

TO: Members of the House Business & Labor Committee  
FROM: Hasina E. Squires, Special Districts Association of Oregon  
DATE: February 6, 2017  
RE: **Testimony in Support of House Bill 2186**

## **INTRODUCTION**

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Members of the House Business & Labor Committee, thank you for the opportunity to appear before you today. For the record my name is Hasina Squires and I appear before you today on behalf of the Special Districts Association of Oregon (SDAO) to provide testimony in support of House Bill 2186. Our association was formed in 1978 and our membership consists of approximately 950 special service districts that provide a range of services (including but not limited to water, wastewater, irrigation, parks and recreation, 9-1-1 and rural fire protection) statewide to citizens who reside within cities and in unincorporated communities.

## **BACKGROUND**

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In 1985 the Special Districts Association of Oregon (SDAO) formed the Special Districts Insurance Services Trust (SDIS). SDIS is a self-insured trust created through intergovernmental agreement to self-insure for liability, property and workers' compensation insurance coverage. We qualify under ORS 30.282 as a self-insurance program established by three or more public bodies. In 1988, SDIS was certified as a self-insured workers' compensation group by the Oregon Workers' Compensation Division.

Approximately twelve years ago the Workers' Compensation Division found that SDIS had the same Federal Tax ID number as SDAO. At the time we were advised by legal counsel that because of the close structural relationship between SDAO and SDIS that only one Federal Tax ID was required. This however became an issue for the Workers' Compensation Division's internal agency systems causing our name to be changed from SDIS to SDAO.

## **RECENT DEVELOPMENTS**

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Last year SDIS and SDAO went through a lengthy process to obtain confirmations of their tax exempt status from the IRS and received IRS 115 tax exempt letter rulings to confirm the exemptions. However, as part of this process it was determined that SDIS did in fact need its own Federal Tax ID number. We approached the Workers' Compensation Division about the need to change the name of our certified group in their computer system back to SDIS and with a different Tax ID number. WCD, after reviewing the existing statute determined that our group would require recertification to demonstrate that we qualify as an intergovernmental entity under ORS 190.003 to 190.130. Unfortunately, despite the fact that SDIS was formed by intergovernmental agreement and is considered a public body, it is not, and cannot be an intergovernmental entity under ORS 190.003 to 190.130. Intergovernmental entities can only be created by the adoption of ordinances by all of the participating local governments. Special

districts, unlike cities and counties, do not have home rule authority and only have statutory authority that the legislature grants them. As a result, many types of special districts do not have ordinance authority in their enabling statutes. Therefore, it is impossible the program to comply with the existing statute.

## **SOLUTION**

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During the interim SDAO worked with WCD to craft a solution to ensure that the intent of the law could and would still be met. The solution contained in HB 2186 is very narrowly crafted to accomplish this technical change needed in statute (see below).

**656.430(7)(E)** The director finds that the employer group is organized as a corporation or cooperative pursuant to ORS chapter 60, 62, or 65, is an intergovernmental entity created under ORS 190.003 to 190.130 **or is a self-insurance program under ORS 30.282 (3)** and the bylaws require the governing group to obtain fidelity bonds.

The intent of the law is that local government self-insured workers' compensation groups can only be composed of local governments and that the local government participants must agree to be part of the group through adoption of an intergovernmental agreement. This statutory change retains that premise while allowing an existing local government entity to continue to provide affordable group self-insurance to public bodies.

Thank you for the opportunity to testify before you today. SDAO encourages your support of HB 2186. I would be pleased to answer any question the committee has.