

# HOUSE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 12, 2003 Hearing Room D  
1:00 PM Tapes 11 - 12

**MEMBERS PRESENT:**        **Rep. Patti Smith, Chair**  
                                 **Rep. Vicki Berger, Vice-Chair**  
                                 **Rep. Mary Gallegos**  
                                 **Rep. Mark Hass**  
                                 **Rep. Dave Hunt**  
                                 **Rep. Steve March**  
                                 **Rep. Dennis Richardson**

**STAFF PRESENT:**        **Kimberly A. Medford, Committee Administrator**  
                                 **Linda K. Gatto, Committee Assistant**

**MEASURE HEARD:**        **Informational Meeting**  
                                 **Enterprise Zones**  
                                 **Oregon Council of Knowledge and Economic Development**

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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.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 11, A</b>		
004	Chair Smith	Calls the meeting to order at 1:32 p.m. and opens the informational meeting for the purpose of obtaining an overview on Enterprise Zones.
<b><u>INFORMATIONAL MEETING</u></b>		
<b>Enterprise Zone Overview</b>		
018	Mike Burton	Oregon Economic and Community Development Department, (OECD) Assistant Director. Submits <b>(EXHIBIT A)</b> and describes what is meant by an Enterprise Zone.
090	Chair Smith	Asks if a local jurisdiction can expand an Enterprise Zone.
092	Burton	Responds that an Enterprise Zone has geographic constraints, chiefly it cannot be larger than 10 square miles. Comments on other constraints.
098	Burton	Explains the department's role in the application process and new zone designations.
128	Burton	Explains rural zone tax exemption negotiations. Notes urban zones can have additional terms and conditions.
159	Burton	Refers to page 7 <b>(EXHIBIT A)</b> and discusses long-term rural exemptions.
197	Rep. Gallegos	Asks if there is a mechanism to support and sustain the increase in salaries.
206	Burton	Responds that the mechanism is higher pay in exchange for an extra two years of property tax exemptions. Provides details on extensions.
228	Art Fish	Clarifies that after five years the payroll levels should be maintained based on the productivity and skills of the company's

		workforce.
241	Rep. Gallegos	Asks what evaluation process verifies that the salaries will be sustained.
246	Burton	Responds that the companies are required to report that information to the zone manager.
255	Rep. March	Asks is the school portion included in the property tax exceptions for all ad valorem taxes.
260	Burton	Responds that all property taxes are exempted for qualified firms.
290	Rep. Richardson	Asks how successful the Enterprise Zone program been in creating jobs.
292	Burton	Submits <b>(EXHIBIT B)</b> and discusses the return on investment over time.
330	Rep. Richardson	Asks what funds are allotted for this program.
334	Burton	Responds approximately 1 or 2 FTE's and no cash outlay. Continues to discuss that not all businesses are exempt.
366	Rep. March	Asks what is the cumulative value of the taxes that have been foregone.
382	Fish	Explains the \$15.7 million in taxes, page 1 of <b>(EXHIBIT B)</b> .
440	Burton	Expresses that the three year exemption is a good deal and explains why.
<b>TAPE 12, A</b>		
052	Rep. Hass	Asks if E-commerce Zones have proved successful historically.
053	Burton	Answers that there is a glitch which is being addressed in HB 2299. Notes that history is limited since the law is only 18 months old.
059	Fish	Responds there are firms that would be new operations for Enterprise Zones.
066	Rep. Richardson	Asks if there is a relationship between Enterprise Zones and Free Trade Zones.
072	Fish	Responds only by coincidence.
073	Larry Glassock	Salem Economic Development Corporation, (SEDCOR), President. Explains that the Enterprise Zone legislation was key to the Siltec/Mitibushi acquisition and expansion.
152	Glassock	Continues to testify stating that Enterprise Zones are critical to discussions with companies looking for incentives.
176	Chair Smith	Asks how Oregon compares to other states in terms of incentives and recruitment.
188	Fish	Responds it is a statutory benefit and with an immediate cash value but other states having bigger bells and whistles.
198	Rep. Hunt	Asks what prevents a company from relocating and taking advantage of the incentive.
204	Burton	Explains that there is a prohibition if the relocation causes the decrease in jobs in another part of the state.
215	Rep. Hunt	Asks if there has been critical feedback for suggested changes in the future.
216	Burton	Responds affirmatively. Explains that the intent is to re-order the statute, clarify who does the work, and extend the sunset.
233	Rep. Berger	Compliments Mr. Glassock's work.
247	Hasina Squires	Special Districts Association of Oregon. Testifies without objection to the Enterprise Zone program. Explains that there are 800 special service districts represented by the Special Districts Association some of which are property tax reliant. Notes that the program is voluntary to the extent of the harm it can do on special districts in rural areas. States that the

		association will advocate for opting-out for special districts legislation.
352	Chair Smith	Closes the informational overview on Enterprise Zones and states that HB 2252 is moved to Monday.
354	Chair Smith	Opens the informational overview on Oregon Council for Knowledge and Economic Development, (OCKED).
<b>Oregon Council of Knowledge and Economic Development Overview</b>		
378	Allen Alley	Oregon Council for Knowledge and Economic Development, Chair and CEO of Pixel Works, Tualatin Oregon.
379	Dr. Frost Lee	Member of the OCKED, Tech Transfer and the Capital Access committee.
384	Scott Gibson	Gibson Enterprises.
380	Alley	Submits OCKED's report ( <b>EXHIBIT C</b> ) and begins Power Point presentation ( <b>EXHIBIT D</b> ). States that high technology is the leading employer in Oregon.
<b>TAPE 11, B</b>		
026	Alley	Comments on economic danger signals; <ul style="list-style-type: none"> <li>• Oregon ranks 50<sup>th</sup> in high school completion (1999)</li> <li>• Oregon posted the largest decline in support for higher education.</li> <li>• Oregonians spend a disproportionate amount of their wealth on technology in the home.</li> </ul>
118	Alley	Discusses miniature-scale materials and devices for energy, environmental and biological systems. Discusses the capital investment; \$10 million in start up and \$20 million in capital.
160	Alley	Begins an overview on attracting venture capitalists.
215	Alley	Comments on the international science fair in scheduled for 2004.
224	Alley	Summarizes by quoting Darwin on response to change.
217	Adrian Roberts	OCKED. Discusses the Signature Research Center concept and knowledge based solutions, ( <b>EXHIBIT E</b> ).
270	Scott Gibson	Submits and reads ( <b>EXHIBIT F</b> ).
330	Gibson	Continues to testify on OCKED's legislative recommendations.
390	Gibson	Discusses attracting 7-10 venture capital firms to move their primary residence to Oregon.
416	Rep. Gallegos	Asks for a recommendation on how to balance the funding for K-12 and higher education.
428	Alley	Responds by explaining that Oregon's higher education is on the front page of USA today and how this is interpreted by the world community from a relocation point of view.
<b>TAPE 12, B</b>		
058	Rep. Hass	Asks Mr. Gibson if the recommendations he discussed will be presented as legislation.
064	Gibson	Responds that SB 358 – SB 363 are the six bills that package OCKED's recommendations.
069	Rep. Hunt	Asks are there state funded services and programs that are considered to have a high economic development value that should be reconsidered with OCKED's recommendations.
076	Gibson	Responds that the economic engine needs to be revitalized.
099	Alley	Adds that Oregon spends more money on stuff other than teacher salaries than any other state in the country.
<b>(EXHIBITS G, H, and I) Submitted for the record.</b>		
132	Chair Smith	Closes the informational meeting and adjourns the meeting at

2:55 p.m.

**EXHIBIT SUMMARY**

- A – Enterprise Zones informational document, Mike Burton, 7 pp**
- B – Current Enterprise Zone Activity summary, Mike Burton, 6 pp**
- C – OCKED Report, December 2002, Allan Alley, 73 pp**
- D – OCKED, Power Point presentation,**
- E – OCKED, Signature Research Center, Adrian Roberts,**
- F – OCKED, prepared testimony, Scott Gibson, 3 pp**
- G – OCKDED, written testimony submitted for the record, Rich Linton, 2 pp**
- H – OCKED, written testimony submitted for the record, Mike Salsgiver, 1 p**
- I – OCKED, written testimony submitted for the record, Timothy P. White, 2 pp**