

SENATE COMMITTEE ON
BUSINESS AND CONSUMER AFFAIRS

Hearing Room
Tapes , 61, 62 & 63

MEMBERS PRESENT:

Sen. Bill Kennemer, Chair
Sen. John Lim, Vice-Chair
Sen. Gene Derfler
Sen. Joan Dukes
Sen. William McCoy

MEMBER EXCUSED:

STAFF PRESENT:

Darrell W. Fuller, Committee Administrator
Carol A. Smith, Committee Assistant

MEASURES HEARD:

SB 887 Public Hearing
SB 888 Public Hearing
SB 326 Public Hearing
SB 732 Public Hearing and Work Session
SB 733 Public Hearing and Work Session
SB 895 Public Hearing
SB 903 Public Hearing
SB 904 Public Hearing
SB 466 Work Session

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE , A

005 CHAIR: Opens meeting at 3:10 p.m. Announces we will meet in subcommittee until other committee members arrive.

006 CHAIR: States we are now in full committee.

008 CHAIR: Opens PUBLIC HEARING on SB 887 and SB 888.

WITNESSES:

Sen. Jeannette Hamby
Rep. Denny Jones
Sen. Gene Timms
David Gilbert, Eastern Oregon State College
Bud Garland
Steven Anderson
Lee Wallace
Harvey Barnes
Steve Scott
Kathy Rementeria, Harney County Educational Service
Dale White
Lyle Powers
Curt Peterson
George McCart, Oregon Disabilities Commission
Bill Weinman, PTI Communications

010 SEN. JEANNETTE HAMBY: Submits written testimony in support of the bill (EXHIBIT B) and is one of the chief sponsors. Disagrees with Governor Kitzhaber on the move and explains the concept behind it. Does not want to wait for market demand for Eastern

Oregon to get the technology. Covers the specifics of the bill:

- 021 --framed relay;
- 032 --Department of Administrative Services;
- 033 --ability to sell excess capacity;
- 039 --leverage;
- 050 --article in "Governing" magazine.

066 SEN. GENE TIMMS: Refers to Oregon accomplishments and newspaper coverage of SEN. HAMBY. Addresses:

- 088 --rural development; 20 per cent is government user;
- 094 --lottery or others could be situated in Harney County.

100 REP. DENNY JONES, District 60: Testimony in support of the bill. Refers to:

- 113 --fiber optics;
- educational programs;
- loss of jobs, railroads, et cetera.

126 DAVID GILBERT, Eastern Oregon State College: Testimony in support of SB 887. Covers the following:

- diffusion of economic prosperity to all parts of the state;
- broadening base of rural area;
- rural economic development;
- schools, health care and higher education dependent on telecommunications;
- history on development of railroads, state highways and freeways;

150 --concept of universal service, and rural electric and public road system;

- public policy;
- public employer creating need for infrastructure;
- partnership with eastern Oregon;

179 --positive qualities of the Burns community;

- support for the agency and its employees;
- college has complete four-year program;
- use of virtual classrooms using modems;

210 --college support.

211 CHAIR: Informs the meeting there are 28 people waiting to testify on these two bills.

225 F. H. BUD GARLAND: Submits written testimony in support of the bill (EXHIBIT C). Refers to overall attributes of Harney County, including affordable housing. Telecommunications will be the future of their economic development. Refers to the areas declining population. This bill will make the difference between rural eastern Oregon succeeding or failing.

290 STEVEN ANDERSON, Bureau of Land Management: Submits written testimony in support of the bill (EXHIBIT D). Gives attributes of the area.

330 LEE WALLACE, Harney County: Submits written testimony in support of the bill (EXHIBIT G). Refers to:

- attributes of the area;
- past political failures to help the area;
- halt the people leaving;
- space availability;
- distance not a reason not to do this.

403 HARVEY BARNES, City of Burns: Submits written testimony in support of the bill (EXHIBIT K). Refers to:

- stabilization of family wage jobs;
- erosion of the area;
- positive aspects of Burns area;
- municipal airport.

TAPE 61, SIDE A

010 STEVE SCOTT: Submits written testimony in support of the bill (EXHIBIT F). States he wishes to give testimony from a personal perspective.

050 KATHY REMENTERIA, Harney County: Submits written testimony in support of the bill (EXHIBIT J). Network would help gain worldwide access. Gives the access that they have currently. Refers to broad-band. Lottery move would provide leverage for us to accomplish this.

085 DALE WHITE, Harney County: Submits written testimony in support of the

bill

(EXHIBIT I). Testimony in support of the bill. Addresses the information superhighway. Wants them to enjoy what the rest of Oregon residents do. States this will help heal the split between the haves and the have-nots in Oregon. It is a distressed area. Gives figures of decline of population, and other demographics.

154 LYLE POWERS: Do not have digital communication in John Day. Tried for two years to get those facilities. Refers to:

- Forest Service providing impetus; for digital service;
- inadequacy of Telecommunications for John Day.

199 GEORGE MCCART, Oregon Disabilities Commission: There is no way to make a living in Harney County. The distance is not that far. Feels that this is the first honest attempt at economic development. Refers to security problems with the lottery commission. This should be the first step in decreasing state government.

227 BRUCE ALBERTSON: Submits written testimony in support of the bill. (EXHIBIT H). Refers to Smith and Wesson for security there. The mandate for government was for change; all of the state, not just the Willamette Valley corridor.

278 BILL WEINMAN, PTI Communications: Testimony in support of the bill. Refers to:

- customer base;
- PacifiCorp;
- plant investment;
- company strategies.

314 (4:00 p.m. SEN. MCCOY joins the meeting.)

323 CHAIR: Bob CANTINO, Oregon Counties had to leave; wanted to indicate his testimony is in support of the bill.

328 JIM HILL, Assistant to SEN. HAMBY: Refers to bills drafted from Legislative Counsel and amendments to the bill and explains regarding telecommunications providers and anchor tenant and deliverability to citizens in Svenson.

370 GARY WEEKS, Oregon State Lottery: Testimony in opposition to the bill. States the Governor is opposed to the bill. We are opposed to the specifics of the bill. Are not opposed to the intent of the bill. Refers to:

- extension of the infrastructure;
- absence of technology to run the lottery;
- radio transmission.

TAPE 60, SIDE B

010 WEEKS, continuing, refers to:

- air flight into the area;
- staffing; moving employees, not all will be able to move;
- recruitment and training;
- market alone is not going to change;
- government help for that part of the state;
- framed-relay network;
- disagrees with Senator Hamby on the capabilities of that system;

encourages consultants to talk to committee about that.

- ATM system and DAS;
- cold sites and warm system;
- catastrophes;
- warm site as a viable alternative; Governor would be receptive;

080 --DAS and backup sites.

090 LIEUTENANT GREG WILLEFORD, Oregon State Police: Submits written testimony in opposition to the bill (EXHIBIT L & P). Refers to:

- Review of the proposal;
- level of risk for security and integrity of the system; risk is greater;
- Oregon State Police do not support the move;
- data storage--lotteries greatest asset;
- consolidation of current computer systems location already planned;
- systems automation;
- failure of systems;

150 --security concerns apart from the main center:

--high volume traffic on the computers;
--vulnerability to conditions, including bad weather;
--creating duplicate lines in two separate paths;
--expensive to accomplish;
--delayed response time;
--maintenance;
--system failures;
--nearest airport is not good; repairs are needed;
--central systems should not be separated; these require continual
monitoring;
--external auditing staff; system administrators must be accessible;
--accessibility of security staff;
180 --States it is the recommendation of the Oregon State Police that it
stay here, where it was designed to be.

192 SEN. DUKES: If the entire operation were there how would it affect your
concerns?

302 WILLEFORD: Security and integrity of the data could cause confidence to
drop.

219 CURT PETERSON, Department of Administrative Services: At Gary's request
took a look at the project and
assigned a policy and review person to look at the feasibility of having
the lottery facility in Burns, Oregon. DAS was
one of the co-founders of the group Rural Oregon Telecommunications
Consortium.
--resources to put into place and frame relay service;
--RFP during a legislative session;
--incentives to provide service to state and lottery;
274 --what DAS does today;
--Phoenix and Valley Forge;
--Geologists checked for Seismic areas and desirability; Burns was good for
a hot site.

308 CHAIR: This concludes signed up witness for 887. Let's proceed with
testimony on
SB 880.

WITNESSES: Scott Girard, Public Utilities Commission
Art Walker, Oregon State Police
John Powell, Central Lincoln Public Utilities District
Ralph Cox, DAS, IRMD Telecom

323 DARRELL FULLER, Committee Administrator: In response to CHAIR, the
bills both have subsequent referrals to
Ways and Means; we haven't received anything from Fiscal.

330 ART WALKER, Oregon State Police: Submits written testimony in
opposition to the bill (EXHIBITS M & R).
Concerns with some of the language in the bill. Could have effect on State
Police. Addresses Section 21; microwave
sites, mobile computer sites which control digital radios, and others.
Refers to:
--recent disasters in Japan. These may not survive storms, and disasters;
--Oregon State Police radio seismic standards versus private;
--recommendation for exemptions of some equipment;
407 --state of the art technology.

(4:35 SEN. DUKES leaves the meeting)

435 SEN. DERFLER: Asks a question regarding public safety and exemptions.

440 WALKER: My suggestion would be that either public safety be given an
exemption from this or work with your staff
for wording regarding wireless.

TAPE 61, SIDE B

020 RALPH COX, Department of Administrative Services: Testimony in
opposition to the bill. The bill would
essentially make his group responsible for implementing SB 888. Applauds
the elements of the bill that would cause
the deployment of telecommunications. Refers to:
--contract and demand;
--ownership by state;
--volatility of telecommunications;
--neutrality in regard to elements related to PUC.

045 SCOTT GIRARD, Public Utility Commission: Submits written testimony in
opposition to the bill (EXHIBIT Q).
Refers to cost allocations to the contract and remaining regulated

services; that would not be an easy task. Further, I believe that the utilities would not be likely to proceed with the contract. End result could be higher than if done by a contract that had Public Utility Commission approval. Refers to specific part of the bill addressing cost.

071 JOHN POWELL, Central Lincoln People's Utility District: Refers to telecommunications capabilities developed including agreements to connect utilities with fiber optics. Under SB 888, all are picked up under this bill. As long as political subdivisions are going to be left in the bill we would be requesting an amendment specific to this situation with PUD's.

094 GARY BAUER, Oregon Independent Telephone Association: Supports the general concept and the state acting as the anchor tenant on a telecommunications network. Refers to:
--Contract versus purchasing;
--policy decisions;

104 CAROL RUTGERS, GTE: Testimony supporting the concept of utilizing the public switch and having state agencies acting as anchor tenants.

124 BENJAMIN PEEK, Peek and Associates: Submits written testimony (EXHIBIT A) In support of the bills. Gives his reservations regarding infrastructure issues and refers to:
--trying to drive infrastructure into rural Oregon;
--single fiber route at five and a half million dollars to bring into Burns;
155 --return on investment;
166 --archiving state data into Burns;.
171 --security addressed by State Police;
--frame relay;
--asynchronous, technology; gives statistics;
--need to drive telecommunications into the area.

199 CHAIR: Concludes testimony on the bills. There are some real possibilities here to change the infrastructure.

206 CHAIR: Closes PUBLIC HEARING on SB 887 and SB 888.

207 CHAIR: Opens WORK SESSION on SB 466.

224 DARRELL FULLER, Committee Administrator: Gives overview of the bill; there are
-1 amendments.

WITNESSES: Sen. Bill Bradbury

231 SEN. BILL BRADBURY: Gives overview of what the -1 amendments do. Essentially there will be inspections as they move around the state, but they don't have to have a full blown inspection. Limits the charge per inspection.

254 SEN. MCCOY: Asks if the cost will discourage the county from doing any inspection at all.

260 SEN. BRADBURY: Responds to SEN. MCCOY.

271 SEN. MCCOY: Comments regarding the inspection; gives examples of what might be done.

Expresses concern about cost and the safety of the food. Doesn't think the fee is enough to cover the cost of the inspection.

311 RON HALL, Health Division: Addresses concerns expressed by SEN. MCCOY. Explains in detail the types of things that they check.

333 SEN. MCCOY: Further concerns.

345 SEN. LIM: How often do they have the food inspection, mobile unit?

350 HALL: Responds, two times; and states when those are. Seasonal might be 3-4 times.

369 SEN. LIM: If state does this 2-3 times doesn't think we need an additional inspection by the county.

393 SEN. LIM: Further questions.

TAPE 62, SIDE A

010 SEN. DUKES: Believes this is a great compromise. Expands on that.

MOTION: SEN. DUKES moves to ADOPT the SB 466-1 amendments.

VOTE: CHAIR: Hearing no objection, the SB 466-1 amendments are ADOPTED.

MOTION: SEN. DUKES moves SB 466, AS AMENDED, to the Floor with a DO PASS recommendation.

VOTE: MOTION PASSES, unanimously, all members are present.
CARRIER: SEN. BRADBURY

033 CHAIR: Closes WORK SESSION on SB 466.

035 CHAIR: Opens PUBLIC HEARING on SB 895, SB 903 and SB 904.

WITNESSES: Jim Bernau, Willamette View Winery
Jack Schifferdecker, Ater, Wynne, Hewitt, Dodson and Skerritt
Dave Baca, Davis, Wright, and Tremaine
Robert Stoll of Stoll, Stoll, Berne, et al
Cecil Monroe, Securities Division

035 JIM BERNAU, Willamette View Winery: Addresses capital formation. Regulation can be burdensome, costly, without need.

059 JACK SCHIFFERDECKER, Ater, Wynne, Hewitt, Dodson and Skerritt: Gives overview. Refers to the use of advertising for exempt offerings, amendment to securities laws. SB 904 is a take off from SB 903. It is for small business investors.

075 DAVE BACA, Davis, Wright, and Tremaine: Supports the concept of SB 895. Raises issues the committee needs to be aware of; refers to Princeby-Bridon. Stringent standards have resulted in diminished capital formation; cannot raise capital under these standards.

090 CHAIR: States SB 895 does give us a policy to address. Asks CECIL MONROE if he is comfortable with the CHAIR's suggestion.

103 SEN. MCCOY: Suggests that MONROE have somebody in the business, other than the lawyers, participate.

CECIL MONROE: (Speaking from the audience indicates he understands.)

112 ROBERT STOLL of Stoll, Stoll, Berne et. al: Submits written testimony in support of the bill (EXHIBIT Y). Has some prepared statements would like to hand to the committee. Is in opposition to all three of the bills. Refers to:
--due diligence;
--accuracy is done by the lawyer;
--\$10,000 bond;
--lawyer has no liability under the securities law. Securities Division does not have the ability to review these offerings;
150 --these bills were just presented last week; in two days there was much stirring up. Refers to the Vancouver stock exchange. These would make Oregon a homing place for con artists.

168 CHAIR: Closes PUBLIC HEARING on SB 895, SB 903 AND SB 904.

170 CHAIR: Opens PUBLIC HEARING on SB 326.

DARRELL FULLER, Committee Administrator: Gives overview. No revenue impact. The SB 326 -1 amendments are before the committee.

WITNESSES: Frank E. Brawner, Oregon Independent Bankers Association

178 FRANK BRAWNER, Oregon Independent Bankers Association: Refers to written testimony (EXHIBIT Z). Gives an example of a practical case; a building purchased that wasn't to be used for the public. The law said that since it was a commercial building it had to have an elevator. Explains a 90-day-time limit to comply. It was our intention to say you had to have a second floor before you have to have an elevator. We support Americans With Disabilities Act. The -1 amendments still do not say that you have to have a second floor.

Refers to a specific area and suggests it needs to say also, more than one floor level. Cites a question that is distressing; states existing law needs to provide some guidance.

220 SEN. MCCOY: Asks what the loft was for?

224 BRAUNER: The bank bought a building that already had the loft. It was intended for storage of supplies, nothing else. No basement, only a main floor. The law only deals with square feet and height.

236 SEN. DERFLER: Asks a question of BRAUNER.

237 BRAUNER: Responds. The current laws did not give them the flexibility to deal with the rules on a case by case situation to provide for an exemption. The bank felt they could have won, but they didn't have time.

273 SEN. DUKES: Gives an example of a case that she is aware of that is similar. The building is covered by the Americans With Disability Act. This struck me as a little bit much for a little volunteer fire department.

294 BRAUNER: Sums up.

300 GEORGE MCCART, Oregon Disabilities Commission: Speaking also for the Building Codes Division. Refers to page three, line 8, and states how the amendment should read. Page one, line 13, states how it should read and gives the reason.

347 MCCART: Refers to proposed legislation, in reference to fire departments, et cetera; referring to federal laws.

360 PEGGY COLLINS, Building Codes Division: Has another amendment to consider, Lines 8 and 9, 13 and 14. Gives specifics.

400 FULLER: Legislative Counsel has some concerns regarding the conceptual amendments.

410 CHAIR: We will schedule a work session on this April 11.

413 CHAIR: Closes PUBLIC HEARING on SB 326.
CHAIR: Opens PUBLIC HEARING on SB 732.

WITNESSES: Frank Brauner, Oregon Bankers Association

421 FRANK BRAUNER, Oregon Bankers Association: Submits written testimony (EXHIBIT AA) in support of the bill.

TAPE 62, SIDE A

012 BRAUNER: Addresses non-conformity of observance of holidays between different banking institutions. Refers to:
--statute requirements for observance of holidays;
--Federal Reserve Bank;
--Federal Reserve Board mandated holiday schedule for entire country;
--Federal Reserve as fiscal agent to the treasury;
--interstate branches and banking;
--data processing;
--assessment of late fees on accounts;
--SB 732 as a compromise.

026 (SEN. DUKES leaves the meeting at 5:30 p.m.)

027 BRAUNER: This is costing the people money. Gives an example. Many Oregonians could not use the last day of the year to transact business because they did not know.

028 CHAIR: Closes PUBLIC HEARING on SB 732.

028 CHAIR: Opens WORK SESSION on SB 732.

MOTION: SEN. MCCOY moves SB 732 to the Floor with a DO PASS recommendation.

030 VOTE: MOTION PASSES.

AYES: DERFLER, MCCOY, LIM and KENNEMER
EXCUSED: DUKES

CARRIER: MCCOY

035 CHAIR: Closes WORK SESSION on SB 732.
040 CHAIR: Opens WORK SESSION on SB 733.

052 CHAIR: Proposes a \$10 fee, rather than a \$15 fee.

061 SEN. MCCOY: Members are comfortable with that suggestion.

070 BRAUNER: Explains why the bill was proposed; states it brings us into competition with other states. Remember it is five percent or \$15.00. Wishes free market place would be allowed to take care of it. States they will accept the \$10.00.

072 MOTION: SEN. LIM moves to amend SB 733.

VOTE: CHAIR: Hearing no objection, the MOTION CARRIES.

MOTION: SEN. LIM moves SB 733, AS AMENDED, to the Floor with a DO PASS recommendation.

VOTE: MOTION PASSES.

AYES: DERFLER, MCCOY, LIM and KENNEMER

EXCUSED: DUKES

CARRIER: LIM

080 CHAIR: Closes WORK SESSION on SB 733.

085 CHAIR: Will set over the work session on SB 544.

090 CHAIR: Adjourns the meeting at 5:40 p.m.

Submitted by, Reviewed by,

Carol A. Smith Darrell W. Fuller
Committee Assistant Committee Administrator

EXHIBIT SUMMARY:

A - SB 887 - Testimony, Benjamin R. Peek - 1 page
B - SB 887 and SB 888 - Testimony, Senator Jeannette Hamby - 9 pages
C - SB 887 and SB 888 - Testimony, Bud Garland - 2 pages
D - SB 887 and SB 888 - Testimony, Steve and Gesolmine Anderson - 1 page
E - SB 887 and SB 888 - Testimony, Robert Cantine - 3 pages
F - SB 887 and SB 888 - Testimony, Steve Scott - 1 page
G - SB 887 and SB 888 - Testimony, Lee Wallace - 2 pages
H - SB 887 and SB 888 - Testimony, Bruce Albertson - 2 pages
I - SB 887 and SB 888 - Testimony, Dale White - 3 pages
J - SB 887 and SB 888 - Testimony, Kathy Rementeria - 1 page
K - SB 887 and SB 888 - Testimony, Harvey Barnes - 2 pages
L - SB 888 - Testimony, Gregory Willeford - 4 pages
M - SB 888 - Testimony, Art Walker - 1 page
N - SB 887 - Proposed amendments, Senator Jeannette Hamby - 2 pages
O - SB 888 - Proposed amendments, Senator Jeannette Hamby - 1 page
P - SB 887 and SB 888 - Testimony, Lieutenant Gregory Willeford - 3 pages
Q - SB 888 - Testimony, Scott Girard - 2 pages
R - SB 888 - Testimony, Art Walker - 1 page
S - SB 895 - Testimony, David Tatman, DFCS - 1 page
T - SB 895 - Testimony, Bill Cross - 2 pages
U - SB 903 - Testimony, James Harlan - 6 pages
V - SB 903 - Testimony, Bill Cross - 2 pages
W - SB 904 - Testimony, James Harlan - 2 pages
X - SB 904 - Testimony, Bill Cross - 1 page
Y - SB 895, SB 903 and SB 904 - Testimony, Robert Stoll - 2 pages
Z - SB 326 - Testimony, Frank E. Brawner - 2 pages
AA - SB 732 - Testimony, Frank E. Brawner - 7 pages