



2011
ORLA
LEGISLATIVE
REPORT

A GOOD SESSION FOR THE HOSPITALITY INDUSTRY

For the first time ever in the history of the Oregon House of Representatives, there were Co-Speakers leading the Chamber. A few years back, however, the Oregon Senate had a party affiliation split of 15-15. So what do the two legislative sessions have in common? The answer is that the hospitality industry fared well in both legislative sessions.

The biggest benefits this session were increased tourism promotions and no tax increases. There was also a change in the Oregon tax code allowing businesses to accelerate the depreciation schedule if they purchase new equipment. These are all actions that will hopefully help our industry grow and rebuild business.

One thing for sure about the 2011 Legislative Session was that the close numbers of Democrats and Republicans created a more open discussion, as compared to last session where Democrats had super majorities in both chambers.

Another positive product of the session was that the business community worked together better than they have in recent years, forming a group called the "Oregon Committee." The Oregon Committee, composed of trade groups and Oregon employers, met every Wednesday to focus on job creation and economic development proposals. The Oregon Restaurant & Lodging Association was a very active partner in this process to organize the business community.

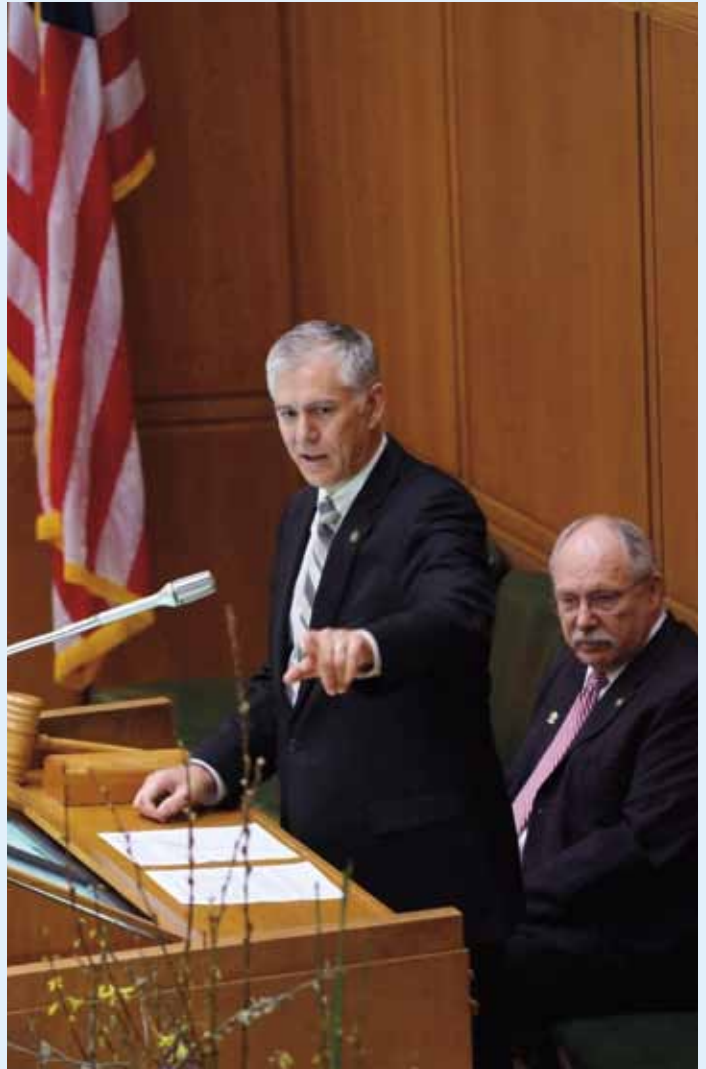
The following pages illustrate the diverse issues that came up during the legislative session. There are about 3,000 bill proposals introduced each session, and ORLA usually tracks over 400 of them that have a direct impact on our industry.

As you look at the list of bills – and study what bills passed and failed – I think you will agree this was a good session for the hospitality industry. While there certainly are areas that need to be addressed and improved, ORLA made some strong progress to try and rebuild the economy and fend off threats to business in Oregon.

I know the efforts to benefit our members by ORLA CEO Steve McCoid, Public Affairs Director Kara Thallon, Government Affairs Coordinator Glenda Hamstreet, Political Coordinator Christine Drazan and Session Intern Breanne Tusinski are not always noticed by everyone, but I'd like to recognize their work. We also had ORLA members take time away from their business to come to Salem and testify on behalf of the industry. This all plays into the success of the session. So thank you to all of you that helped make the 2011 session a tremendous improvement over last session, and hopefully an improvement in the economic future of our state as well!



- Bill Perry
Vice President of Government Affairs
Oregon Restaurant & Lodging Association



Co-Speakers Bruce Hanna and Arnie Roblan preside over the Oregon House of Representatives. The 2011 Legislative Session was the first session in Oregon's history to have co-speakers at the helm.

2011 ORLA LEGISLATIVE REPORT



During the 2011 Oregon Legislative Session, the Oregon Restaurant & Lodging Association (ORLA) Government Affairs team monitored more than 400 different bills of interest concerning our industry and our members throughout the six month-long session in Salem. The following is a summary listing of several bills tracked by ORLA.

TOURISM & LODGING

Tourism promotion was a big winner this legislative session. ORLA sponsored a bill to help small venues like amphitheaters, baseball parks and rodeo arenas attract more summertime events by allowing additional sponsorship and advertising dollars.

There is no dispute that tourism is an economic generator for our state. In addition to the dollars spent by tourists and travelers, Oregon is now enjoying an uptick of film and television production within our state. The film and television industry is a bright spot for Oregon's economy, creating family-wage jobs and providing increased sales and long-term contracts for lodging, restaurants and other small businesses throughout Oregon. ORLA worked hard to secure the Film & TV Production tax credit and find new funding mechanisms for the tourism industry to stimulate economic growth.

2011 was a repeat of years past and all about the lodging taxes. With cities and counties growing desperate from lack of funds, there was a plethora of bills introduced this session to repeal tourism fund allocations and raise lodging taxes. The League of Oregon Cities, and local government advocates, pushed for a repeal of the legislation that protects tourism promotion dollars.

In 2003 our industry fought hard and helped pass a bill requiring 70 percent of revenues from any new or increased local transient lodging tax (TRT) to be used exclusively for the promotion of tourism and tourism-related facilities. Bills introduced on this subject asked the legislature to repeal the preemption and free-up cities to have unrestricted use of the revenues. ORLA's continued support of the preemption made this easier to defend this session and there was hardly any discussion on the bills to increase the statewide lodging taxes.

Tourists and travelers spent \$8.7 billion in 2010 alone in Oregon, a large portion of which went directly to lodging and dining. Guests who stay overnight spend more money in local communities, making up nearly one half of all visitors' spending in Oregon. ORLA worked hard to show legislators that room taxes are generated by the visitor industry and shouldered by the lodging industry, and that revenues should be reinvested back into tourism promotion to drive increased room nights and increased visitation.

SB 669 – Small Venue Alcohol Advertising

Position: Supported | Result: Passed

A major bill introduced this term was SB 669, which allows a wholesaler or manufacturer of alcohol to purchase advertising space from small venues licensed by the OLCC, as long as the licensee has at least 3,000 fixed seats. This bill passed, which will allow not only advertising at the venues themselves, but also allow bands, concert series and shows with national sponsorships from name brands to play these venues. By attracting more of these shows to our state, we could see more tourism and revenue. SB 669 was a collaboration of industry members, tourism partners and OLCC, and it passed with 29 ye votes in the Senate and 47 in the House.

SB 442 – Wine Country License Plate

Position: Supported | Result: Passed

This bill creates an Oregon wine country license plate program. Oregonians may now show their pride for our wine country along with the salmon and Crater Lake by purchasing a wine country license plate. The proceeds from the sale of the wine country plate program will go to the Oregon Tourism Commission (Travel Oregon) to promote wine and culinary tourism. One-half of the funds will be distributed to tourism promotion agencies in amounts proportional to the amount of acreage in each region used for wine and grape production. This plate will help strengthen the economic impacts of the state's \$8.7 billion annual tourism industry.

HB 3672 – Film & Video Production Tax Credit

Position: Supported | Result: Passed

Film and video production in Oregon brings in hundreds of millions of dollars a year for our economy, while providing employment and bringing more revenue for small businesses, as well as providing an increase in tourism. This economic activity happens despite the fact that there are over forty states competing with Oregon for this work through their own incentive programs. Though Oregon does its fair share of film and video production, its incentive program ranks in the lower third compared to other states. The Oregon Production Investment Fund gives some reimbursements to local filmmakers, as well as gives tax credits and labor rebates to certified film production. In the final days of session, the film and video tax credit was included in HB 3672, a comprehensive tax credit bill. The positive outcome serves to not only extend the sunset on both film production labor rebate certificates and tax credits for certified film production development contributions, but also provides reimbursements from the Oregon Production Investment Fund.



Representative Shawn Lindsay



Representative Jason Conger

Representatives Lindsay and Conger were two shining stars of the 2011 freshman class in the Legislature, making an impact as advocates for small business with a strong understanding of labor law.

SB 307 – Lodging Tax Purpose Allocations

Position: Opposed | Result: Died in Senate

Finance/Revenue Committee

During the 2003 session, the legislature passed House Bill 2267, which allowed local governments to impose a new or increased transient lodging tax only if the new or increased tax is allocated with at least 70 percent of the net revenue being used to fund “tourism promotion or tourism-related facilities.” No more than 30 percent of the net revenue could be used to fund general government services. The 2011 session saw the introduction of SB 307, which proposed a change to the 70/30 preemption language by allowing non-tourism related services to be included. This bill would have drastically altered the room tax at the local level, allowing local governments to “fund city or county services,” such as road maintenance and fire services, with no regard to re-investment in the lodging industry.

SB 694 – Uniform Lodging Tax Collections

Position: Supported | Result: Died in Senate

Finance/Revenue Committee

Proposed SB 694 would have applied a statewide standard for the rate at which lodging taxes are calculated and paid to state and local governments. Currently, some rooms booked online do not pay the same taxes as the retail rate paid by consumers. Typically, online travel companies choose to calculate state and local hotel occupancy taxes based on the wholesale cost they pay to a hotel for a room, rather than the retail price they receive from the customer. SB 694 would have established a statewide rate for rooms taxed in Oregon, and would have leveled the playing field on taxes paid and prevent targets on local communities, which could harm both the industry and the State. Though this bill did not pass during the 2011 session, ORLA will continue to fight against these unfair tax practices.

HB 2554 – Transient Lodging Tax Rate Increase to 6.29%

Position: Opposed | Result: Died in House

Business/Labor Committee

This bill would have increased the statewide lodging tax from 1% to 6.29 percent. This approach is similar to the beer tax debacle last session where overnight this tax, which was agreed upon during the 2003 Legislative Session, would increase by over 500 percent. An increase like this would greatly harm tourism in the State of Oregon in addition to the lodging industry. ORLA was successful at making sure this bill never even had a hearing.

LABOR

ORLA introduced and passed one major industry-specific labor bill this session that dealt with meal period waivers for tipped employees. The formerly-approved program to allow for waivers was set to sunset at the end of this year, so ORLA proposed legislation that would ensure continuation of the waiver option. If the legislature would not have acted to approve, the program would have dissolved.

Given the outcome of the 2010 elections and the evenly split chamber in the House of Representatives, all of the House committees had co-chairs, and therefore did not deal with many of the anti-business bills. The one “big labor” victory came with a proposed rule to increase OSHA fines by over 40 percent, a rule that was brought forth by the Agency itself. ORLA and other business groups went to the budget committee members and the Governor’s office and asked policymakers to get the agency to “back off” the fine increases. OSHA did not move forward with the increase.

HB 2240 – Meal Period Waivers for Tipped Employees

Position: Supported | Result: Passed

The passage of HB 2240 repeals the sunset on provisions that allow employees that serve food and beverages, and receive and report tips, to waive their meal periods. It also prohibits employers from coercing employees to waive meal periods. Previously, it was required that servers take a meal period somewhere during the middle of their shifts. However, many servers get a majority of their income through tips from customers, and typically the highest revenue generating time is in the middle of a server’s shift. Taking a required break can often result in lost income for that particular employee. This law, extending the current one which passed in 2007, allows servers to voluntarily waive their allotted meal periods, ensuring they will not lose a portion of their income.

HB 2973 – E-Verify Program

Position: Opposed | Result: Died in House Judiciary Committee

HB 2973 would have required an employer to verify the legal status of an employee through the federal E-Verify program prior to deducting expenses related to worker’s employment from Oregon taxable income. The federal E-Verify program is operated by the Department of Homeland Security (DHS) in partnership with the Social Security Administration (SSA). Its purpose is to verify the employment eligibility of new hires in an online database by comparing an employee’s I-9 form against both the DHS and SSA databases. However, due to system flaws and high additional costs,

only 1 percent of the 7.4 million employers in the United States use the E-Verify system. Additionally, E-Verify has the potential to harm workers who are falsely denied work due to system error, and may lead more employers to operate “under the table” or prompt more identity theft and fraud. ORLA believes that E-Verify will only lead to more problems and burdens for Oregon business owners. It only serves to over-simplify the immigration issue and does not address the problem as a whole. Instead, ORLA urges legislators to push for comprehensive immigration reform on the federal level.

HB 3030 – Volunteer Golf Course Marshals

Position: Supported | Result: Passed

HB 3030 exempts certain individuals that provide volunteer golf course marshal services from minimum wage standards. ORLA introduced this bill on behalf of independent golf course owners throughout the state. This legislation allows courses to offer retired golfers a chance to trade being a part-time player assistant for free golf.

SB 506 – OFLA Bereavement Leave

Position: Opposed | Result: Died in House

Business/Labor Committee

This proposed legislation added unpaid bereavement leave as a protected form of leave under Oregon’s Family Leave Act (OFLA). If the bill would have passed, Oregon would be the first state to grant this benefit under family leave law.

HB 3122 – Equivalent Employment Position after Family Leave

Position: Supported | Result: Died in House

Business/Labor Committee

HB 3122 would have established that an employee returning to work after taking family leave is entitled to be restored to an available equivalent position instead of being restored to the same position of employment held by employee before taking leave.

HB 2905 – Family Leave to Employee for Child’s Academic Activities

Position: Opposed | Result: Died in House

Business/Labor Committee

This bill would have required employers to grant 18 hours of family leave per year for the purpose of employees attending or participating in academic activities at their child’s school. Part-time employees would have been eligible based on a percentage of full-time work.

HB 2243 – Attorney General Prosecution of Employment Law

Position: Neutral | Result: Died in Veterans Affairs Committee

This bill would have allowed the Attorney General to begin to prosecute and enforce Oregon employment laws alongside BOLI for members of the armed forces. ORLA believes that one agency should be in charge of all labor law enforcement.

SB 219 – Loans for Companies that Hire Workers

Position: Supported | Result: Passed

SB 219 establishes the Oregon Business Retention and Expansion Program within the Oregon Business Development Department (OBDD) for the purpose of making loans to “certified” employers. The loans are available to companies with 150 or more employees who plan to hire at least 50 new full-time employees whose compensation will average at least 150 percent of the state or local average. Under this bill, the OBDD Director may transfer up to \$4 million of moneys available in the Strategic Reserve Fund to the new program during the 2011-13 biennium.



ORLA’s Bill Perry, Steve McCoid and Kara Thallon discuss key issues with House Republican Leader and ORLA member Kevin Cameron.



Senator Floyd Prozanski



Representative Matt Wand



Representative Wally Hicks



Representative Chris Garrett

For many of the bills ORLA tracked this session, the most active committees were the Judiciary Committees. Senator Prozanski and Representatives Wand, Hicks and Garrett proved to be strong industry advocates on many of the critical issues.

ALCOHOL

This session, as usual, there was a large variety of introduced bills targeted at liquor licensing and the Oregon Liquor Control Commission (OLCC) that required ORLA's attention. Some bills were good, others not, and some we've seen in previous years. In all, there were close to 100 bills relating to alcohol being tracked by the ORLA G.A. team this session. Though many bills did not see the light of day, such as sobriety checkpoints and local control of liquor licenses issued, a large number of bills did make it to floor vote, and a number of them passed in our favor.

A common theme among alcohol bills introduced this session included a larger role of government in liquor control. With the intention to remove a portion of OLCC's authority, some of the bills – a few of which passed – sought to allow local governments to step into a regulatory role in areas it believes OLCC may not be performing adequately.

HB 3295 – Alcohol Impact Control

Position: Opposed | Result: Died in House Judiciary Committee

Perhaps the biggest example of the move towards local control came in the form of HB 3295, which stems from recent violence near bars in Portland, though not necessarily inside these establishments. In the event of an incident at or near an establishment, this bill would have allowed city officials in Oregon to close the establishment without any due process or burden of proof. Believing OLCC cannot govern effectively, this is local government's proposed solution to problem establishments – though adding unnecessary laws only serves to hurt the industry and compliant, problem-free licensees. This type of law does not expedite the process to close establishments or restrict licenses, and will actually put a further burden on OLCC. Though this bill did not move successfully, pieces of the bill continued to be reintroduced throughout the session to no avail, and the bill itself may return in 2012. This bill is a priority for the City of Portland, so it will likely be an issue that we will continue to fight.

SB 878 – DPSST Certification Exception

Position: Supported | Result: Passed

Before the passage of SB 878, any employee of an OLCC liquor license holder that performed the task of checking drivers' licenses and restricting access, such as waitresses and ushers, were required to

undergo training certification by the Oregon Department of Public Safety Standards and Training, even if these employees were not taking enforcement action or detaining persons. This rule became one of the biggest reasons for OLCC ticket writing, and created a serious hindrance to employees that should not have been required to undergo the training in the first place. SB 878 creates an exception to private security professional licensing requirements to persons employed for controlling access by a licensee of OLCC.

HB 2148 – Responsible Vendor Program Expansion

Position: Supported | Result: Passed

The Responsible Vendor Program is a volunteer program managed by the OLCC. Its purpose is to reduce underage drinking, encourage the adoption of best practices to prevent alcohol sales to minors, and provide licensees with an incentive to provide employees with ongoing training in responsible sales and service. The statutes that regulate the Responsible Vendor Program limit participation to holders of full or limited on-premises sales licenses, off-premises sale licenses, or temporary sales licenses. HB 2148 removed the restriction and clarified that a holder of any type of OLCC-issued license that authorizes the sale of alcoholic beverages can participate in the program. Examples of these license classes include brew pubs, breweries, and wineries.

HB 2750 – Allows Alcoholic Beverage as Ingredient in Culinary Art Classes in Schools

Position: Supported | Result: Passed

Current law prohibits providing alcoholic beverages to individuals under the age of 21 with the exception that parents or guardians may do so in a private residence. HB 2750 adds exception for secondary school student participants in culinary arts classes. The measure allows school districts to adopt policies that specify limited circumstance in which alcohol may be used, require adult supervision, secure storage and require written parental permission for student participation. Students whose parents do not consent are provided an alternate project. This bill will allow high school ProStart (ORLA's Culinary Program) students in Oregon to cook with alcohol under these provisions. This has been a disadvantage for Oregon students in years past when competing nationally against states whose laws allow cooking with wine, etc.

HB 2149 – \$750 OLCC Initial Application Fee

Position: Opposed | Result: Died in House

Business/Labor Committee

HB 2149 would have allowed a non-refundable application fee of \$750 on any person seeking an initial license from the Oregon Liquor Control Commission. This fee would not apply to anyone who already had a license looking to expand; it only applied to new applicants. ORLA had discussions early in the process of lowering this amount to \$400 and in return the OLCC would process the application within 60 days. In addition the funds would be used to increase enforcement, however these amendments did not make it into the final version of the bill. This bill never moved out of committee, but the concept will most likely be back next session.

HB 2361 – Penalty Standards for Over Serving Alcohol

Position: Supported | Result: Passed

HB 2391 eliminates the “culpable mental state” requirement for violations issued when an OLCC permittee allows an intoxicated person to continue consumption. Currently, different standards exist for penalizing individuals and licensed servers who over-serve a patron. Individuals who are not service permittees are held to the criminal standard of strict liability if they sell or serve alcohol to an intoxicated individual, while licensed servers are only issued an administrative ticket by OLCC, unless they prove the server “knowingly” sold to the person. This standard for a ticket requires evidence that the server knew the person was exhibiting signs of intoxication and served the alcoholic beverage anyway. This promotes an incentive for service permittees to avoid paying close attention to their customers’ intoxication levels. This bill, which passed with 56 ayes in the House and 28 in the Senate, is a logical amendment that would use the same strict liability for individuals and licensed servers, as well as promoting responsible management and service of alcohol.

HB 2716 – Restricted Number of Licenses

**Position: Opposed | Result: Died in General Government/
Consumer Protection Committee**

HB 2716 was written to allow local governments to adopt a “quota” on the number of OLCC licenses within a city, county or neighborhood of the jurisdiction that OLCC may license for alcohol sales or service. The goal of this bill is to control “saturation” by putting licensing control within the hands of local governments. However, this bill is too restrictive in allowing these limits to be set by geographical areas, and with no statewide management, this plan could just push problems around the city to a different area or neighborhood. Neither ORLA nor OLCC supported this bill, as it could lead to arbitrary liquor licensing decisions and would undermine statewide consistency. And, especially in tough economic times, this type of legislation would arbitrarily stop business development in high growth areas without addressing alcohol problems from a global perspective.

SB 36 – OLCC Local Government Recommendations

Position: Neutral | Result: Passed

This bill started the session allowing local governments to deny OLCC license renewals; the bill was later amended to address concerns brought forth by ORLA. The final bill product changed to include a few specific convictions that could count against a renewal to allow more types of penalties, but requires that the penalties be related to the service of alcohol. An example is that all felonies would count against the license, although with the bill changes both felonies and misdemeanors count, but only if they are related to the service of alcohol.

SB 661 – ID Check on All Alcohol Purchases

Position: Opposed | Result: Died in Senate

Business/Transportation Committee

SB 661 would have allowed the Oregon Department of Motor Vehicles to “tag” drunk drivers. This bill shows up every session, and the premise of the legislation is that it requires drivers’ licenses or identification cards issued by the Department of Transportation to indicate if a person is convicted at least two times of driving while under the influence of intoxicants. It also requires licensees of OLCC to check the identification of all persons before selling or serving alcoholic liquor, and not sell to anyone with the notation on their driver’s license. The bill also directed the OLCC to cancel or suspend the liquor license of certain licensees who knowingly sell alcoholic liquor to a person prohibited from purchasing alcoholic liquor under this act.

In essence, if this bill had passed, it would have removed the liability from the person committing the crime, and placed it on the business owner.

HB 3280 – Winery Activities Expansion

Position: Supported | Result: Passed

HB 3280 makes new provisions for what kind of activities can occur on the property of a winery. This new law will permit wineries to operate a restaurant in which food is prepared for consumption on the premises, conduct events and activities that have a primary purpose of promoting the winery, and also allows wineries to have 25 days of non-marketing events, such as celebratory occasions or facility rentals. Activities and events at wineries directly relate to the marketing of wines and the Oregon wine industry, which will increase tourism and revenue to the state. However, this bill is thought to be less than perfect and the issue will continue to be discussed throughout the interim.

HB 2590 – Two-Year Licensing by OLCC

Position: Supported | Result: Died in House

Business/Labor Committee

HB 2590 would have allowed the OLCC to issue a two-year OLCC license under certain circumstances. While the bill is not necessary due

to the fact that the OLCC has the ability to issue two-year licenses by rule, ORLA is hopeful that the OLCC will implement this proposal through administrative rule later this year. HB 2590 was introduced by a few legislators that are frustrated that OLCC has not acted on the multi-year license option since the legislature passed the law in 2007.

HJR 25 – Sobriety Checkpoints

Position: Opposed | Result: Died in House Rules Committee

This bill authorizes sobriety checkpoints for law enforcement purposes. Though sobriety and safety are a very important issue, local governments tend to use these checkpoints to harass local bars and restaurants. Governments will unfairly target establishments that serve alcohol by stationing a police officer outside the door to the establishment. This results in greater liability, as well as lost revenue, as customers will not want to drink somewhere that an officer is stationed at. To reduce incidents of drunk driving, governments should seek alternative methods, ones that do not unfairly target the restaurant industry.

SB 764 – Alcohol Impact Area Set by Population

Position: Opposed | Result: Died in House

Business/Labor Committee

Senate Bill 764 would have authorized OLCC to adopt a rule declaring an alcohol impact area upon petition by a representative of a municipality having a population of 50,000 or more people. These alcohol impact areas would ban wine, beer, and spirits within the area, seeking to create “safer” cities and towns. However, these impact areas would only drive problem drinkers outside city limits, and would negatively and unfairly impact both responsible consumers and restaurants that serve alcoholic beverages. Currently there are no alcohol impact areas in the state of Oregon, however, the City of Portland is petitioning OLCC to have an impact area created for the downtown region. Due to Portland’s petition, this will continue to be an issue ORLA will watch in upcoming sessions.

LOTTERY

Oregon’s Video Lottery program is still recovering from the down economy and the 2007 ban on smoking in bars. While there are signs of slight increases in sales, both the State and Lottery retailers are still working to bring the program back to levels that provide revenue to the State and stability and jobs to the retailers.

HB 2720 – Lottery Compensation Survey

Position: Opposed | Result: Died in House

Business/Labor Committee

Every time the video lottery contract comes up for renewal, it gets more contentious. The Legislature continues to introduce bills to lower commissions, but to this point none have made it to the floor of either chamber. Lottery has been one of the most consistent revenue sources for the state of Oregon and its schools since it began in 1984, and has since become one of the most successful lotteries in the country and has the lowest commission rates for retailers in the United States.

It has been the practice of the Lottery during every past contract negotiation to find a way to capture as much of the increased lottery sales and not increase the dollar amounts going to lottery retailers. Proposed HB 2720 tried to force the lottery into conducting a study that eliminates certain economic factors considered in a comprehensive economic analysis, and to try and achieve a desired political outcome rather than attempting a true economic analysis. ORLA opposed HB 2720, which ultimately failed in committee, and insists that lawmakers should protect the lottery system as it exists today. Trying to limit lottery considerations for market analysis by statute does not protect the state’s revenue source, and runs a larger risk of costing state programs much needed revenues.

HB 3124 – State Police Recommendations on “Gray Machines”

Position: Supported | Result: Passed

This bill originally started out excluding certain amusement devices from the definition of “gray machines.” The State Police recently started writing tickets to some restaurant establishments for having electronic gaming devices, even if you could not wager on the outcome of the game. The final version of the bill ended up directing the Oregon State Police to convene a work group. The task of the group will be to develop recommendations relating to certifying that amusement devices in OLCC-licensed premises are not gray machines. The legislation also requires the work group to report to an interim legislative committee related to criminal justice on or before July 1, 2012.



Bill Perry testifies before the House Business and Labor Committee in support of HB 2240, which allows servers to waive their meal periods. Mike Bennett from Shari’s Management Group also provides expert testimony on the bill.



Senate President Peter Courtney discusses the Oregon Health Insurance Exchange with Bill Perry in the halls of the Legislature.

HEALTH

Health care reforms in Oregon were necessitated by requirements in the Affordable Care Act and a huge budget hole in Human Services. The federal requirements were met with the passage of Oregon's health benefit exchange and agreement to spend federal technology grant dollars. The budget hole was addressed with the Governor's plan to change how Oregon pays for those in Medicare and Medicaid programs. This legislation, HB 3650, was first vetted by a large cross-section of health care industry leaders and legislators, before negotiations began in earnest behind closed doors while the bill sat in a Ways and Means subcommittee. The bill directs the Oregon Health Authority to create Coordinated Care Organizations (CCO) for Medicare and Medicaid patients. The new CCOs receive a set fee from the state to provide all health care needs for its enrollees, thereby giving the state budget certainty, while shifting the risk to the CCOs. Before Oregon can implement structural changes they will have to receive a federal waiver for Oregon to change from a managed care setting to Coordinated Care Organizations.

Governor John Kitzhaber said HB 3650 will "shift the focus and financial incentives of Oregon's healthcare system from after-the-fact acute care to prevention, wellness and community-based management of chronic conditions." Legislators plan to address the issue more thoroughly in the 2012 Legislative Session.

SB 99 – Health Insurance Benefit Exchange

Position: Supported | Result: Passed

SB 99 creates Oregon's health benefit exchange as a public corporation with a nine-member board and an executive director. This new law requires the exchange to create a business plan, which must be approved by the 2012 Legislature before the exchange can become operational. Other components of the legislation are that it creates an Individual and Employer Consumer Advisory Committee; maintains dual insurance markets; provides information to assist individuals and small businesses in making informed health insurance decisions (including grade of each health plan, quality and enrollee satisfaction ratings, and comparative costs, benefits and provider networks of health plans). The Exchange will offer an electronic calculator that

allows individuals and employers to determine the cost of coverage after deducting any applicable tax credits or cost-sharing reduction and will provide employers with the names of employees who end coverage under a qualified health plan during a plan year.

Beginning in 2014, individuals and businesses with 50 or fewer employees will be able to purchase insurance through Oregon's exchange either online, through insurance agents or newly established entities called navigators. In 2016 employers with 51-100 employees may purchase through the exchange. The legislation also creates fees from 3-5 percent to pay for exchange operations, and mandates products sold inside and outside the exchange must be offered for the same premium.

HB 2644 – Sugar-Sweetened Beverage Tax

Position: Opposed | Result: Died in House Revenue Committee

This bill would have created a tax on the sale of sugar-sweetened beverages and concentrates around the state. In addition to soda, the proposal would have included juices, sports drinks and flavored waters, and is an attempt by the Legislature to regulate the amount of unhealthy foods people consume. HB 2644 would have also created a hardship for many restaurants and other retailers that sell fountain drinks or bottled beverages, as the bill introduces a tax at the first sale to both customers and retailers. Though HB 2644 did not pass during the 2011 session, it is likely the issue will be considered by Multnomah County, and possibly reintroduced during the 2012 session.

HB 3223 – High-Calorie Warning Labels

Position: Opposed | Result: Died in House Health Care Committee

HB 3223 would have required special warning labels be placed on containers of high-calorie beverages sold or offered in the state. Because many beverage products that fit this description are made outside of the state, manufacturers are often unwilling to foot the bill for special labels. This results in the cost being placed on the operator or retailer, and often the consumer as well. Businesses right now cannot afford to lose revenue due to the high cost of specialty warning labels.

These elected officials served as key bipartisan players, taking some votes opposite party positions in an effort to create jobs and improve Oregon's economy.



Senator Frank Morse



Senator Chris Telfer



Representative Jeff Barker

EDUCATION

SB 242 – Higher Ed Coordinating Commission

Position: Supported | Result: Passed

SB 242 changes the Oregon University System status from state agency to public university system under a newly created Higher Education Coordinating Commission, which is under the control of the Oregon Education Investment Board. The Higher Education Coordinating Commission will include 15 members appointed by the Governor and confirmed by the Senate, including two representing small business and two representing large businesses. This bill also removes requirements for OUS to use certain state services or receive expenditure limitation approval from the Legislature. SB 242 allows OUS to keep interest earned off tuition, and to purchase property and construct buildings without legislative approval. Additionally, this bill creates higher education performance compact agreements with state of Oregon to receive state funding, and maintains employees as state employees for purposes of collective bargaining and PERS.

TAXES

The tax discussions during the 2011 session were far better from a business perspective than in the past session. There was little push for removing the local protections on lodging taxes or increases in beer taxes. The tax on corn syrup got printed, but that was about it for momentum in the legislature.

Most of the discussions were about “big picture” tax reform – which was actually constructive and should help build momentum for future considerations. The biggest topic was a plan put together by Senators Ginny Burdick (D-Portland) and Frank Morse (R-Albany). The proposal tried to address three basic fundamental flaws in Oregon’s tax system with the following ideas:

- Oregon’s tax rate on capital gains is uncompetitive and counterproductive for investment and job growth. This rate must be lowered substantially, and the target was 5 percent.
- Modify the state’s reserve fund by creating a method for making regular general fund deposits into the fund during times of economic growth. Encourage the legislature to put money in savings when times are good.
- A portion of the kicker monies would be directed into the reserve fund account contingent on general fund deposits into the fund.

The Burdick-Morse Plan did not succeed this session because it was hard for the business community to unify around the proposal. Additionally, the unions fought anything that would reduce taxes or take funds from the budget system during times of growth. Expect to see some or all of the discussion items contained within the tax reform plan return either in a ballot initiative or during the next legislative session.

SB 301 – Oregon’s Reconnection to Federal Tax Code

Position: Supported | Result: Passed

This bill may have been the biggest defining moment of the session. SB 301 restores the connection to the Internal Revenue Service Code for provisions relating to bonus depreciation, Section 179 expensing and cancellation of indebtedness income (beginning on or after January 1, 2011). Oregon House Democrats tried to fight the reconnection to the federal tax code, which would have cancelled the nearly \$100 million benefit to businesses in Oregon. However, two Democratic Representatives, Jeff Barker (D-Aloha) and Mike Schaufler (D-Happy Valley) voted with the House Republicans to restore the agreement. The bill ended up sailing through the Senate and was signed by the Governor.

HB 3262 – Beer Tax

Position: Opposed | Result: Died in House

Human Services Committee

Similar to proposals in years past, this bill would have implemented a beer tax and given a small portion of the revenue to addiction treatment and prevention programs. This time the amount was never actually disclosed in the bill, the tax was listed as a placeholder of “\$___ per barrel of 31 gallons of malt beverage.” This bill never got much traction or even had a hearing. After the very public fight over the beer tax in 2009, there weren’t many lawmakers eager to open that can of worms again. However, you can guarantee that a “sin tax” like this will be on the table come next session.

SB 696 – Beer & Wine Tax by Counties

Position: Opposed | Result: Died in Senate

Finance/Revenue Committee

This bill authorized counties to impose taxes on malt beverages and wine. Since alcohol taxes are a source of funding for the state, there has always been a preemption against local governments also taxing alcoholic beverages. Since Oregon has a large amount of small beer



Representative Mike Schaufler



LEGISLATIVE REDISTRICTING

and wine producers across the state, the passage of SB 696 could have caused a dramatic negative impact on this specialized industry in Oregon through the targeted higher taxes.

HB 2630 – Health Care Payroll Tax

Position: Opposed | Result: Died in House Revenue Committee

HB 2630 would have established an Oregon Health Care Payroll Tax beginning in January 2012 dedicated to funding the Oregon Health Plan. If passed, this bill would have established a tax on all employers and the self-employed, and established a credit against the taxes otherwise due for employers providing health benefit plan coverage to employees and dependents that meets or exceeds the requirements for a baseline plan as set by the Oregon Health Authority. The bill also allowed credits to be carried forward and be available to non-residents and part-year residents.

SJR 26 – Rainy Day Fund/Capital Gains Reduction

Position: Supported the Original “Package” | Result: Died in Senate Finance/Revenue Committee

As listed above in the summary, Senate Joint Resolution 26 would have allowed voters the opportunity to decide whether to put half of the personal kicker into a “Rainy Day Fund.” If approved by the voters, the Legislature would have also given up a portion of future increases in the general fund to go into the state Rainy Day Fund, and individuals in Oregon would have seen the tax on Capital Gains reduced to 5%. The “Package” was watered down in the process, as the legislative savings piece was reduced and the Capital Gains reductions were mainly on real property in Oregon, which ended up killing the proposal.

HB 3052 / HB 3053 – Employer Tax Credit

Position: Supported | Result: Died in House Revenue Committee

As an association made up of small employers, these two bills allowed for an interesting conversation to develop asking the question “How do you encourage job growth?” These bills would have allowed a credit against taxes that are otherwise due if the taxpayer is a corporation who hires a qualified employee. The amount of the credit was set at \$3,000 for each qualified employee hired by the taxpayer. For each qualified employee, the credit would have been allowed for the tax year in which the 12th calendar month of employment of the qualified employee by the taxpayer was completed.

The Constitution requires that political districts be redrawn every ten years, following the census. This year, for the first time since 1981, legislators were successful in determining their own political boundaries for legislative districts, as well as the boundaries for Oregon’s five congressional districts. The requirements for development of the new political map were that districts were contiguous; of equal population; utilized existing geographic or political boundaries; did not divide communities of common interest; and were connected by transportation links. There is also requirement that districts not be drawn for the political advantage of one party over another.

All of this adds to the difficulty of drawing the district boundaries and explains why in the past 30 years the plans have been vetoed by the Governor or failed to pass the Legislature. This year, in the face of the difficult political realities of an evenly divided house, a small group of legislators stuck it out through the session and negotiated plans that kept the decision out of the hands of the Secretary of State or the courts.



Vince Porter of the Oregon Film and Video Office makes time for a morning meeting with the ORLA Government Affairs team at the State Capitol in Salem.



MEET THE TEAM

ORLA is proud to introduce the team that promotes and protects the hospitality industry in Salem. The following people worked the 2011 Legislative Session on behalf of ORLA.



BILL PERRY

ORLA Vice President of Government Affairs

Bill is ORLA's lead lobbyist and is best known in Salem as the "process guy" for his extensive knowledge of how the system works. Legislators on both sides of the aisle respect and confide in Bill, which proves to be of great benefit to ORLA members and their issues. Bill is also highly regarded as a leader among Oregon's business lobby, a position he's earned through hard work and dedication in his combined 15 years of working at ORA and ORLA. Bill's experience and understanding of the state budget, as well as how legislative decisions shape Oregon's economy, makes him an invaluable voice in Salem for the industry.



KARA THALLON

ORLA Director of Public Affairs

In addition to working alongside Bill to advance ORLA's legislative agenda in Salem, Kara monitors local and regional issues, as well as works directly with State regulatory agencies. Kara provides invaluable information to these regulatory bodies in an effort to promote and protect the foodservice and lodging industry. She also keeps a watchful eye on an ever-increasing list of tax proposals by local governments. Kara is the editor of the Confidential Bulletin, a periodical publication to inform business owners and operators of policy changes and legal requirements that affect the workplace and foodservice/hospitality-based businesses in Oregon.



BREANNE TUSINSKI

ORLA 2011 Session Intern

Breanne has been a student intern with us since January 2011, working both in the Capitol and office to assist the Government Affairs team. She is a Political Science major at the Mark O. Hatfield School of Government at Portland State University, and will graduate cum laude in December of this year. She describes her experience with ORLA this session as eye-opening to both the inner-workings of the political process and the importance of advocacy for Oregon business.



STEVE McCOID

ORLA President & CEO

Steve has been an advocate for business, tourism and the hospitality industry in Oregon for nearly 30 years. He has served as lobbyist, chief operating officer, and is now in his current position as ORLA's CEO. Steve has been instrumental in developing strategies to assist and advance the prosperity of restaurant and lodging operations in Oregon. He has a keen sense of how policy, operations and profitability are interrelated, and uses his expertise in Salem and statewide on behalf of the industry. Steve also serves on two non-profit coalitions – the Community Action to Reduce Substance Abuse (CARSA) and the Oregon Council on Problem Gambling, both dedicated to addiction treatment and prevention.



GLENDA HAMSTREET

ORLA Executive Coordinator

Glenda is responsible for tracking the issues in Salem in order to provide up-to-date information to ORLA members that contact the Wilsonville office with questions, concerns or comments. She assists the Government Affairs team, as well as ORLA's governance boards and committees. After serving as a legislative staffer for six years in Salem, Glenda has a list of resources available to all ORLA members for the asking.



CHRISTINE DRAZAN

ORLA Political Coordinator

As Political Coordinator for the Government Affairs Department, Christine provides an insightful perspective on the work that goes into achieving political successes on behalf of the hospitality industry. She also communicates opportunities for political action and engages industry partners in support of pro-business leadership. Christine's broad political experience includes serving as Chief of Staff to former Speaker Mark Simmons and Majority Leader Steve Harper; Executive Director for the House Republican Caucus PAC; and Communications Director for Speaker Lynn Lundquist and Majority Leader Lynn Snodgrass.



BOB JENSEN

*Big Green Events & Wild Duck Catering,
ORLA Board Chair*

Bob’s leadership through the merger of two associations – ORA and OLA – to form ORLA in 2010 has been significant to the evolution and advancement of our organization. His direct approach and willingness to serve as Chair for two years guiding the board and staff through the merger and beyond is greatly appreciated and has often been characterized as “the right man for the job.” Bob’s entrepreneurial spirit and understanding of independent business makes a wealth of difference to our mission.



RALPH MATT

*Best Little Roadhouse,
ORLA Policy Committee Chair*

Continuing his work from the past two legislative sessions, Ralph guides the Policy Committee in a workgroup-style format that allows members from the various sectors of the hospitality industry to provide their views on what matters. Ralph is a successful operator and motivator with the knowledge of what it takes to succeed, and he brings these skills to the table in Salem on behalf of ORLA members throughout Oregon.



MICHAEL MILLS

Attorney, Mills Jacobson Halliday Lawyers

Michael has spent his entire career representing our industry, and is highly-regarded as an authority in his field. His excellent advice, strong counsel and his ability to testify on short notice with a close proximity to the Capitol make his involvement in ORLA crucial to our success. Michael has the unique ability to take a complicated issue and boil it down to the points that matter most ... which is an effective strategy for testimony before any legislative committee.



GET INVOLVED

& Help Make a Difference!

Here are just a few of the ways you can help your business and your industry by being an advocate alongside ORLA:

- Learn more about and follow key restaurant and lodging issues.
- Meet your state legislators and invite them to visit your business.
- Host a coffee get-together in your neighborhood for your state legislator.
- Tell ORLA what the leading issue is for your business, and that you would like to participate in working on the issue.
- Attend a city council meeting or town hall sponsored by a local policymaker. The more familiar you are with the process of local government, the more comfortable you'll be when the time comes to get involved.
- Alert the local media about what matters to you and your business. Offer to be a resource when it comes to subjects such as hospitality, tourism, foodservice, lodging, small business, etc.
- Contribute to ORLAPAC (Oregon Restaurant & Lodging Association Political Action Committee). It's the best way to elect candidates for public office that support your business and your industry.
- Attend ORLA events; you'll gain strength in the political process and in your business operations by networking with fellow industry members.
- Join the Oregon Restaurant & Lodging Association to stay informed and support both local and statewide advocacy that will benefit your business!

Contact ORLA

To participate in the Oregon Restaurant & Lodging Association's grassroots effort, or to learn more about what's going on at the federal, state and local levels, contact the Government Affairs team at 503.682.4422 or visit the website at OregonRLA.org. We look forward to hearing from you!

PAC EVENTS

CHAIRMAN'S *Getaway*

CHAIRMAN'S GETAWAY

November 13, 2011 | Columbia Gorge Hotel, Hood River, OR

Make plans to attend the annual Chairman's Getaway, held this year at the beautiful Columbia Gorge Hotel in Hood River on November 13, 2011. This highly regarded event annually draws participants from around the state for an exclusive culinary experience and private gathering among some of the industry's leadership.

Last year, over 75 industry members joined ORLA Chairman Bob Jensen for the 2010 Chairman's Ocean Getaway in Cannon Beach. Attendees enjoyed an overnight stay in one of three luxury properties - Surfsand Resort, Ocean Lodge or Inn at Cannon Beach - a spectacular seafood reception and multi-course gourmet dinner for two. Wayfarer Restaurant's Executive Chef Will Leroux delivered a memorable evening as he and his culinary team showcased some of the finest northwest cuisine.

Proceeds from this event benefit ORLAPAC. If you are interested in participating as an attendee or sponsor for the 2011 event, contact Glenda Hamstreet at 503.682.4422.





ONE Big NIGHT

A BENEFIT *for* HOSPITALITY



ONE BIG NIGHT

March 2012

Every spring the hospitality industry gathers for “One Big Night” – a gala dinner and auction dedicated to raising funds for Oregon Restaurant & Lodging Association’s Political Action Committee (ORLAPAC).

The evening kicks off with a reception and silent auction, followed by a fabulous dinner and exciting live auction filled with unique packages and getaways. Thanks to generous sponsors, package contributors and close to 250 attendees, the event raises \$140,000 annually for ORLAPAC. These funds are critical to the financial strength of our political action committee, which plays a vital role in our ability to successfully elect business-friendly candidates to the state legislature.

If you are interested in supporting these efforts through event sponsorship, contact Stephanie Bremner at 971.224.1510.

ORLA OPEN GOLF TOURNAMENT

July 23, 2012 | Langdon Farms

The annual Oregon Restaurant & Lodging Association PAC Open tees off every summer with proceeds benefiting the Political Action Committees of the association. The event typically sells out early.

Industry participation in this tournament is vital to the strength of our political action committee and the growth of our industry. All proceeds from the event directly support ORLAPAC’s mission to advocate for favorable business legislation in Oregon.

For information on sponsorship opportunities for the 2012 tournament, contact Stephanie Bremner at 971.224.1510.



During the 2011 Legislative Session, ORLA Succeeds In: **PROTECTING THE HOSPITALITY INDUSTRY**

LODGING TAX (Stopped HB 2554)

- Would have increased Oregon's statewide lodging tax from 1 percent to 6.29 percent.
- Annual savings based on 40 room hotel at 70 percent occupancy, with \$100/night rate

\$64,000 SAVINGS
IN ADDITIONAL TAXES

SODA TAX (Stopped HB 2644)

- Would have created a tax on the sale of sugar-sweetened beverages around the state.
- Annual savings based on Washington State syrup tax

\$3,500 SAVINGS
PER ESTABLISHMENT

BEER TAX (Stopped HB 3262)

- Would have implemented a beer tax and given a small portion of the revenue to addiction treatment and prevention programs.
- Annual savings based on 700 percent increase in beer tax

\$1,855 SAVINGS
PER ESTABLISHMENT

PAYROLL TAX (Stopped HB 2630)

- Would have established the Oregon Health Care Payroll Tax dedicated to funding the Oregon Health Plan.
- Annual savings based on 1 to 3 percent of annual payroll

\$3,800 SAVINGS
PER ESTABLISHMENT

ACCELERATED BUSINESS DEPRECIATION (Passed SB 301)

- Restores Oregon's tax code to match the federal tax code for provisions relating to bonus depreciation for qualified assets, including real property, if there is taxable Oregon income.
- Annual tax savings based on a company with a business depreciation schedule allowing \$25,000 on their 2010 taxes; for qualifying assets, the allowed amount would be \$50,000 on their 2011 taxes

\$2,250 SAVINGS
PER BUSINESS FILING

ID-CHECKER CERTIFICATION (Passed SB 878)

- Removes the requirement that an employee of an OLCC liquor license-holder who performs the task of checking drivers licenses or restricting access must undergo DPSST training certification.
- Annual savings based on average cost of DPSST training

\$400 SAVINGS
PER EMPLOYEE



SUPPORTING ADDITIONAL TOURISM PROMOTION

SMALL VENUE SPONSORSHIPS (Passed SB 669)

- Allows wholesaler or manufacturer of alcohol to purchase advertising space of small venues licensed by OLCC, as long as licensee has at least 3,000 seats.
- Based on 7 venues around Oregon gaining \$20,000 each in additional promotional dollars

\$2.5 MILLION
IN ADDITIONAL VISITOR SPENDING

WINE COUNTRY LICENSE PLATES (Passed SB 442)

- Creates an Oregon Wine Country license plate with funds directed to the Oregon Tourism Commission for wine and culinary tourism promotion.
- Projected to raise \$300,000 annually for culinary tourism matching grants

\$5.1 MILLION
IN ADDITIONAL VISITOR SPENDING

FILM PRODUCTION TAX CREDIT (Passed HB 3672)

- Extends sunset on film production labor rebates and tax credits to certified film production development contributions. Also provides reimbursements to local filmmakers.
- \$8 million in tax credits, which brought two television series to Oregon

\$110 MILLION IN DIRECT
SPENDING DURING FILMING