



# DaltonAdvocacy INC

## FWAA INTERIM LEGISLATIVE UPDATE

### Dates of Interest:

Dec. 5 <sup>th</sup>	LC's Returned
Dec. 12-14 <sup>th</sup>	Interim Days
Dec. 21 <sup>st</sup>	PreSession Filing Deadline
Jan. 14 – 16 <sup>th</sup>	Org Days

### 2019 Session Dates of Interest:

Jan. 14 – 16 <sup>th</sup>	Organizational Days
Jan. 22 <sup>nd</sup>	First Day of Session
June 30 <sup>th</sup>	Sine Die

## POLICY UPDATE

### OR-OSHA Agriculture Housing Advisory Group

OR-OSHA convened their initial rulemaking meeting regarding Agricultural Labor Housing on Friday November, 30<sup>th</sup>. The current rules can be found online:

<https://osha.oregon.gov/OSHARules/div4/div4j.pdf> on pages J-7 through J-25.

Q&A from July: <https://osha.oregon.gov/OSHARules/interps/laborhousingmemo.pdf>

### OregonSaves Update

In late November Treasury announced that the OregonSaves retirement program now allows individual Oregonians (including self-employed) to sign up for OregonSaves. There were some concerns this early registration would force small employers to sign up before their designated registration date and begin payroll withholding for one employee. Below reflects a Q&A with treasury staff the DA team had this week:

- **Q: Can an employer refuse to implement payroll deductions if an individual requests to enroll in OregonSaves before the employer's registration deadline?**
- A: Yes. The individual employee can sign up online on their own and then contribute via direct deposit from their bank account. They can ask their employer for a payroll direct deposit, but it is not required. An employee of a wave 4, 5, or 6 employer could sign themselves up now, but the employer wouldn't be obligated to handle payroll deductions for them until their applicable wave arrived. In the meantime, if the employer didn't want to do payroll deductions until then, the employee could simply contribute through their bank account.
- **Q: Can an employer refuse to withhold payroll deductions once they are required to enroll in OregonSaves – requiring all deductions to be done with employee's bank accounts?**

- A: No. If the employer is required to facilitate OregonSaves, they still have to do payroll deductions for anyone who is enrolled. Employees can also contribute through their bank accounts at the same time, but it doesn't change any part of the existing process for auto enrollment and payroll deductions at work for any workplace that facilitates OregonSaves.

Phase-in Effective Dates:

- Employers with 20-49 employees: Dec. 15, 2018
- Employers with 10-19 employees: May 15, 2019
- Employees with 5-9 employees: Nov. 15, 2019
- Employers with fewer than 4 employees: May 15, 2020

**Revenue Reform**

The Oregonian reported that a small group of businesses, including Nike, are meeting with public employee unions and the Governor's office to craft a tax policy package for the 2019 Session. The discussion is focused on two types of taxes: a gross receipts tax or a value-added tax. From the article: "Senate President Peter Courtney, D-Salem, said he doesn't expect the broader business community to support lawmakers' push to raise business taxes. He accused businesses of burning him "very badly" when they stalled Democrats' attempt to pass a gross receipts tax in 2017 by insisting public pension savings were a prerequisite."

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**2019-21 General Fund/Lottery Funds Tentative Budget Released**

The State's budget offices (Legislative Fiscal, Budget and Management, DAS and Chief Financial Office) released a projected tentative General Fund/Lottery Funds budget for 2019-21. The purpose of this budget is to inform Legislators and the Governor of the State's current fiscal position for the coming 2-year budget period if all programs continued at their current funding levels (with inflation) – called Current Service Level budget.

Key Points from Summary:

- Total Available Revenue: \$22.35B General Fund + \$1.28B Lottery Funds = \$23.63 B (5% increase)
- Projected Expenditures at Current Service Level: \$22.77B General Fund + \$1.24B Lottery Funds = \$24B
- Hold 1% Ending Balance
- Results in shortfall of: \$623.2M

View report: <https://www.docdroid.net/G3CTnlv/2019-21-gf-lf-tentative-budget.pdf>

**Governor Brown Recommended Budget**

Governor Brown released her recommended budget (GRB) for 2019-21. This is the second major step in the budget process, after the release of the Agency Recommended Budgets (ARB) earlier this fall. The Co-Chairs and Legislature are not required to follow the recommendations of either the ARB or GRB. The Governor proposed a \$23.6B two-year budget.

The Governor's budget included several revenue raising measures including:

- Agreement to fill the \$623M budget gap for Oregon’s Medicaid health insurance plan (Oregon Health Plan) through mix of fees and taxes on insurers and hospitals + cigarette tax increase (\$700M) and ‘Subsidized Employer Assessment’ - charging businesses with a large share of employees earning wages low enough to qualify for Medicaid.
  - **Subsidized Employer Assessment** – will levy an assessment on employers who do not meet threshold health care contributions on behalf of their workers.  
Revenue Raised: \$119.5 million
  - From the GRB: “In the third quarter of 2017, there were approximately 44,000 Oregonians working more than 30 hours a week at firms with 50 or more employees who were enrolled in OHP, shifting costs to state and federal taxpayers. Public programs that provide affordable health care coverage, such as OHP, are subsidizing some employers who do not provide health care coverage to low-income workers, or whose workers cannot afford the coverage they are offered.
- Broader discussions for a \$1.9B tax package – which would go to Oregon schools. The Governor did not identify a specific revenue package, though did reference the Nike/Union coalition which is discussing a Value-Added or Business-Activity type gross receipts tax.

### Big Picture:

Total Revenue: \$23.8B

Total Proposed Spending: \$23.6B\*

- \$11.8B Education – 50% of Budget
- \$6.3B Human Services – 27%
- \$3.6B Public Safety/Judicial – 15%
- \$382M Economic & Community Dev. – 2%
- \$514M Natural Resources – 2%
- \$154M Transportation – 1%
- \$16M Consumer & Business Services – 1%
- \$850M All Other – 4%

\*Budget discusses a \$2B investment needed in education, but does not identify the specific revenue source.

### Health Care

- Permanent Funding for the Oregon Health Plan
  - Increases Hospital Assessment from 5.3% to 6% of net patient revenue (\$98M)
  - Renews insurance tax at 2% of premium (\$410M)
  - ‘Subsidized Employer Assessment’ (\$119.5M)
  - Tobacco Tax – increase of \$2 per pack + e-cigs + vaping (\$95M - \$346M)

### Natural Resources

- Natural Resource Program Area - \$2,148
  - Governor NR Priorities:
    - Investment in climate change and carbon policy
    - Water quality and infrastructure

- Efforts to eliminate air and water quality permit backlog
- Conservation efforts
- Technical assistance to promote affordable housing in rural Oregon
- OSU Statewides/Extension Centers
  - Experiment Stations Budget = \$66.1M - .6% reduction from 2017-19
  - Extension Statewides - \$47.7M – flat from 2017-19
  - \*\*If \$2B tax package adopted – would result in \$20M to Statewides and Extension Services
- Fire
  - Cost shift for General Purpose Emergency Fund - assumes a shift to an equal cost share between the General Fund and private landowners for large fire costs (currently large fire costs are shared between the General Fund and private landowners up to \$20 million per year and the next \$30 million of costs are born by the General Fund, funded through the General Purpose Emergency Fund)
  - Add a compliance expert to improve reimbursement from FEMA for forest firefighting costs
- Water
  - 23 positions to DEQ to reduce backlog of permits
  - Groundwater basin study
  - Water Supply Development Fund \$15M
  - Water/Wastewater Loan Program: \$15M
- \$700k to implement Wolf Plan
- Climate & Environment
  - \$10.1M TF – 18 positions for Carbon Markets & Policy Division
  - Adopt Cap & Trade Program
  - Adopt “Oregon Environmental Protection Act” – adopting standards of federal Clean Air Act and Clean Water Act into state law
  - Eliminate Dept. of Energy
  - Create a new agency – the Oregon Climate Authority (OCA)
  - OCA would be responsible for implementing cap and trade, greenhouse gas emission reporting, general energy market data and analysis, and other energy programs
  - DEQ - \$485.6 TF – 19% increase
  - Investments in Air & Water Quality permit backlog
  - Coordinator position for Environmental Justice in DEQ
  - GRB recommends extending Ag Workforce Housing Construction Tax Credit and Crop Donation Tax Credit

### **Tax Reform**

- Limit preferential tax rate for specified service businesses (mirror federal deduction) on pass through income
  - Includes financial services, health, law, accounting, consulting, “or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners.”
  - Proposal would establish inflation adjusted thresholds over certain amounts
  - Proposed to raise \$45.9M
- Proposed adding 5 new steps to existing corporate minimum tax structure

- Proposed to raise \$31.3M
- No further details provided – and \$2B tax package specifics not outlined in the GRB

### Other

- \$2M for legal action against the federal government
- \$2.7M for prepaid postage for all ballots
- \$406.1M for housing for families, veterans and chronically homeless
- \$10M for “Baby Promise” – child care for working families
- \$2M for defense counsel for immigrant-Oregonians in removal proceedings
- \$5M for Broadband Infrastructure Fund for rural Oregon
- \$1.1 million for a new Broadband Office with the department.
- BOLI - \$30.4M TF – 5.8% increase
- Pay Equity: “The Governor’s Budget includes the addition of classification and compensation staff to implement pay equity, staff to assist agencies during complex internal agency investigations, permanent staff to support the Workday system and resources to strengthen training practices and workforce development.”
- “In order to support the implementation of the Pay Equity Bill, which expands pay equity protections to Oregonians and creates new obligations for Oregon state government as an employer, the Governor’s Budget sets aside \$15 million for potential costs to state agencies after completing 2018 pay equity study.
- Distilled Spirits/Liquor:
  - \$.50 surcharge approved July 30, 2018 through June 30, 2021
  - GRB includes 5% increase in liquor mark-up = estimated to raise \$21.1M

View Governor’s budget recommendations:

[https://www.oregon.gov/das/Financial/Documents/2019-21\\_gb.pdf](https://www.oregon.gov/das/Financial/Documents/2019-21_gb.pdf)

### **Oregon Agricultural Heritage Program (OAH)**

The OAH, created by the 2017 Legislature, 10-member Commission is gearing up to ask the 2019 Legislature for \$10M. No funds were provided in 2017. OAH was created to address OSU’s research that found that nearly two-thirds of Oregon’s agricultural lands (around 10 million acres) will change hands in the next 20 years and many of those farmers and ranchers do not have a succession plan. The program will provide grants for generational succession and conversation plans. Learn more about OAH here:

<https://www.oregon.gov/oweb/grants/oahp/Pages/oahp.aspx>

### **Pay Equity Rules**

The Oregon Bureau of Labor and Industries has released FINAL rules implementing the Pay Equity law adopted by the 2017 Legislature. Please note the **effective date for this law is January 1, 2019**. As part of the original negotiations, employers were able to include added protections for employers if lawsuits are pursued. Specifically, the law provides protection against compensatory and punitive damages for employers whom perform an Equal Pay Analysis (“an evaluation process to assess and correct wage disparities among employees who perform work of comparable character”). **This analysis must be completed before an action is filed – and accordingly much of this review should be done in advance of the January 1, 2019**

**effective date.** Note there is not a CBA exemption to this law and it applies to all employers, regardless of your size.

View final rules:

[https://www.oregon.gov/boli/WHD/docs/ProposedRules/PayEquityPermanentRuleBLI\\_22-2018.pdf](https://www.oregon.gov/boli/WHD/docs/ProposedRules/PayEquityPermanentRuleBLI_22-2018.pdf)

## POLITICS

### **Caucus Leadership**

**House Leadership:** After the elections each caucus set out to elect their leadership for the 2019 Session. We saw little change in the House Democrats, with **Speaker Tina Kotek and Majority Leader Jennifer Williamson retaining their positions.**

House Republicans announced early that Rep. Mike McLane would not seek his post as Minority Leader again, opening the position. New leadership was selected: **Republican Minority Leader Rep. Carl Wilson, Deputy Minority Leader Greg Barreto and Caucus Whip Rep. Sherry Sprenger.**

**Senate President Peter Confirmed to Hold Leadership Post:** Perhaps most closely watched was the Senate Democrats two-day caucus retreat where Senate President Peter Courtney and Senate Majority Leader Ginny Burdick faced public challenges from their new progressive/liberal members of their caucus. At issue is Senator Courtney's long-standing practice of requiring 16 YES votes to be identified before a bill advances to the floor and often a requirement that at least one Republican support the bill. This practice has moderated much of the policy that reaches the Senate floor. The call from his progressive members in advance of the meeting was scrap this rule or lose your leadership posts. **Senator Courtney and Senator Burdick retained their leadership posts. Senator Courtney will need to be confirmed as Senate President once the 2019 Legislature convenes.**

Senate Republicans will not convene until mid-December to elect their caucus leader.

### **Senate Co-Chairs Appointed**

Senate President Peter Courtney appointed "Co-Co"-Chairs to lead the powerful Joint Ways and Means Committee. Sen. Betsy Johnson-D, Scappoose and Sen. Elizabeth Steiner Hayward-D, NW Portland/Beaverton will lead the committee with House Co-Chair Rep. Dan Rayfield-D, Corvallis. Having two Senators share the role is a rare situation. It is yet to be seen if the Senators will divide budget areas or share the role in its entirety.

Committee Chairs for the Senate and House have not yet been announced (including whether or not Senator Johnson and Steiner Hayward will continue to keep their current gavels on the Transportation and Economic Development and Human Services Subcommittees).