

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

May 4, 2005 Hearing Room 343

8:30 A.M. Tapes 67 - 68

MEMBERS PRESENT: Rep. John Lim, Chair

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, 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 2349 – Work Session

HB 3123 – Work Session

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.

TAPE/# Speaker Comments

TAPE 67, A

001 Chair Lim Opens the meeting at 8:37 a.m. Opens the work session on HB 2349.

HB 2349 – WORK SESSION

012 Jim Stembridge Committee Administrator. Explains HB 2349, which reduces total cost requirement for exemption from property tax for eligible projects under strategic investment program.

041 Rep. Merkley Submits and summarizes -1 amendments (**EXHIBIT A**).

094 Arthur Fish Business Incentives Coordinator, Oregon Economic and Community Development Department (OECDD). Testifies in support of HB 2349.

129 Fish Identifies the potential for -1 amendments to have an adverse effect on rural project investment.

136 Rep. Merkley Agrees that lowering the threshold for investment could result in unintended consequences for rural investment, noting that an additional amendment could be drafted.

155 Chair Lim Asks whether changing the investment cap would result in the Strategic Investment Program (SIP) being less advantageous to a company.

165 Rep. Merkley Explains why a sliding scale of investment does not make the program less advantageous.

168 Chair Lim States the need to maintain fairness in awarding tax credits to companies within SIP.

185 Rep. Bruun Requests clarification on investment cap and how much the tax abatement will be for an investment between \$50 and \$100 million dollars.

195 Rep. Merkley Explains how -1 amendments would impact the threshold investment for which taxes are levied on an investment between \$50 and \$ 100 million dollars.

- 210 Fish Confirms that for urban areas -1 amendments would create a “reasonable sliding scale” between current law and changes purposed in HB 2349, adding that -1 amendments “would weaken” the advantage accorded to rural areas.
- 226 Fish States that an amendment could be drafted in order to delineate different ranges and formulas for rural investment and urban investment projects in SIP.
- 275 Chair Lim Closes the work session on HB 2349. Opens the work session on HB 3123.

HB 3123 – WORK SESSION

- 281 Jim Stembridge Committee Administrator. Explains HB 3123, which requires Oregon Economic and Community Development Commission to adopt criteria for providing financial assistance to business incubator centers from Oregon Community Development Fund.
- 293 Mark Kirchmeier Legislative Assistant, Office of Representative Gary Hansen. Testifies in support of HB 3123.
- 336 Rep. Dallum Asks if smaller communities are able to accommodate business incubator centers.
- 345 Kirchmeier States that currently there are none located in smaller communities, adding that there is no reason why a business incubator would not be successful.
- 353 Rep. Buckley Clarifies that the intent of HB 3123 is to only establish the criteria for administering business incubators grants.
- 391 Ron Fox Business Development Divisions Manager, Oregon Economic and Community Development Department (OECDD). Submits and summarizes Funding Criteria and Current Activities on Small Business Incubation report (**EXHIBIT B**).

TAPE 68, A

- 005 Fox Explains the average capitalization and operational costs for a business incubator and addresses OECDD concerns as to an expectation and ability to fund projects.

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| 028 | Chair Lim | Asks if OECD D has an existing program that could be used as a vehicle for funding business incubators. |
| 031 | Fox | Points out that OECD D could make capitalization funds available via the infrastructure funding capacity programs, but lacks funds for operational costs of business incubators. |
| 040 | Chair Lim | Asks if establishing a source of funding could be “worked out” upon the subsequent referral to Ways and Means. |
| 045 | Fox | Explains the criteria could be “easily developed,” but the issue is the implications for funding of business incubator grants. |
| 055 | Rep. Merkley | Questions whether it would be advantageous to rescind the subsequent referral and move forward in the development of the program. |
| 076 | Rep. Nelson | Asks how University of Oregon uses the business incubator program. |
| 080 | Fox | Explains the business incubator program established at University of Oregon. |
| 096 | Rep. Nelson | Asks if University of Oregon set-up a 501(c)3 corporation. |
| 100 | Fox | Addresses the necessity for a business incubator to operate under a 501(c)3 designation. |
| 116 | Chair Lim | Explains intended action on HB 3123. Closes the work session on HB 3123. |
| 155 | Chair Lim | Adjourns the meeting at 9:17 a.m. |

EXHIBIT SUMMARY

A. HB 2349, -1 amendments, Jeff Merkley, 3 pp

**B. HB 3123, Funding Criteria and Current Activities on Small Business Incubation Report,
Ron Fox, 4 pp**