

**HOUSE COMMITTEE ON**  
**TRADE AND ECONOMIC DEVELOPMENT**

**February 16, 2005 Hearing Room 343**

**8:30 A.M. Tapes 26 - 27**

**MEMBERS PRESENT: Rep. John Lim, Chair**

**Rep. Jeff Merkley, Vice-Chair**

**Rep. Scott Bruun, Vice-Chair**

**Rep. Peter Buckley**

**Rep. John Dallum**

**Rep. Donna Nelson**

**Rep. Chuck Riley**

**STAFF PRESENT: Jim Stembridge, Committee Administrator**

**Erin Seiler, Committee Assistant**

**MEASURES/ISSUES HEARD:**

**HB 2191 - Public Hearing and Work Session**

**Oregon Tourism Industry – Informational Meeting**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

| <b>TAPE</b> | <b>Speaker</b> | <b>Comments</b> |
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## **TAPE 26, A**

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| 001 | Chair Lim      | Calls the meeting to order at 8:35 a.m.   |
| 003 | Rep. Dallum    | Reviews the agenda for the field trip to The Dalles on February 25, 2005.   |
| 065 | Jim Stembridge | Committee Administrator. Introduces HB 2191, which creates labor rebate for costs incurred by persons engaged in film production in Oregon if costs exceed threshold level. |
| 078 | Chair Lim      | Opens the public hearing on HB 2191.  |

## **HB 2191 – PUBLIC HEARING**

|     |                 |   |
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| 080 | Veronica Rinard | Executive Director, Oregon Film and Video Office (OFVO). Submits and summarizes written testimony in support of HB 2191 <b>(EXHIBIT A)</b> . Submits written testimony on behalf of Melissa Gilbert and Pamm Fair in support of HB 2191 <b>(EXHIBIT B)</b> .  |
| 083 | Rinard          | Addresses the necessity of HB 2191 and why an incentive program will allow OFVO to be more competitive and effective at attracting film and television projects to Oregon.  |
| 124 | Rinard          | States the primary reasons for wanting to increase film production are: <ul style="list-style-type: none"><li>• The highly stimulating effect on the Oregon economy.</li><li>• Creation of high-wage jobs.</li><li>• Ability to increase tourism revenue because the medium provides free promotion for Oregon.</li></ul> |
| 182 | Rinard          | Describes the success of the pilot program that recruited three films using incentives offered from the Governor's Strategic Reserve Fund. Submits and summarizes the Pilot Project Final Report issued by the OFVO on the pilot project <b>(EXHIBIT C)</b> .   |
| 210 | Rep. Riley      | Asks what the potential economic impact could be for Oregon.  |
| 213 | Rinard          | States that over the next biennium, conservative estimates indicate that as much as fifty million in value-added revenue could be brought into Oregon from film and television projects.  |

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| 221 | Rep. Merkley | Asks why “such loose language for documenting expenses” has been included in the HB 2191.  |
| 246 | Rinard       | Responds that the documentation language is designed so as to allow the OFVO to adjust its requirements as necessary. Explains that pilot project contracts were signed with each film production company outlining the specific types of paperwork that must be supplied to OFVO to verify that the million dollar threshold for on location expenditures was met.                      |
| 264 | Rep. Merkley | Verifies that OFVO intends to have rigorous accounting procedures to account for production costs through contractual arrangements with film companies.  |
| 275 | Rep. Merkley | Expresses concerns of this as a model because “we are foregoing income, rather than spending income because we have greatly increased tax expenditures in state and other fashions of not collecting tax dollar in the first place.” Asks if OFVO would be amenable to the addition of an amendment that would sunset the program so as to allow for an evaluation of its effectiveness. |
| 298 | Rinard       | Replies that OFVO would be willing to consider a sunset clause as long as there was enough time to really look at program and that the state is not foregoing revenue because it is revenue that is not coming in right now.   |
| 314 | Rep. Nelson  | Asks what the office budget is and what portion of it are overhead and what portion are operations.  |
| 317 | Rinard       | States that the OFVO is in The Governor’s budget for eight hundred thousand, of which five hundred thousand is for the four full time staff with a small percent used for marketing and trade shows,   |
| 329 | Nelson       | Asks about ability to change marketing and staff deficit.  |
| 347 | Rinard       | Explains that OFVO has been able to hire a Los Angeles representative to attend industry events in California on behalf of OFVO, take one-on-one meetings, and build a strong contact network for OFVO. States that if there is an incentive program, word will travel throughout the industry network, allowing OFVO to employ a strategic marketing plan.                              |
| 400 | Rep. Dallum  | Asks about planning timeline for a major feature film.   |

**TAPE 27, A**

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| 001 | Rinard          | Answers that on average a major film timeline is six to eight months of pre-production, two to three months of production and about month of post-production work.   |
| 011 | Rep. Dallum     | Verifies that, in addition, to incentives to remain competitive, we must offer stability and consistency to film companies so that they know what kind of market they are dealing with in Oregon.  |
| 015 | Rinard          | Explains that OFVO assigns a liaison to a film production who knows how to access state resources, permitting procedures, etc.   |
| 025 | Gordon Sondland | Chairman, OFVO Board. Speaks to the strength of OFVO fiscal management and how effectively and efficiently the OFVO is run with such limited budget resources.   |
| 045 | Sondland        | Confirms that it is necessary to “establish a program, establish legislation and leave it in place for a reasonable period of time” to ensure stability and consistency in the eyes of film companies. Therefore, with regards to a sunset clause, it must be set for a minimum of three or four years.                                    |
| 058 | Sondland        | Addresses the issue of the marketability for an incentive program described in HB 2191. States that OFVO has put together a program that is responsive to what the film industry wants and the fact that there is no money. This program will put Oregon back on the map and increase state revenue without tapping into the general fund. |
| 079 | Howard Lavine   | Policy Advisor, Office of Governor Kulonski. Submits and summarizes written testimony in support of HB 2191 ( <b>EXHIBIT D</b> ). Speaks to Governor Kulonski’s strong support for HB 2191.  |
| 091 | Lavine          | Explains that The Governor finds the industry is sustainable, pays good wages and it is a value-added industry that will generate tourist and investment revenue for Oregon.   |
| 114 | Lavine          | States that HB 2191 is revenue neutral and will give a boost to the Oregon economy without taking away funds from other programs.  |
| 142 | Chair Lim       | Closes the public hearing on HB 2191 and opens the work session.   |

## **HB 2191 – Work Session**

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| 145 | Rep. Nelson  | <b>MOTION: Moves to ADOPT HB 2191-1 amendments dated 02/15/05.</b>  |
| 157 | Stembridge   | Submits and explains HB 2191-1 amendment ( <b>EXHIBIT E</b> ).  |
| 168 |              | <b>VOTE: 7-0-0</b>  |
|     | Chair Lim    | <b>Hearing no objection, declares the motion CARRIED.</b>   |
| 180 | Rep. Merkley | <b>MOTION: Moves to AMEND HB 2191 by inserting “a four year sunset clause.”</b>   |
| 180 | Rep. Merkley | States that it is a very important policy concept that when different forms tax credits and expenditures that there is a process by which programs routinely get looked at again.   |
| 193 | Rep. Dallum  | Concurs with the concept of tax credits, but given the precarious nature of industry when they start a project and competitiveness of the business, it is not uncommon for four years to elapse quickly on a film production. Thus, would like to revisit the statute if problems develop rather than sunset the statute and have no problems develop and speaks against amendment that would sunset establishment a sunset clause. |
| 217 | Rep. Buckley | Proposes a compromise conceptual amendment that would create a six year sunset clause and give OFVO the opportunity to come to the legislature after four years and request an extension of the fund for another four years with the sunset provision in place for a six year official review in case the OFVO does not come forward.   |
| 230 | Rep. Riley   | Asks if this is a bill that once it’s passed takes more then a simple majority to repeal. States concern that if the program does not sunset, then will it take a supermajority to repeal, whereas if it is sunseted then it does take a simple majority to continue it.  |
| 243 | Rep. Bruun   | Expresses support for conceptual amendment that would add a six-year sunset clause to HB 2191.  |
| 254 | Rep. Merkley |   |

Withdraws proposal for a four year sunset clause conceptual amendment and allow a conceptual amendment to HB 2191 of a six year sunset clause.

254 Rep. Merkley **MOTION: Moves to AMEND the motion to insert “a four year sunset clause.” inserting "six-year sunset clause".**

262 **VOTE: 6-1-0**

**AYE: 6 - Bruun, Buckley, Dallum, Merkley, Riley, Lim**

**NAY: 1 - Nelson**

**Chair Lim The motion CARRIES.**

265 Chair Lim Clarifies that HB 2191 has a subsequent referral to revenue and that it will their responsibility to determine what the percent of qualifying compensation paid to be withheld in lieu of the state personal income tax withholding requirements under.

274 Rep. Riley **MOTION: Moves HB 2191 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue by prior reference.**

276 **VOTE: 7-0-0**

**Chair Lim Hearing no objection, declares the motion CARRIED.**

312 Chair Lim Closes the work session on HB 2191 and opens the informational meeting on the Oregon Tourism Industry.

### **OREGON TOURISM INDUSTRY – INFORMATIONAL MEETING**

324 Todd Davidson Chief Executive Officer, Oregon Tourism Commission (OTC). Submits informational packet which includes Oregon Tourism Commission Strategic Marketing Plan 2004-2005, marketing materials and *Travel Oregon* magazine (**EXHIBIT F**).

328 Davidson Summarizes the role of tourism in the State of Oregon. Stating that it plays an important role in strengthening and diversifying the economy, acts as a catalyst for economic recovery and continues to show strong growth.

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| 341 | Davidson | Reviews the impact that tourism has had on the economy in Oregon. Discusses the economic advancements generated within the tourism industry and produced by the tourism industry for other industries in Oregon. These advancements included: <ul style="list-style-type: none"> <li>• Increases in jobs and payroll in the tourism industry.</li> <li>• Increases in jobs and payroll created because of increases in tourism.</li> <li>• Increase in small business income.</li> </ul> |
| 376 | Davidson | Discusses the importance of HB 2267 (2003), the Oregon Tourism Investment Proposal, which enhanced and stabilized the funding for tourism marketing programs, allowing for greater flexibility and responsiveness as the industry changed.   |
| 384 | Davidson | Gives the details of HB 2267 (2003) and various measures instituted to increase revenue for the tourism industry.  |

#### **TAPE 26, B**

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| 001 | Davidson | Reviews national economic and travel indicators that demonstrate renewed confidence in the economy and the travel industry since September 11, 2001. The Oregon Tourism Investment Proposal has increased the regional and statewide marketing and has allowed for Oregon to assume a stronger nationally position and be more competitive.   |
| 044 | Davidson | Speaks to the role of the OTC as a result of these national trends. Stating that its role is to: <ul style="list-style-type: none"> <li>• Capitalize on trends and encourage economic growth.</li> <li>• Strengthen the economic impact of tourism throughout the state.</li> </ul>   |
| 068 | Davidson | Explains that OTC will fulfill its role: <ul style="list-style-type: none"> <li>• By marketing an image that is unique, exciting and natural.</li> <li>• Encouraging visitors, including international visitors, to think of Oregon as their destination of choice.</li> <li>• To maximize returns on investment by encouraging longer stays in Oregon.</li> </ul> <p>Addresses the three primary audiences that OTC serves – visitors; media, travel agents, travel and trade industry; industry partners.</p> |

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| 076 | Davidson   | Explains who the OTC has formed partnerships with and coordinates programs with to meet its goals. Speaks to the key programs within each agency partnership that directly benefit tourism development, marketing programs, and the economy.  |
| 090 | Davidson   | Speaks to the three primary audiences that the OTC serves and highlights what OTC travel programs are designed to reach each audience.  |
| 108 | Davidson   | Explains OTC local, national, and international media advertising materials and marketing programs. Discusses the travel guides, travel magazines, and tour packages that OTC has developed.  |
| 138 | Davidson   | States OTC commitment to the development of tourism in Oregon, including helping Oregon communities to develop and sustain the local tourism industry. Specific local programs include workforce development, niche market development, and the byways programs.  |
| 152 | Davidson   | Gives an overview of the results from the OTC advertising accountability survey.  |
| 184 | Davidson   | <p>Explains the long-term objectives for OTC and reviews the areas of the tourism industry that it will focus on:</p> <ul style="list-style-type: none"> <li>• Optimizing the return on investment of advertising and marketing.</li> <li>• Developing new tours, increased visitor spending, and local tax revenue.</li> <li>• Increasing private sector partnerships.</li> <li>• Increasing international marketing support and non-stop air services.</li> </ul> |
| 252 | Davidson   | Explains the process and associated with the development of OTC 2005-07 strategic marketing plan and budget.  |
| 301 | Stembridge | Submits informational packet from Inga Deckert from the Oregon State Treasury, which includes Oregon Public Employees Retirement Fund (OPERF) General Partners list, OPERF Oregon Companies, Oregon Growth Account Investments list and Pamcorp History and Status Report ( <b>EXHIBIT G</b> ).   |
| 314 | Chair Lim  | Closes the informational meeting about the Oregon Tourism Industry. Adjourns meeting at 9:53 a.m.   |



## **EXHIBIT SUMMARY**

- A. **HB 2191, written testimony, Veronica Rinard, 4 pp**
- B. **HB 2191, written testimony of Melissa Gilbert and Pamm Fair, Veronica Rinard, 1 p**
- C. **HB 2191, Pilot Project Final Report, Veronica Rinard, 3 pp**
- D. **HB 2191, written testimony, Howard Lavine, 2 pp**
- E. **HB 2191, -1 amendments, staff, 2 pp**
- F. **Oregon Tourism Industry, informational packet, Todd Davidson, 141 pp**
- G. **Oregon State Treasury, informational packet, Inga Deckert, 35 pp**