

SENATE REVENUE COMMITTEE
May 29, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Lenn Hannon
Senator Charlie Ringo
Senator Bruce Starr

Witnesses Present: Mike Burton, Oregon Economic and Community Development Dept.
Michelle Deister, League of Oregon Cities
Greg Sweek, Morrow County Tax Collector
Rex Mather, City Manager, City of Boardman
Ray Grace, Morrow County Commissioner
Paul Chalmers, Director of Assessment & Taxation, Umatilla County
Jim Anderson, AVISTA Corporation
Tim Carlberg, AVISTA Corporation
Chris Hefty, AVISTA Corporation
Bob Shiprack, Oregon State Building and Construction Trades Council
John Endicott, Plumbers and Steamfitters Local 290
John Williams, Williams Industrial Research
Jeff Carlson, International Association of Ironworkers Local 29
Dick Wenger, Georgia Pacific
Jack Roberts, Lane-Metro Partnership
Dan O'Brian, Kern Electrical Construction Company
Steve Vincent, Oregon Economic Development Association
Terry Hatch, National Electrical Contractors Association
Patrick Green, Oregon AFL-CIO
Doug Riggs, National Electrical Contractors Association
Julie Brandis, Associated Oregon Industry
Jessica Harris, Associated General Contractors
Rick Thomas, Independent Electrical Contractors of Oregon
John Killin, Associated Builders and Contractors
Jerod Broadfoot, Plumbing & Mechanical Contractors Association

Staff Present: Paul Warner, Legislative Revenue Office
Mazen Malik, Legislative Revenue Office
Tara Lantz, Committee Assistant

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003 Chair Deckert Calls meeting to order at 1:15 pm.

OPENS PUBLIC HEARING ON HB 2299 B

010 Mazen Malik Explains HB 2299 B which reduces minimum investment needed to qualify for strategic investment program property tax exemption, if located in rural area, while allowing the special districts to opt-out, and other modifications to the enterprise zone program. Gives background of economic development tools (Exhibit 1).

066 Sen. Ringo Asks for clarification on the type of tax that would be exempted.

070 Malik Responds that it would be property tax and adds that it is exempt for 15

years.

Continues discussion on economic development programs and discusses changes that were made in the house.

Clarifying questions and answers interspersed.

- 134 Malik Discusses revenue impact (Exhibit 2).
- 220 Mike Burton Gives background of the bill and discusses the rationale behind it.
- Clarifying questions and answers interspersed.
- 276 Sen. Deckert Asks who was in the workgroup that came up with this bill.
- 280 Burton Responds that he can get a list but that they felt that had full representation from the community.
- Discusses the strategic investment program.
- 360 Sen. Deckert Asks for the guidelines of the first source hiring requirement.
- 365 Burton Responds that the agreement is that any firm that is going to benefit from these programs has to commit to making jobs available to local recruits.
- 370 Sen. Deckert Asks if this is required for building.
- 374 Burton Responds negatively.
- 376 Sen. Corcoran Asks if any of the provisions have claw back provisions.
- 380 Burton Responds that there are provisions that would require repayment and other penalties.
- 387 Burton Discusses enterprise zones.

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- 017 Sen. Ringo Asks if the annual competition for becoming an enterprise zone is to maintain existing enterprise zones or create new ones.
- 020 Burton Responds that each zone has a ten year life and that at the end of the ten years the zone becomes available. States that they would have sponsored a competition had a bill passed that created 5 more enterprise zones.
- 025 Sen. Ringo Asks if cities sponsor enterprise zones.
- 028 Burton Responds that there is usually more than one sponsor.
- Discusses long-term enterprise zones.
- 048 Sen. Deckert Asks if there have been any successes in the long-term enterprise zones.
- 052 Burton Responds that Roseburg Lumber was a success and discusses problems with the program.
- 075 Burton Refers members to written testimony (Exhibit 3) and explains the different sections.

Questions and answers interspersed.

- 105 Burton Walks through the significant points of the bill.
- 145 Sen. Ringo Asks why electrical facilities were initially excluded.
- 147 Burton Responds that he doesn't know why but that the environment has changed since the initial program was developed.
- 153 Sen. Deckert Asks why they need to provide incentives to centrally assessed facilities when there is a market for them.
- 158 Burton Responds that many companies could locate in Washington.
- 173 Sen. Deckert Asks if Washington has these incentives.
- 175 Burton Responds affirmatively.
- Discussion follows.
- 184 Sen. Ringo Points out that high-tech facilities cost much more than manufacturing facilities and asks how reducing the investment fits that analysis.
- 192 Burton Responds that there are not many companies that would qualify for the program and gives example of Marion County.
- 221 Sen. Ringo Asks if the tax burden is as high on facilities other than high tech chip factories.
- 240 Burton Responds that energy facilities are very similar to chip factories and that there aren't very many companies that aren't in that category.
- 255 Burton Continues to discuss major points of the bill.
- 291 Sen. Ringo Comments that it is hard to tell whether the bill would actually create incentives to increase productivity or modernization.
- 310 Burton Gives examples of companies that would not have modernized without the incentives.
- Continues discussing major points.
- 400 Michelle Deister Discusses the construction-in-progress exemption and the problems it creates in Boardman.
- 430 Greg Sweek Discusses agreement between Morrow County and AVISTA Corp. in which the property would be taxable until the facility was operational, and how HB 2299 changes that agreement to the detriment of Morrow County. Offers support for the -B12 amendments because it solves this problem. Refer to written testimony (Exhibit 4).

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- 050 Rex Mather Testifies in support of HB 2299 with the -B12 amendment because it would maintain the agreement between the City of Boardman and AVISTA.
- 069 Sen. Deckert Asks how much of the city of Boardman's budget is tied up in the amendment.

072	Mather	Responds that 35 percent of property taxes come from the AVISTA plant.
075	Deister	States that this bill has brought a broader discussion on the construction-in-progress exemption and that they feel strongly that it should be removed and discusses as a separate issue. Introduces the –B12 amendments (Exhibit 5).
086	Ray Grace	Offers support for the –B12 amendments.
091	Sen. Ferrioli	States that he is very interested in the Morrow County issue and asks how the community feels about resolving this issue.
099	Grace	Responds that Morrow County courts have made a good faith effort to meet with the principals of AVISTA but that all parties have been unable to attend.
110	Sen. Ferrioli	Encourages all parties to engage in discussion and possibly a workgroup to come up with a solution. Asks if there are any other counties or cities that have issues with this bill.
122	Deister	Responds that she believes Umatilla has an issue and possibly Klamath County. Discussion follows.
138	Malik	Responds that Columbia County had a problem with the bill in the House, which is why the urban renewal language was changed.
149	Paul Chalmers	Testifies against HB 2299B with the construction-in-progress exemption and suggests looking at the issue over the interim.
183	Jim Anderson	States that they should not delay the implementation of the construction-in-progress exemption to the interim and that if the state wants to be energy independent, they need this exemption to create incentives.
226	Tim Carlberg	Gives timeline of the AVISTA corporation project and why they have not been successful in opening the facility.
336	Sen. Hannon	Asks if Enron negotiated with Morrow County.
341	Carlberg	Responds that he doesn't know, but that he has never dealt with Enron.
348	Sen. Hannon	Asks if AVISTA utility owns all of the projects.
351	Carlberg	Responds that AVISTA owns 50 percent of the project and that a corporation out Atlanta, Georgia owns the other 50 percent.
354	Sen. Hannon	Asks if the other corporation has been in on the negotiations.
358	Carlberg	Responds negatively and states that his counterpart in the negotiations has not been available because of a death in the family.
372	Sen. Hannon	Asks if when Morrow County said that they haven't been able to negotiate, they are just referring to AVISTA
375	Carlberg	Responds affirmatively and states that they have not entered into negotiation because they were waiting for another draft of the amendment.
378	Sen. Deckert	Asks how the negotiations have gone so far.
385	Carlberg	Responds that they have had very few conversations.

- 390 Sen. Deckert States that his interest is to adopt the amendments if the city, county, and AVISTA don't reach some agreement.
- 395 Carlberg Responds that they would be willing to do that.
- 404 Chris Hefty Expresses concern for the –B12 amendments because AVISTA budgeted on the expectation that they would not have to pay property taxes during construction and have made a large investment already.

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- 027 Sen. Hannon Asks about the timing of the tax and bringing the company on-line.
- 033 Hefty Responds that the way the dates were going to work, they would not have had to pay property taxes during construction.
- 049 Sen. Ferrioli Asks what the economic life is of the plant.
- 051 Hefty Responds that they have a lease with the Port of Morrow for 50 years and can up it to 100 years.
- 055 Sen. Deckert Asks if Wednesday of next week is enough time for them to negotiate.
- 065 Anderson Responds that he will try to get a meeting to take place as soon as possible and will notify staff when it happens.
- 085 Bob Shiprack Introduces the –B14 amendments (Exhibit 6) and discusses the rationale behind them. Offers support for the –B14 amendments because it is the only way to legally ensure local hiring. Discusses projects in which very few local workers were hired.
- 145 Sen. Deckert Asks for a number of how many workers were from out of state on the Wauna project.
- 148 Shiprack Responds 75 percent.
- 150 John Williams Responds that the project came up before the energy facility siting council and that they had to give those numbers and that 32 out of 137 construction workers were hired locally.
- 163 Shiprack States that living wage requirements would ensure local hiring because the local economy cannot compete with Southern state wages and gives personal examples. Discusses unemployment rates.
- 253 Sen. Corcoran Asks what the difference in the southern wage is.
- 265 Shiprack Responds that he doesn't know.
- 283 John Endicott Responds that the going rate for welders in Oregon is around \$33/hr with a \$10/hr benefit package and the Wauna site was offering jobs for \$15/hr and \$30/day.
- 300 Shiprack States that he holds no will for the Georgia Pacific lobbyists and that all decisions were made in Atlanta.
- 307 John Williams Refers members to written testimony (Exhibit 7) and testifies in support of the –B14 amendments because hiring out of state draws money out of the state rather than in. Discusses studies done on various projects that conclude that

providing prevailing wages actually is more cost effective.

361 Jeff Carlson Testifies in support of the –B14 amendments because construction costs have been found to be cheaper in prevailing wage law states. Refer to Prevailing Wage Myths Vs. Facts (Exhibit 8).

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011 Sen. Deckert Asks if companies would not come to Oregon because of the prevailing wage law.

018 Carlson Responds that if they actually looked at the issue it is more cost effective with prevailing wage in effect.

025 Shiprack Responds that he doesn't believe it is a factor in these decisions.

030 Sen. Corcoran Asks if there is way to get the hiring data.

035 Williams Responds that the only public record is required of standard energy companies.

Discussion follows.

050 Dick Wenger States that Georgia Pacific hired 85 percent of workers locally, the exception being a small group of people working on a specific machine. Testifies against the –B14 amendments because it would be a red flag for future businesses. States that it took a lot of work to get the development in the Northwest.

112 Sen. Corcoran Asks why it was so difficult to get the project in Oregon.

120 Wenger Responds that it is believed in the paper industry that growth can only happen in the Southeast, labor is cheaper, and they don't have to worry about natural disasters such as earthquakes.

137 Jack Roberts Testifies in opposition to the –B14 amendments because it isn't appropriate to require private works jobs to pay prevailing wages and would make Oregon less competitive.

204 Dan O'Brian Discusses current prevailing wages and unemployment rates. Offers support for HB 2299 without the –B14 amendment because they don't want to increase investment and construction costs for companies choosing to locate here.

246 Sen. Deckert Asks if he believes providing prevailing wages is cost effective.

250 O'Brian Responds that they might be, but he is not comfortable telling the private sector what they should be paying.

257 Sen. Deckert Asks if any other state has a law requiring prevailing wages.

260 O'Brian Responds negatively.

263 Steve Vincent Testifies against the –B14 amendments because it would eliminate Oregon from businesses selection of sites. Discusses companies that without a doubt will not come to Oregon if the amendment passes.

315 Terry Hatch Discusses other states in which prevailing wages are watered down. Testifies against the –B14 amendments because it would maintain the standard of

living in Oregon.

- 401 Patrick Green Testifies in support of the –B14 amendments because Oregonians should be paid a decent wage.
- 430 Doug Riggs Discusses Oregon unemployment rates. Refer to Unemployment Figures (Exhibit 9). Offers support for the –B14 amendments because it would create local jobs.

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- 038 Sen. Deckert Asks if Riggs is concerned that companies have said that they won't come to Oregon if this amendment passes.
- 040 Riggs Responds that he doesn't believe that to be true and that business managers look for quality to reduce costs.
- 054 Julie Brandis Testifies in opposition to the –B14 amendments because it would make Oregon less competitive. Points out that costs are already higher in Oregon.
- 089 Jessica Harris Testifies against the –B14 amendments because it blurs the line between private and public construction. Discusses additional costs that accompany prevailing wage laws.
- 135 Rick Thomas Testifies against the –B14 amendments because it will not create more local jobs.
- 163 John Killin Testifies in opposition to the –B14 amendments because it would not create more development in Oregon.
- 173 Jerod Broadfoot Testifies in support of the –B14 amendments because it would create more local jobs. Refer to Prevailing Wage Laws publication (Exhibit 10).

CLOSES PUBLIC HEARING ON HB 2299 B

- 185 Sen. Deckert Adjourns meeting at 3:44 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. HB 2299 B, Mazen Malik, Staff Measure Summary, 2pp.
2. HB 2299 B, Mazen Malik, Revenue Impact Statement, 2pp.
3. HB 2299 B, Mike Burton, Written Testimony, 51pp.
4. HB 2299 B, Greg Sweek, Written Testimony, 3pp.
5. HB 2299 B, Michelle Deister, Proposed –B12 Amendments, 1p.
6. HB 2299 B, Bob Shiprack, Proposed –B14 Amendments, 1p.
7. HB 2299 B, John Williams, Written Testimony, 4pp.
8. HB 2299 B, Jeff Carlson, Prevailing Wage Myths Vs. Facts, 1p.
9. HB 2299 B, Doug Riggs, Unemployment Figures, 7pp.
10. HB 2299 B, Jerod Broadfoot, Prevailing Wage Laws, 325 pp.
11. HB 2299 B, Mazen Malik, Proposed –B13 Amendments, 1p.