. States Sen. Lim would have the option of registering in the remaining available counties, or change the business name and register statewide.
250	Sen. Shields	Asks who decides who gets the name if both businesses wanted to register statewide.
251	Sullivan	States the division will not take names away if they are already on the record. States one would have the option of filing statewide if the name was brand new.
257	Sen. Shields	Asks again who would get the name if two businesses went statewide.
260	Sullivan	States one of the business would need to change its name.
262	Sen. Shields	States there does not seem to be a methodology for deciding who gets the name if two businesses with the same name go statewide
274	Sullivan	States assumed business names are the only business types that register in counties. States corporations are automatically statewide.
277	Vice-Chair Trow	States the committee will not hold a work session on the bill today. Recommends the division do further work on the bill. Closes the public hearing on HB 2212-A. Adjourns the meeting at 4:24 p.m.

Submitted By, Reviewed By,

Valerie Luhr, Marjorie Taylor,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2774-A, written testimony, Charles Stern, 1 p.

B ñ HB 2023-A, written testimony, John Lattimer, 2 p.

C ñ HB 2023, -A2 amendments, staff, 1 p.

D ñ HB 2053-A, written testimony, John Lattimer, 1 p.

E ñ HB 2097, written testimony, Jan Sullivan, 3 pp.

F ñ HB 2098, written testimony, Jan Sullivan, 3 pp.

G ñ HB 2212-A, written testimony, Jan Sullivan, 7 pp.