

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.

HOUSE COMMITTEE ON LABOR

February 27, 1991Hearing Room D 8:30 a.m.Tapes 44 - 47

MEMBERS PRESENT:Rep. Gene Derfler, Chair Rep. Kevin Mannix, Vice-Chair Rep. Sam Dominy Rep. Rod Johnson Rep. Bob Repine Rep. John Watt

MEMBER EXCUSED: Rep. Edmunson

VISITING MEMBER:Rep. Ron Cease Rep. Bill Dwyer Rep. Liz VanLeeuwen

STAFF PRESENT: Victoria Dozler, Committee Administrator Johanna Klarin, Committee Assistant

MEASURES CONSIDERED: HB 2527 - Public Hearing and Work Session HB 2643 - Public Hearing HB 2238 - Work Session HB 2487 - Public Hearing HB 2599 - Public Hearing

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TAPE 44, SIDE A

003 CHAIR DERFLER: Opens the hearing at 8:30 a.m.

PUBLIC HEARING, HB 2527

Witnesses:Bob Andrews, Public Employees Retirement System Representative Ron Cease, District 19 Maria Keltner, League of Oregon Counties and Association of Oregon Cities Leroy Churchill, Association of Engineering Employees

CHAIR DERFLER: Opens public hearing on HB 2527.

015 VICTORIA DOZLER: Describes the bill.

025 BOB ANDREWS, PERS: Discusses the following concerns:

-The method of computing the cost as it relates to line 9.

-The time served should be based on active duty rather than the

discharge date.

-Adverse impact on the trust fund.

074 REP. MANNIX: Suggests line 11 to say "any lump sum contribution so made shall be added to the employees' and employers' account in proportionate amounts." Shall we say that?

ANDREWS: Yes.

090 REP. RON CEASE, District 19: Testifies in support of HB 2527.

-I am supportive of this bill if it is not going to negatively impact the system long term.

111 REP. MANNIX: Suggests changing the active date to January 1, 1950.

REP. CEASE: I have no problem with that. If you would do that then I would be included. I did not introduce this bill with the intention to include myself.

125 REP. JOHNSON: If the lump sum would be, for example, \$300 in 1950's, how about any interest that would have accrued?

REP. CEASE: That is something that you would have to consider.

-It is not my intent to make this situation easy for people. It would depend on whether it has merit.

149 MARIA KELTNER, LOC & AOC: Testifies in opposition of HB 2527.

-This would increase employer costs. This would skew the money match benefit calculation.

163 REP. MANNIX: On that point we would take care of that if we made sure that any lump sum payment was divided between the employee and employer accounts.

KELTNER: That would not take care of the interest that might have been lost on those accounts for 33 or 34 years.

REP. MANNIX: We can add a requirement that an 8% annual interest be paid.

KELTNER: That reduces the cost.

168 CHAIR DERFLER: Do you have any other problems with the bill?

KELTNER: No, as long as the costs for local governments don't go up.

174 LEROY CHURCHILL, Association of Engineering Employees: Testifies in favor of HB 252 7.

-Gives some personal background relating to this bill.

-Recommends the committee consider up to four years service.

-Suggests inserting the date of January 1950 in lieu of 1955.

-Discusses the level of patriotiSM in the U.S. at the present time.

233 VICTORIA DOZLER: Reads a letter in support of HB 2527 from David Krug, Ph.D.

[QUOTE]I am writing in support of HB 2527. The media has given a considerable coverage to the fact that a large percentage of the young people serving in the military have selecting that option as the only viable way they have to afford the cost of obtaining college education. This situation is very similar to the situation that many young people have been faced over the years. Many low income young people in order to enter professional careers, such as teachers, civil service, police work and other occupations had to enter the military directly from high school in order to obtain the benefits which enabled them to continue on for a higher education. The situation is in stark contrast to a young person whose family can afford college immediately after high school and goes to work to an employer providing PERS benefits and who was then drafted to the military. The individual drafted after having gone to work to a PERS employer is able to buy back the time spent in the military, while those who entered the military first are unable to do so. House bill 2527 proposes to eliminate this discrepancy and allow all who have served in the armed forces the same opportunity to buy back up to two years credit.[QUOTE]

WORK SESSION, HB 2527

MOTION: REP. MANNIX: Moves to amend line 5 to change January 1955 to January 195 0. Moves to change the HB 2527-1 amendments to read "for the period of active duty service in the armed forces." Moves to add after armed forces "plus 8% annual interest." In addition on line 11, moves to change the "employees' account" to "the employees' and employers' account on a proportionate basis." Line 13, he moves to add the words "active duty service" instead of "service."

292 CHAIR DERFLER: Refers to the word "proportionate"; would that be equal or the normal distribution?

REP. MANNIX: The normal distribution.

300 ANDREWS: We can do that by rule.

REP. MANNIX: If we say on a proportional basis, would that be alright?

ANDREWS: Yes.

REP. MANNIX: Do you have comments on these other amendments?

ANDREWS: Refers to the active duty service. Would the cost be the applicable service that they are purchasing. Is that the intent?

REP. MANNIX: We should put in language to clarify that. Suggests "throughout the applicable or eligible active duty service."

ANDREWS: Suggests the bill to say that one may purchase that active duty service "not to exceed two years."

REP. MANNIX: Suggests inserting "the employee shall have to pay for and shall be entitled to credit of no more than two years." Would that be OK?

ANDREWS: Yes I believe so. That clarifies the issue and we can build a

rule around it.

343 REP. DOMINY: Would you give an estimate what it might cost somebody to buy back those two years?

ANDREWS: Without the 8% it is extremely attractive. With the 8% we could estimate that the money would double in every nine years. Are we looking at the 8% from the time the person went to work for a public employer?

REP. DOMINY: For the person who falls to the very first category in 1950--we are talking about four times the contribution?

ANDREWS: They would have entered public employment in 1960.

380 REP. MANNIX: What if we said "plus 8% annual interest from the date of entry or re-entry in the public employees retirement system."

-The real benefit still is that you are buying into a nice retirement program that will have benefits later on.

ANDREWS: Yes.

392 REP. DOMINY: At what point the person would have to make the decision about purchasing?

ANDREWS: The purchase would have to be made within six months of the effective date of this Act.

REP. DOMINY: So the effective date would be three months after the session?

414 REP. JOHNSON: I thought we wanted to create an ongoing program that would also apply to people in the military now.

ANDREWS: This is not an ongoing program. There is a window of six months.

TAPE 45, SIDE A

003 REP. DOMINY: What would be the impact if we changed this into an ongoing program and remove the window?

ANDREWS: I don't know. We would have to consult the actuary for the anticipated costs.

009 REP. MANNIX: The military pay is different today than what it was in the days of the Korean War.

013 REP. DOMINY: We are excluding the people who are serving in the operation desert storm. Suggests the committee take some time to study the impact if this law was made ongoing.

020 CHAIR DERFLER: We are not going to pass this bill today. We need to get the amendments drafted.

021 REP. MANNIX: This is not a desert storm bill. This an equity bill for the people in the past who had to enter the military service. I would like to evaluate separately current equity issues. This is not meant to be a desert storm bill.

-Proposes to change the earlier motion by adding "from the date of entry or re-entry in public employment", after the phrase "plus 8% interest."

033 REP. DOMINY: I would like to look at the possible impact at the time we have the final work session on this.

040 REP. MANNIX: Reiterates the motion:

-Change January 1, 1950 instead of 1955. -Adopt the HB 2527-1 amendments and add on line 2 "active duty service in the armed forces." -After armed forces add "plus 8% annual interest from the date of entry or re-entry in public employment." -Add on line 11; any lump sum contribution so made shall be added "the employees' and employers' accounts on a proportionate basis." -Line 13, add "the employee shall pay for" and be entitled to credit... -Line 13, change "two years of active duty service" instead of "service."

053 REP. JOHNSON: You changed the date from which the interest would be calculated as being the date the person would become a state employee.

REP. MANNIX: We can leave that out.

REP. JOHNSON: We are trying to give them the opportunity of what they could have done had they been a state employee instead of being in the military. I think we should have the interest come from the date of the military service.

REP. MANNIX: I pull that out from the motion.

062 VOTE: The motions carries 6-0. Representative Edmunson is excused.

PUBLIC HEARING, HB 2643

Witnesses: Bob Andrews, Public Employees Retirement System (PERS) William Beckett, Circuit Judge, Lane County Sheryl Wilson, PERS

070 CHAIR DERFLER: Opens public hearing on HB 2643.

072 DOZLER: Summarizes HB 2643

083 BOB ANDREWS, PERS: The impact on employer contributions would not be significant.

-Refers to line 16, the annual interest rate should be changed to 8% instead of 7.5%.

-Refers to section 3. We suggest you consider language that would clarify that any recomputation of allowance would be exclusive of any adjustments either as a cost of living adjustment or as an ad hoc adjustment.

109 REP. REPINE: I understand cost of living but I am a little fuzzy on ad hoc.

ANDREWS: These occur periodically through special legislative action.

-Refers to line 18. We would be looking at people other than judge members at some period in their employment history.

138 REP. JOHNSON: Do you suggest specific language to address that?

139 CHAIR DERFLER: Could you supply us with your suggestions?

ANDREWS: We do that and get back to you.

152 WILLIAM BECKETT, Circuit Judge, Lane County: He is substituting for Judge Talhoffer. Notes that he is before the committee for information purposes only, not testifying for or against the bill.

-Provides background information relating to retirement benefits of state judges.

-This bill requests to allow us to repurchase part or all of the amount credited to the account.

220 CHAIR DERFLER: Would you leave the first sixteen years in the Judges' Retirement Fund?

BECKETT: No, all would go to PERS. For the first sixteen years we received the identical percentage that we did under the Judges' Retirement Fund when they moved that over into the PERS.

CHAIR DERFLER: The retirement for judges for the first sixteen years is larger percentage wise.

BECKETT: I have not figured it out.

233 REP. REPINE: Would you explain the recomputation of the amount including the cost of living and ad hoc increases?

BECKETT: I cannot answer that one. I am not trying to gain anything over recovering the time period.

254 CHAIR DERFLER: Maybe PERS can enlighten us with regard to this issue. The other question is the 7.5% or 8%.

BECKETT: Compounding the amount over that time period would prevent most of us from repurchasing the entire amount.

269 REP. JOHNSON: This should be based on a compound interest.

CHAIR DERFLER: I believe it is.

REP. JOHNSON: We need to put the word "compound" in this bill.

BECKETT: Gives an example of the retirement amounts from 1950's and 60's. A compounded amount would be considerably more.

318 DOMINY: Asks Mr. Andrews; how do you do the compound interest now?

323 ANDREWS: It is compounded annually at 7.5% by statute.

REP. DOMINY: We wouldn't have to spell out anything different here?

ANDREWS: This particular bill is not tied into the existing forfeiture. Unless it were added to ORS 237.108, you would need to address this particular point.

REP. DOMINY: Was the previous bill we dealt with compounded annually?

ANDREWS: I cannot answer that. I do not recall how the amendment was in there.

REP. DOMINY: Are the current forfeitures, where people have the right to buy back, compounded annually?

ANDREWS: Yes.

359 CHAIR DERFLER: What about the returns?

ANDREWS: I do not have the specific figures.

367 REP. REPINE: Would it be more appropriate to stay at the 7.5%?

ANDREWS: We are still studying this in order to fund the benefit structure.

376 REP. DOMINY: Is this evaluation based on the compounded interest?

ANDREWS: Yes. In my earlier testimony I was just compounding roughly in my mind.

WORK SESSION, HB 2238

384 CHAIR DERFLER: Opens the work session on HB 2238.

386 DOZLER: Summarizes HB 2238. This bill would create a potential fiscal impact against other public agencies.

436 REP. MANNIX: The amendments should stay as they are.

-We are just saying that malefactors out there would somehow have to ante up if they screwed up. I am tired of being driven by etherial fiscal impact statements.

TAPE 44, SIDE B

007 REP. WATT: If the bill would be re-referred to the Committee on Ways and Means, they would prefer not to have the language.

010 REP. MANNIX: We ought to take the risk and do the right thing. He describes a possible case scenario.

-The rule of thumb in prior session has been that if it is less than \$50,000 anticipated fiscal impact, unless it was a direct appropriation, you did not send it to the Committee on Ways and Means.

REP. WATT: I like to point out that we are dealing with someone else's thumb this session.

REP. MANNIX: If someone wants to move this bill and strip out the amendment I leave it up to them.

021 REP. JOHNSON: I was fairly strongly opposed to this amendment. I withdrew my objection after it was pointed out that section 11 only applies to some long-overdue debts in 1987.

032 SHERYL WILSON, PERS: It was in 1986. It has to do with our function as a collector of social security which was terminated in 1986,

and debts prior to that.

MOTION: REP. JOHNSON: Moves to withdraw the amendments and send the bill to the floor in its original form.

043 REP. REPINE: I would like to hear an explanation why, all of the sudden, it is not so important? What has prompted these amendments?

054 REP. MANNIX: This amendment was originally prompted by the equity point; make the bad guys pay.

060 REP. DOMINY: Objects to the removal of the amendments. The committee on Ways and Means can do it themselves if they want to.

069 CHAIR DERFLER: I would accept this motion either way. Personally, I don't think it has enough fiscal impact to make a difference. If we want the amendments then we need to have a subsequent referral to the committee on Ways and Means.

074 REP. WATT: Refers to section 11. Isn't that going to have a fiscal impact upon PERS anyway?

082 CHAIR DERFLER: Any bill we pass would have a fiscal impact.

086 REP. MANNIX: I am perfectly happy to check this with the Ways and Means

Committee.

095 REP. JOHNSON: Removes his motion at this time.

PUBLIC HEARING, HB 2487 (Exhibits A & B)

Witnesses: Representative Bill Dwyer, District 42 David Messerle, Fred Messerle & Sons George Abbot, Oregon Log Truckers Association Representative Liz VanLeeuwen, District 37 Joe Gilliam, National Federation of Independent Businesses Ken Keudell, Construction Contractors Board Garald Derby, Fox Hollow Corporation and Independent Contractors Association Jeffrey Tomlin, Tomlin Insurance Henry Grove Mark Derby, Trust Administrators Inc. Terry Nighswinger Paul Weigel

100 CHAIR DERFLER: Opens public hearing on HB 2487.

107 REP. BILL DWYER, District 42: Discusses the effect this bill would have on SB 1197 (1989 Legislative Session).

-Discusses the effect of SB 1197 has had on families with regard to workers's compensation.

-People don't get married and form families to get out of workers' compensation requirements.

-We give these exemptions to farmers.

-He describes his own family's experience as it relates to this issue.

-Government has no business intervening if one is willing to take the risk.

-One can buy a 24-hour policy covering sickness and injury for much less

than workers' compensation would cost.

-He refers to page 2, line 9. Suggests adding "may elect to be non-subject workers".

201 REP. MANNIX: Refers to page 2, line 9. I assume that you mean officers who have some interest in the company or officer who, while they are family members, have a substantial ownership. Right now there is no limitation on the number of family members who can be officers and there is no requirement that they have any kind of ownership.

REP. DWYER: I want us to go back where we were before SB 1197.

REP. MANNIX: If we say that the number of non-subject officers is not limited, that would mean you could use those exemptions.

REP. DWYER: That is correct.

218 REP. JOHNSON: How far out should the family connection be recognized?

REP. DWYER: The bill outlines that.

REP. JOHNSON: How about cousins once removed?

REP. DWYER: If they are involved and working in the corporation and related by blood or marriage and they happen to be cousins it is OK.

240 REP. MANNIX: How about god-parents?

REP. DWYER: That might work in Italy.

242 CHAIR DERFLER: Do you think we should go beyond blood relations?

REP. DWYER: The decisions that led to SB 1197 were arbitrary not substantiated by any evidence. I pointed out these flaws. I would like to go back to the language in the law prior to SB 1197. It would do justice to all corporations in Oregon.

270 Rep. Dwyer and Rep. Johnson discuss the bill introduced by Rep. Johnson pertaining to partnerships and some of the same issues.

302 REP. JOHNSON: Suggests lumping these two bills together.

303 REP. DWYER: Has no objections.

304 REP. DOMINY: Do you have regular safety committee meetings?

REP. DWYER: I seem to be the only one who gets hurt.

323 REP. MANNIX: How far down the line is considered to be a family member? Are you saying that as long as there is a tip of a branch in a family tree?

REP. DWYER: Gives an example from farming operations.

REP. MANNIX: Are you comfortable if we use the definition applied to farming operations?

REP. DWYER: Yes. In the interest of justice, you should put the

language back to prior SB 119 7.

REP. MANNIX: We will not debate that today. There were frauds being perpetrated by non-related people. He provides an example from the logging industry.

REP. DWYER: There was no direct evidence.

363 DAVID MESSERLE, Fred Messerle & Sons: Testifies in favor of HB 2487 (Exhibit A).

-Discusses double insurance.

-We would like to see this bill retroactive to July 1, 1990.

412 REP. REPINE: Would that be an exclusion if there were any payouts on those premiums?

MESSERLE: There has not been any pay outs.

REP. REPINE: Would that kind of language create difficulties?

MESSERLE: I have no problem with that. Our priority is to exclude ourselves.

REPINE: I assume that prior to the special session, your family had 24-hour coverage?

MESSERLE: Yes.

REP. REPINE: Have you maintained that also because of the nature of the policy along with incorporating workers' compensation coverage for some of the members of the family?

MESSERLE: Yes.

REP. REPINE: Would there be a significant change in the premium value of your health coverage depending if you had or had not workers' compensation coverage?

MESSERLE: No there would not be.

TAPE 45, SIDE B

015 GEORGE ABBOT, Chairman, Oregon Log Truckers Association: Testifies in favor of HB 248 7.

-Discusses the influence of SB 1197 has had on small family owned businesses.

-Many small businesses were forced to close down or operate illegally.

-He would like to see a retroactive position on this bill.

052 REP. JOHNSON: Would the 1990 retroactive date be satisfactory?

057 REP. MANNIX: I have a problem with canceling insurance policies. Suggests an emergency clause and an effective, July 1991 date. Discusses the problems that a lack of a determinate date can cause.

ABBOT: I take anything to get our people off this situation.

083 REP. LIZ VANLEEUEWEN, District 37: Discusses the section where the law states that only two officers can be exempt.

-I had an identical bill drafted.

111 REP. REPINE: Would Rep. Johnson elaborate his idea to Rep. VanLeeuwen?

113 REP. JOHNSON: Discusses HB 3138 which is similar and relates to family situations in partnerships. Do you object to family members in a partnership to be exempted from workers' compensation requirements?

REP. VANLEEUEWEN: Either in a partnership or in a corporation they should be able to do it.

132 JOE GILLIAM, National Federation of Independent Businesses: Testifies in favor of HB 248 7. Most of our concerns have been expressed very well.

-Provides a personal experience relating to this issue.

-Expresses concern about the language with regard to family members to be included.

173 REP. JOHNSON: Refers to HB 3138. Is three times removed a good place to draw a line for including family members?

188 REP. MANNIX: You also need to have a substantial ownership in the corporation and be a director. With these prerequisites, it is OK if he is a third cousin.

GILLIAM: The bill reads "officers", not necessarily directors.

REP. MANNIX: There would be a change in the language.

GILLIAM: I am concerned about the abuse. I am not supportive to opening up the old language.

REP. MANNIX: Neither are we.

216 KEN KEUDELL, Administrator, Construction Contractors Board: Testifies in favor of this bill and also in favor of Rep. Johnson's suggestion of partnerships.

-Discusses the effect of 1989 legislation (independent contractor definition) on partnerships.

-Expresses concern about enforcement and the open language.

-We need to tighten up the definition of a family.

292 REP. MANNIX: Can't you do this through administrative rules by requiring documentation with regard to family ties?

KEUDELL: It would work on the first or second level, but beyond that probably not.

REP. MANNIX: You could have a basic family tree sketched. Could you

suggest some language to us that would make it easier to define a family?

KEUDELL: Some restrictions would not be harmful. I would be more comfortable with "three times removed" than none at all.

364 REP. JOHNSON: Discusses this issue as it relates to small towns and large families.

KEUDELL: I don't intend to appear paranoid about this issue. I don't have a good suggestion for a specific language. This kind of amendments would help to define those legitimate family corporations.

410 REP. REPINE: What is your definition of lineage? Would Rep. Johnson's suggestion address the kind of cases that you review?

KEUDELL: Most of our experiences relate to huSB ands and wives, their sons, daughters and spouses.

TAPE 46, SIDE A

008 GARALD W. DERBY, Fox Hollow Corporation and Independent Contractors Association: Testifies in favor of HB 2487.

-Gives examples of possible problems. We should have a grandfather clause.

-Suggests deleting section 9 (b).

-This is very discriminatory against building contractors.

-Refers to a clause in ORS 656.279 (b) and (c), they should be deleted.

-Discusses health insurance with regard to this bill. We have 24-hour health coverage.

-Discusses an example of a widow.

107 REP. MANNIX: You are getting a bit off the subject. Would you favor us adding a requirement that one has to have a minimum health insurance coverage to qualify for the exemption?

DERBY: Yes I vote for that.

113 REP. MANNIX: Could you focus your testimony on this particular problem? There are a lot of good reasons for the rest of the restrictions in the law.

-Discusses the hearings held during 1989 Legislative Session with regard to this issue and bogus corporations and bogus officers.

-We are not going to go beyond addressing the people who have been affected adversely by these restrictions.

DERBY: I attended some of those hearings during the last session. There is no such thing as a bogus corporation.

REP. MANNIX: I stop debating. Please direct your comments to why this bill should pass.

DERBY: Refers to the phrase "level playing field for the contractors", there is no such thing.

163 CHAIR DERFLER: Recesses the meeting at 10:40 a.m.

175 JEFFREY TOMLIN, Tomlin Insurance: Testifies in favor of HB 2487. Oregon has a very high new business failure rate.

-There is too much red tape for new businesses to deal with.

-Suggests deleting section 9 (b) entirely or defining blood relations as going back to Adam and Eve.

194 HENRY GROVE: I support this bill.

197 MARK DERBY, Trust Administrators, Inc.: My business is not related to this bill. My comments are on behalf of my friends and neighbors in Cottage Grove.

-Testifies in favor of HB 2487 (Exhibit B).

-Does not support retroactive premiums.

-Suggests omitting section 9 (b) and changing the substantial ownership definition to 10% or greater instead of 10% or equal.

-This bill is a step toward the right direction.

251 REP. DOMINY: Would you be opposed to real stiff penalties for those who abuse the law?

M. DERBY: Yes, if you put it in a place where it is reasonable.

REP. DOMINY: Would you support big penalties--\$100,000?

M. DERBY: Generally yes. You would need a hearing for that large of an amount.

REP. DOMINY: We over reacted but I don't want to open this up to something where people are really abusing the system. We should look at ways to help families with a legitimate share of ownership.

M. DERBY: We should do something in the area of definition.

302 TERRY NIGHSWINGER: Supports the bill.

312 PAUL WEIGEL: Supports the bill.

-Discusses the effect of SB 1197 has had on his business.

336 REP. MANNIX: What if we had a provision that took away the family business and says that anyone who has at least a 10% ownership interest and is a director and an officer. Would that cover your situation?

WEIGEL: Isn't that what we had before?

REP. MANNIX: No it said a substantial ownership. How about a specific percentage?

WEIGEL: I think that is an excellent idea. We had a good coverage and

a good safety committee. I would not be opposed to a penalty system you would set up to require carrying a proper coverage.

PUBLIC HEARING, HB 2599 (Exhibits C & D)

Witnesses:Harold Glover, HDG Enterprises Inc. Alan M. Scott, Oregon Workers Compensation Attorneys Association Jerry Van Scoy, Association for Floor Covering Contractors Ed Bryan, The Carpet Company

386 CHAIR DERFLER: Opens public hearing on HB 2599.

390 DOZLER: Summarizes the bill.

399 HAROLD GLOVER, Chairman, HDG Enterprises, Inc.: Testifies in favor of HB 2599 (Exhibit C).

-The bill would classify all carpet layers as subject workers.

TAPE 47, SIDE A

010 GROVER: Continues his testimony.

-We have established a good system with a lot of hard work. This situation needs to be remedied.

055 ALAN M. SCOTT, Oregon Workers Compensation Attorneys Association: Testifies in opposition to HB 2599.

-We don't believe there is a need for further exemptions from workers' compensation coverage.

-We have a problem with shifting the burden from the workers' compensation system to the Contractors Board to make relatively difficult decisions. This should be left in the workers' compensation realm.

-Refers to subsection 7. You are just adding something that I believe is already in the statute. If they are already a sole proprietor, they don't need a workers' compensation coverage.

094 REP. JOHNSON: There are exemptions in the partnership and corporation status where certain types of corporations are not exempted even if they are independent contractors. Adding this clause would supersede that problem.

-This would be helpful for clarifying purposes.

SCOTT: Our purpose for opposing this bill is trying to keep from getting into these phony partnerships and sole proprietors.

-People are trying to fall under these exceptions and get out of having to have workers' compensation.

-This is a lot of pressure to be put on the Contractors Board when this is already being dealt with regularly in the workers' compensation forum.

-We don't have a problem with this as long as everybody agrees that when you have an employee working for you, you have to cover that employee.

130 REP. JOHNSON: There is a problem with different definitions of "independent contractor", we need a unified definition.

-We need to recognize what it takes to meet this definition. He outlines the requirements. If somebody meets all these requirements they should be allowed to decide if they need workers' compensation coverage or not.

157 SCOTT: I want to make sure that there is a record in this committee that if this bill passes, if this becomes part of the law that the intent is that these definitions be followed and that we are not using this as an easy out to beat the workers' compensation system.

173 JERRY VAN SCOY, Association for Floor Covering Contractors: Testifies in favor of the bill.

-Discusses relevant background information as it relates to the reclassification problem.

-He discusses SAIF audits.

-He discusses the confusion among employers.

252 ED BRYAN, The Carpet Company: Testifies in favor of HB 2599 (Exhibit D).

-Discusses confusion in the floor covering industry state-wide.

-Provides examples how his family's floor covering business (The Carpet Company) has been affected by workers' compensation since 1984.

-Discusses disputes with SAIF.

-Discusses his company's experiences with private insurance carriers.

-He reads a January 10, 1991 letter from Liberty Northwest (Exhibit D, page 4).

-He reads a January 28, 1991 letter from the Department of Insurance and Finance (Exhibit D, page 6).

-He refers to a SAIF document (Exhibit D, page 9).

-In conclusion, we find it difficult to understand how our company can comply with the conditions stated by Liberty Northwest. According to SAIF corporation and the Attorney General, it appears that there is no such thing as an independent contractor in the floor covering field.

-What good is a Construction Contractors Board to the state if workers' compensation carriers are allowed to interpret the law in their own individual ways?

448 REP. MANNIX: We will direct this issue to the Labor-Management Advisory Committee for comments.

460 CHAIR DERFLER: Adjourns the meeting at 11:30 a.m.

Submitted by: Reviewed by:

Johanna Klarin Victoria Dozler Assistant Administrator

EXHIBIT LOG:

- A - Testimony on HB 2487 - David Messerle - 2 pages.
- B - Testimony on HB 2487 - Mark Derby - 2 pages.
- C - Testimony on HB 2599 - Harold Glover - 2 pages.
- D - Testimony on HB 2599 - Ed Bryan - 11 pages.