



February 13, 2024

Representative Paul Holvey, Chair
House Committee on Business and Labor
900 Court Street NE H277
Salem, OR 97301

Re: House Bill 4005

Dear Chair Holvey:

I represent Cardinal Services, a professional employer organization (PEO) started in Coos Bay 40 years ago, and was involved with deliberations in 1993 over then House Bill 2282, now Oregon Statutes 656.850 and 656.855. Thank you for the opportunity to express thoughts concerning H.B. 4005.

After reviewing other available testimony, it is clear that H.B. 4005 would:

- **Add costs to state agencies** by eliminating efficiencies gained with aggregated input.
- **Hamper Oregon small business** by reducing their ability to compete for talent, while increasing their cost structure relative to other states.
- **Hurt Oregon workers** by eliminating PEO-sponsored benefits generally available only by working for a large employer, or one who utilizes a professional employer.

Also, there are a few misconceptions worth re-tackling:

- SUTA-dumping is a non-issue, as Mr. Nugent laid out well in his testimony.
- As Mr. Belnavis indicated, 'Worker Leasing Company' and 'Professional Employer Organization' are the same thing. In 1994, the National Staff Leasing Association changed its name to the National Association of Professional Employer Organizations (NAPEO).

ORS 316.162 is addressed by the Legislative Counsel's February 9, 2024 letter, where the relevant clause is provided: (1) "Employer" means: (a) A person who is in relation to another person such that the person **may** control the work of that other person and direct the manner in which the work is to be done [emphasis added].

NAPEO members contractually reserve the right to direct and control workers. Hence, PEOs may direct and control the work and thus, qualify as an Employer under ORS 316.162. Counsel notes the Legislature has been silent on whether common law employers can assign their responsibilities under this statute. When asked in 1993, the Legislature signaled their intention to give PEOs the ability to act as co-employers. The result has been a trifecta: Oregon's agencies, employers, and workers all win.

H.B. 4005 puts those wins in jeopardy. Please reject it.

Michael Freeman

Director

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