

HOUSE COMMITTEE ON GENERAL GOVERNMENT

May 12, 1997 Hearing Room D

1:00 P.M. Tapes 103 - 104

MEMBERS PRESENT:

Rep. Ken Strobeck, Chair

Rep. Dan Gardner, Vice-Chair

Rep. Jim Hill

Rep. Bob Montgomery

Rep. Kurt Schrader

Rep. Liz VanLeeuwen

Rep. Tom Whelan

STAFF PRESENT:

Jeri Chenelle, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

HB 3615 - Work Session

HB 3370 - Work Session

HB 2797 - Work Session

SB 1191 - Public Hearing and Work Session

SB 300 A - Public Hearing and Work Session

SB 555 - Public Hearing and Work Session

SB 602 A - 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
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Tape 103, A		
003	Chair Strobeck	Calls meeting to order at 1:06 p.m. and opens the work session on HB 3615.
<u>HB 3615 - WORK SESSION</u>		
005	Chair Strobeck	Announces that the committee will not take action on HB 3615 and will recommend the subject for an interim study.
019	Chair Strobeck	Closes the work session on HB 3615 and opens the work session on HB 3370.
<u>HB 3370 - WORK SESSION</u>		
023	Rep. Schrader	Reviews the provisions of HB 3370 and the HB 3370-5 amendments (EXHIBIT A):
		* bill establishes a school impact fee
		* is a local option, extremely permissive
		* provides tax cut by establishing fees on new home buyers
		* exempts affordable housing
		* provides credits for parts of the fees as in the current system development charge law
		* sets up a separate construction account so the money goes where it is supposed to go
040	Rep. Schrader	Explains -5 amendments:
		* the fees would be collected at time of title transfer of new construction for single family units
		* population is community growth, not student enrollment
050		* "per bedroom" has been done in other jurisdiction; it is being used to deal with the affordability question
		* adds in the affordable exemption and uses language which comes from housing authority people
		* nursing homes are not residential units; it is new residential construction
060		* goal is to come up with a very fair plan to make sure new growth pays its fair share and the taxpayer does not subsidize it
064	Rep. Dennis Luke	Suggests committee speak to Dexter Johnson, Legislative Counsel; Mr. Johnson suggests using the bedrooms, since there is no direct tie between the amount of bedrooms a house has and the impact on schools, that you are taking a base, a bedroom, times a rate and this is, therefore, a tax, and will require a 60 percent vote on the House floor.
		Adds that Mr. Johnson suggested this is only going to help those schools

		which are not to the \$5 limit, but knows of no school district that is not to the \$5 limit under Measure 5 and will therefore will have to have voter approval.
		Explains that in 1993, the bill used the "house" instead of "bedroom" and provided for exemptions; suggests subsidized housing already has a subsidy. Suggests if the committee is going to do an impact, which system development charges are, then is not sure how to justify taking off a large portion of the impact and not have them pay the fee. Adds that those on the lower income scale in many cases have more than one child per bedroom, where those on the upper end of the scale sometimes have more bedrooms than children.
		Adds that in the 1993 legislation there was an allowance for low-income or more affordable housing.
098		Advises that a letter from Legislative Counsel suggests it is a violation of Measure 5 and becomes a tax, will require a vote of the people, and a 60 percent vote of both houses of the legislature. Adds that the letter dealt with Article XI, Section 11b of the Oregon Constitution.
100	Rep. Schrader	Responds to comments by Rep. Luke:
		* has also done a lot of research and by tying it to bedroom units, you do not have to deal with the Measure 5 limitation; it is also not viewed as a tax per a letter dated April 29, 1997, from Legislative Counsel that clearly states it is not a tax and does not fall under that constitutional provision; Joe Barkofsky and Cindy Hunt have looked at it.
		* the exemption could be argued; there is a need for more affordable housing
118	Rep. Luke	Responds the Legislative Counsel letter was issued before the -5 amendments. Adds that in his research he does not find where a bedroom tax is used in Oregon.
130	Rep. Schrader	Responds the cities of Canby and Albany use the bedroom tax. Adds with Measure 5, if it is based on the assessed value or square footage, it becomes a tax, and that this gives the people a 25 percent tax break on new school construction.
141	Rep. Gardner	MOTION: Moves to ADOPT HB 3370-5 amendments dated 05/06/97.
143		VOTE: 5-0 EXCUSED: 2 - Hill, VanLeeuwen
	Chair Strobeck	Hearing no objection, declares the motion CARRIED.
145	Rep. Gardner	MOTION: Moves HB 3370 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 4-1

147		<p>AYE: 4 - Gardner, Schrader, Whelan, Strobeck</p> <p>NAY: 1 - Montgomery</p> <p>EXCUSED: 2 - Hill, VanLeeuwen</p>
	Chair Strobeck	<p>The motion CARRIES.</p> <p>REP. SCHRADER will lead discussion on the floor.</p>
147	Chair Strobeck	Closes work session on HB 3370 and opens the work session on HB 2797.
<u>HB 2797 - WORK SESSION</u>		
163	Frank Brawner	Oregon Bankers Association, testifies in support of HB 2797 and proposes amendments to cure conflicts with SB 125 and to make it clear that trust companies are exempt (EXHIBIT B).
200	Brawner	Continues presentation.
		Issues discussed:
217		* whether this would require the state to open an account in each bank in state
		* whether this would apply to credit unions
244		* process for deposits and withdrawals
273	Rollie Wisbrock	Chief of Staff, Oregon State Treasury, introduces Darren Bond, Chief Financial Officer, and explains that Mr. Bond will describe the process and how relationships are handled with the banks.
312	Darren Bond	Submits data and testifies in support of HB 2797 (EXHIBIT C).
		* Treasury's philosophy is to operate with the minimum number of bank relationships to minimize the administrative impact on operations; 20 banks are currently serving all the Treasury's customers
		* four banks were recently opened due to the Wells Fargo merger and the First Interstate merger and the closure of branches, and hopes to open one more with 28 branches
329		* describes criteria for selecting banks
		* have worked with the Oregon Liquor Control Commission (OLCC); agents were depositing in independent accounts, not accounts of the State Treasury as required by ORS 293.265
		* OLCC began accepting credit card deposits and used that as leverage to get the agents depositing with Treasury
		* deposits are state moneys and the State Treasury is the customer
		* State Treasury does open accounts with the banks chosen for good business reasons
354		* explains situation with OLCC and Bank of the Cascades

		Issues discussed:
383		* whether there are accounts into which money cannot be deposited
396		* letter from Bank of the Cascades included in Mr. Brawner's testimony (EXHIBIT B)
		* criteria for bank selection
TAPE 104, A		
024		* whether this is in concert with promoting business
		* how local banks can get more deposits of state funds
060		* administrative costs
096		* number of banks limited by good business practices and not duplicating services
129		* whether the state can make or break a bank
164		* The Dalles banks which have state accounts
182		* whether accounts are opened in an area if needed
189		* funding of administrative costs of maintaining accounts
217	Rep. Gardner	Comments he sees no need for the bill because the Treasurer's office is capable of doing business with every bank in the state.
232	Chair Strobeck	Encourages the State Treasurer to be more flexible in accommodating some of the accounts, at least be willing to entertain suggestions from someone who has a particular relationship with their local bank.
	Chair Strobeck	Closes the work session on HB 2797 and opens the public hearing on SB 1191.
<u>SB 1191 - PUBLIC HEARING</u>		
242	Jeri Chenelle	Administrator, reviews provisions of SB 1191.
250	Paul Romain	Northwest Hospitality Group, LLC, submits testimony and testifies in support of SB 1191 (EXHIBIT D) .
318	Chair Strobeck	Closes the public hearing and opens the work session on SB 1191.
<u>SB 1191 - WORK SESSION</u>		
320	Rep. Montgomery	MOTION: Moves SB 1191 to the floor with a DO PASS recommendation.
323		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye.
		The motion CARRIES.

	Chair	REP. GARDNER will lead discussion on the floor.
328	Chair Strobeck	Closes the work session on SB 1191 and opens the public hearing on SB 300-A.
SB 300 A - PUBLIC HEARING		
336	Jeri Chenelle	Administrator, reviews provisions of SB 300-A, the SB 300-A4 (EXHIBIT E), -A5 (EXHIBIT F), and -A6 amendments (EXHIBIT G).
386	Greg Zerzan	Clear Creek Distillery, testifies in support of SB 300 A (EXHIBIT H).
424	Zerzan	Continues presentation.
TAPE 103, B		
028	Zerzan	Comments they have no problems with any of the amendments.
030	Russ Spencer	McMenamins Pubs and Breweries, submits information on McMenamins, and testifies in support of SB 300-A (EXHIBIT I).
		* as a brewery public house, can distill fruit brandies up to 2,500 gallons annually; there is not that much of a market
		* law allows tastings at the location
		* SB 300 will change and expand privileges to allow them to produce up to 12,000 gallons of pot-distilled liquor annually
052		* gives definition of "pot distilled"
		* very few, if any, will take advantage of this legislation except McMenamins because of cost and time involved
		* OLCC has no problem with the proposal; McMenamins enjoys an outstanding relationship with the OLCC and has an exemplary record for safe alcohol service
		* McMenamins has no position on the proposed amendments
		Issues discussed:
070		> whether brandy and pot distilled liquor are the same
104	Bill Cross	Government Affairs Representative, Nor'Wester Brewery & Public House, testifies in support of SB 300 A and proposes amendments to the SB 300-A4 amendments (EXHIBIT J):
136		* -4 amendment would allow exception to the rule on coupons; the handwritten amendment on the SB 300-A4 amendments is to specify that this is intended only for returns to non-licensed consumers and specifically to returns to the brewery or the brewery public house
		Issues discussed:
		* whether this will cost the brewery an additional five cents
183		* cost of reusing bottles
218		* inventory of labels

237	Gary Conkling	Bi-Mart, comments he has submitted the SB 300-A5 amendments (EXHIBIT F), submits prepared statement and testifies in support of SB 300-A (EXHIBIT K).
280	Conkling	Continues presentation.
313	Barbara Hutchison	Oregon Liquor Control Commission, introduces Paul Williamson, a representative of the restaurant association, and comments the SB 300-A6 amendments have been put together by the restaurant association and the OLCC.
320	Bill Perry	Oregon Restaurant Association, explains the -6 amendments:
		* explains their attempts to get money for enforcement
		* Section 4 of the -6 amendments just deals with the application of a liquor license or permit; five years was taken out because it deals only with renewals
		* subsection (2) deals with the renewal process and the five years is in that section
		* attempts to give the commission and the retailers an ability by law to establish rules to try to address some on-going problems
		* if money is not in the budget or rules are not written, then the existing law will be in place
359		* explains Section 5 on page 3 of the -6 amendments requires the OLCC to sit down with the Restaurant Association to try to address the changes and bring a proposal back to next session; believes all parties have agreed that will be good
352	Chair Strobeck	Comments on HB 2912 and that it will be the subject of interim study.
383	Chair Strobeck	Closes the public hearing and opens the work session on SB 300-A.
SB 300-A - WORK SESSION		
386	Rep. Hill	MOTION: Moves to ADOPT SB 300-A4 as conceptually amended (EXHIBIT J) dated 04/29/97.
		VOTE: 6-0
		EXCUSED: 1 - Rep. Montgomery
	Chair Strobeck	Hearing no objection, declares the motion CARRIED.
397	Rep. Hill	MOTION: Moves to ADOPT SB 300A-5 amendments dated 05/06/97.
404	Rep. Schrader	Clarifies that the amendments grandfather in the Bi-Mart situation and prevents others from doing it in the future, and asks if Section 5 in the SB 300-A5 amendments opens the process for the same relationship to exist with establishments who have sales by the drink.

423	Gary Conkling	Bi-Mart, explains that the language in Section 5 of the SB 300-5A amendments were put in the bill to prevent the use of this license as a way to get around some of the exceptions that may be in the law today.
440	Rep. VanLeeuwen	Asks for further clarification of Section 5.
440	Conkling	Further explains the license exchange by Bi-Mart, and that the language says after January 1, 1998, a retail malt beverage license should be granted to an applicant or licensee who principally serves alcoholic beverages by the drink.
TAPE 104, B		
028	Chair Strobeck	Comments since there was an exchange of license, the attempt is to put it back the way it was.
	Conkling	Agrees an exchange of license did occur, and adds that this would prevent similar reoccurrence of that in the future.
		Discussion continues on clarification of Section 5 of the SB 300-5 amendments.
060	Paul Romain	Oregon Beer and Wine Distributors Association, explains the licensing history of Bi-Mart, and the effect of the takeover of Bi-Mart on the liquor license.
		VOTE: 6-0
		EXCUSED: 1 - Rep. Montgomery
	Chair Strobeck	Hearing no objection, declares the motion CARRIED.
084	Rep. Hill	MOTION: Moves to ADOPT SB 300-A6 amendments dated 05/09/97.
088		VOTE: 5-0
		OBJECTION: 1 - Rep. Schrader
		EXCUSED: 1 - Rep. Montgomery
	Chair Strobeck	Noting the objection by Rep. Schrader, declares the motion CARRIED.
090	Rep. Hill	MOTION: Moves SB 300A to the floor with a DO PASS AS AMENDED recommendation.
093	Rep. VanLeeuwen	Asks if the SB 300-A6 amendments allow the OLCC to not require license of some people every year.
102	Chair Strobeck	Responds that when licensees repeat renewal they would like to not have to go through the recertification process, but OLCC would like to require it if licensees have not established a track record.
		VOTE: 6-0

		AYE: In a roll call vote, all members present vote Aye.
		EXCUSED: 1 - Rep. Montgomery
	Chair	The motion CARRIES.
116		REP. HILL will lead discussion on the floor.
118	Chair Strobeck	Closes the work session on SB 300-A and opens the public hearing on SB 555.
SB 555 - PUBLIC HEARING		
125	Russ Spencer	Widmer Brothers Brewing Company, introduces Kurt Widmer, President, Widmer Brothers Brewing, and testifies that SB 555 is an attempt to help an entrepreneur and small business man continue to be successful.
134	Kurt Widmer	Widmer Brothers, testifies in support of SB 555:
		* company was founded in 1984 in a small warehouse in Northwest Portland
		* brewery has grown to national prominence and currently employs about 140 people
		* success of craft brewing in Oregon is directly attributable to the support of the legislature
		* industry now employs more than 1,500 people
		* in 1990 the brewery moved to the Albina District, purchased and saved one of Portland's landmark brick structures and invested several million dollars in rehabilitation of the structure
		* opened Gasthaus restaurant at a cost of \$1.2 million and employs 45 people
		* serves as meeting place
		* more than 60 percent of revenues are from food
		* restaurant is vital part of the brewing company and serves as an ideal test market for new products and provides a comfortable and attractive sitting for consumers to get a more intimate look at the brewing process
157		* current statute prevents the brewery from producing more than 200,000 barrels annually; SB 555 removes the ceiling
		* SB 555 is endorsed by the Oregon Brewers Guild and the Oregon Restaurant Association
164	Russ Spencer	Explains when the restaurant exceeds the cap, they must close, and that there is no opposition to the bill.
		Issues discussed:
175		* whether SB 555 would affect anyone else in Oregon
181		* whether the brewery is eligible for a public house license

206		* whether the Gasthaus is part of the brewery
		* whether the Gasthaus could stay open if the brewery limit is reached
231	Chair Strobeck	Closes the public hearing and opens the work session on SB 555.
<u>SB 555 - WORK SESSION</u>		
232	RR Hill	MOTION: Moves SB 555 to the floor with a DO PASS recommendation.
		VOTE: 6-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 - Montgomery
	Chair	The motion CARRIES.
		REP. CARTER will lead discussion on the Floor.
241	Chair Strobeck	Closes the work session on SB 555 and opens the public hearing on SB 602-A.
<u>SB 602-A - PUBLIC HEARING</u>		
242	Jeri Chenelle	Administrator, reviews provisions of SB 602-A.
258	Bill Perry	Oregon Restaurant Association, submits statement and reviews provisions of the bill (EXHIBIT M).
308		* whether the law would apply if no admission is charged
325	Gary Conkling	American Society of Composers, Authors and Publishers, submits prepared statement and testifies in support of SB 602 A (EXHIBIT N).
		Issues discussed:
354		* method for payment of fees
364		* basis for rates
		* how royalties are determined
412	Chair Strobeck	Closes the public hearing and opens the work session on SB 602 A.
<u>SB 602-A - WORK SESSION</u>		
414	Rep. Gardner	MOTION: Moves SB 602A to the floor with a DO PASS recommendation.
417		VOTE: 5-0 AYE: In a roll call vote, all members present vote Aye.

		EXCUSED: 2 - Montgomery, VanLeeuwen
	Chair	The motion CARRIES. REP. STROBECK will lead discussion on the floor.
437	Chair Strobeck	Adjourns meeting at 2:55 p. m.

Submitted By, Reviewed By,

Annetta Mullins, Jeri Chenelle,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3370, HB 3370-5 amendments, Rep. Schrader, 4 pp

B - HB 2797, prepared statement and amendments, Frank Brawner, 7 pp

C - HB 2797, account data, Darren Bond, 3 pp

D - SB 1191, prepared statement, Paul Romain, 1 p

E - SB 300, SB 300-A4 amendments, Bill Cross, 1 p

F - SB 300, SB 300-A5 amendments, Gary Conkling, 4 pp

G - SB 300, SB 300-A6 amendments, Oregon Liquor Control Commission, 3 pp

H - SB 300, prepared statement, Gregory Zerzan, 4 pp

I - SB 300, prepared statement, Russ Spencer, 2 pp

J - SB 300, prepared statement and amendments, Bill Cross, 6 pp

K - SB 300, prepared statement, Gary Conkling, 3 PP

L -NOT USED

M - SB 602, prepared statement, Bill Perry, 5 pp

N - SB 602, prepared statement, Gary Conkling, 2 pp