

# HOUSE SPECIAL SESSION COMMITTEE ON ECONOMIC GROWTH AND JOB DEVELOPMENT

September 10, 2002 Hearing Room 357  
9:00 am Tapes 9 - 12

**MEMBERS PRESENT:** Rep. Jeff Kropf, Chair  
Rep. Alan Brown  
Rep. Al King  
Rep. Tim Knopp  
Rep. Kathy Lowe  
Rep. Elaine Hopson  
Rep. Greg Smith

**STAFF PRESENT:** Ray Kelly, Administrator  
Nancy Masee, Administrative Support

**MEASURE/ISSUES HEARD:** LC 16  
LC 24  
HB 4072-5

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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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TAPE/#	Speaker	Comments
<b>TAPE 9, A</b>		
004	Chair Kropf	Convenes meeting at 9:30 am.
<b>PUBLIC HEARING LC 16</b>		
023	Chair Kropf	Introduces Rep. Butler.
026	Rep. Butler	Explains LC 16. <b>(EXHIBIT A)</b> Bill offers income tax exemption for certain highly skilled individuals and venture capital firms coming to Oregon to establish business.
190	Rep. Butler	Continues explaining LC 16. Suggests some changes and amendments. This bill is intended to attract outside capital and outside highly skilled individuals, especially in bio-chemistry, bio-technology, molecular biology, genetics, and life sciences. And, the high tech industries.
220	Rep. King	Asks if the bill states only existing venture capital firms, or is it open to create capital venture firms with \$100 million.
226	Rep. Butler	For those firms transferring to the state they would be existing firms. This would not preclude start up venture capital firms.
235	Rep. King	Page 2, line 5 on upper level management, suggests change in language.
242	Rep. Butler	Answers that Legislative Counsel suggested not to be too specific. Explains that section.
277	Rep. King	Refers to line 21, C, key executive positions of a publicly traded firm.
334	Rep. King	Suggests structure to qualify companies that are not publicly traded.
347	Chair Kropf	Agrees an organization that is Rep. King described would not want to be precluded. Oregon wants to attract the best and brightest. .
355	Rep. Butler	Suggests changes that say an "ongoing concern" and deleting

408	Rep. King	“publicly traded.” Says that is fine if counsel agrees. Suggests changing from five to three other boards.
422	Rep. King	Refers to Page 4, line 11, Micro-life defining who is an employee and who is not.
<b>TAPE 10,A</b>		
036	Fox	OECD. Discusses that what is being sought are principal partners.
041	Rep. King	Page 7. Line 26, item 3. Discusses the difference in approach that the tax event is correlated to firm income versus all income of the individual.
050	Rep. Butler	Responds explaining that part.
066	Rep. King	Refers to page 8, line 4. Suggests having 5-year exemption instead of 10 years.
070	Rep. Butler	Discusses how they plan to work that. Seven to eight years was the original suggestion.
096	Chair Kropf	Asks for any more questions or testimony.
092	Harvey Matthews	Associated Oregon Industries (AOI). AOI wants adequate business capital in the state. Considering the possible increasing taxation on corporations, this bill would be a good incentive. Asks to define resident more clearly. Clarify that capital gains is included in tax break. Page 7, line 26.
107	Rep. Butler	Responds that capital gains would be a part of the tax free package...
122	Rep. King	Suggests more specificity to provide for sale of parts of the company. Also, “royalty” may be addressed.
129	Rep. Butler	Agrees with suggestion.
142	Rep. King	Describes possible scenarios.
155	Chair Kropf	Asks Dexter Johnson about language.
176	Mathews	Refers to clarifying the application process. Asks to be informed of administrative rules on this bill by next legislative session. Supports this program. This bill came out of the Oregon Council for Knowledge and Economic Development as charged by the Legislature.
199	Rep. Butler	Explains this concept came out of one of the subcommittees to stimulate jobs.
<b>WORK SESSION LC 16</b>		
227	Chair Kropf	Asks to move LC 16 as a committee bill.
228	Rep. Knopp	<b>MOTION: Moves LC 16 BE INTRODUCED as a committee bill.</b>
229		<b>VOTE: 4-0</b>
		<b>EXCUSED: 3 - Rep. Hopson, Re. Lowe, Rep. Greg Smith</b>
230	Chair Kropf	<b>Hearing no objection, declares the motion CARRIED.</b>
232	Chair Kropf	Recesses until 1:30 p.m.
234	Chair Kropf	Reconvenes meeting at 1:55 p.m. Explains HB 4072-5 amendments. <b>(EXHIBIT B)</b>
<b>HB 4072-5 PUBLIC HEARING</b>		
244	Ray Kelly	Committee Administrator. Verifies through the Speaker’s office that the HB 4072 has been referred to the House Special Session Committee on Economic Growth and Job Development.
248	Chair Kropf	Requests committee take a short recess. Present are Lowe, King, Hopson, Alan Brown, Knopp and Chair Kropf. Excused is Rep. Greg Smith.
257	Kelly	Gives update on the meeting from the morning session.

264	Chair Kropf	Explains the HB 4072 (LC 6) –5 amendments. Explains the changes in qualifications for employees and number of employees. Intent is to encourage employers to hire new employees, not to recycle people, see page 2, and paragraph 7.
334	Rep. Hopson	Asks about eliminating new businesses language. Asks for definition of employer.
376	Tamara Brickman	Oregon Employment Department. States that for tax purposes does not know if a person with no employees is an employer. Under the Employment Department statutes there are specific definitions of employment.
395	Rep. Hopson	Comments that the important part is the “intent,” which is meant to include new start-up companies starting January 1, 2003.
<b>TAPE 9,B</b>		
042	Chair Kropf	States that is his intent.
050	Brickman	Comments that the bill draft does not affect the unemployment trust fund.
057	Johnson	Responds that the bill does not affect unemployment. It is a tax credit for the employer.
064	Rep. Lowe	Refers to page 3, line 2. Asks about nonresident employers who locate a business in the state but import out of state workers.
076	Johnson	Responds, that the U.S. constitution requires non-residents be treated same as residents as far as taxes. That is standard language in the bill.
104	Chair Kropf	Asks about page 2, paragraph 7, line 22. Would the words “new entity” preclude a new business from starting up.
111	Johnson	This paragraph applies if the new entity employed 50 percent of its employees that were previously employed with an earlier employer. That was designed to address the concern of creating this new corporation and moving all the employees over to it.
120	Chair Kropf	Refers to page 1, line 12 and 13, does that preclude a new business startup.
135	Johnson	Says no, because it says “fewer than 50 fulltime employees.”
147	Rep. Hopson	Asks about line 21, page 2, is “a new entity or acquired the business of a person”. Should the “and” be instead of the “or”?
155	Johnson	It could be an existing entity that acquires a business and its employees.
155	Rep. Hopson	Questions the language.
164	Johnson	Says that can be corrected.
182	Hopson	Refers to page 3, line 9, asks if it is pro-rated for less than six months.
190	Johnson	Explains pro-rate for less than 12 months.
195	Rep. Hopson	Asks if that is only applicable January 1, 2003 through June 30, 2003.
215	Chair Kropf	Answers in terms of qualifying.
225	Johnson	Will clarify language in terms of new entity.
216	Rep. Lowe	Asks if the structure of HB 4072-5 will attract a certain line of business.
230	Johnson	Answers it is open to small businesses but no particular sector of the economy is targeted.
250	Chair Kropf	The intention of the bill is to stimulate small businesses.
265	Brickman	Offers to check with the department regarding these kinds of businesses.
277	Chair Kropf	Asks for any further questions on clarifying language.

281	Rep. Lowe	Asks if this bill has any negative impact on the budget.
308	Chair Kropf	Refers to EXHIBIT D?. Discusses chart.
337	Dick Yates	Legislative Revenue Office (LRO). Explains chart. Basically, the bill offers a tax credit to employers to hire additional people. (EXHIBIT C)

**TAPE 10,B**

005	Yates	Explains chart.
014	Chair Kropf	Discusses kinds of industries with under 50 employees.
023	Yates	Discusses the credit is 4 percent of what.
027	Chair Kropf	Of wages paid to new employees.
064	Yates	Explains chart under "credit." Continues discussing the chart.
083	Rep. Lowe	Questions how the figures were arrived at. Is there an assumption of long-term unemployment??
110	Yates	It would be in a sense that those who do not meet 10 percent growth. Employees move back and forth between firms. This is a model.
128	Rep. Lowe	Asks how to target employers who hire people who have been unemployed for six months.
169	Chair Kropf	Discusses unemployment targeting.
171	Rep. Lowe	It brings more people into income tax paying status and helps the General Fund.
181	Brickman	Comments that she does not know the legal aspect of targeting unemployed individuals for employment. Verification of unemployment might be needed.
199	Johnson	Legally there would not be a problem to put the requirement in.
209	Rep. Lowe	All the employer would have to do is certify that it is true.
230	Brickman	Comments on certification by employer that would have to come from the employer's information.
235	Rep. Lowe	The individual would have to sign a statement.
224	Rep. King	Discusses problems that could evolve from this aspect.
239	Brickman	Asks if one would actively be receiving unemployment or have exhausted benefits.
268	Rep. Lowe	One would have to be a new hire.
255	Chair Kropf	Rep. Lowe thinks it should be a new hire. Someone who is not working for someone else.
280	Rep. Lowe	Discusses how employees get shifted around.
270	Chair Kropf	Explains a new job has to be created. Not just a trading of jobs. Jobs Plus program is a great program.
303	Brickman	Is not sure what mechanism it is. How that would be used as an incentive.
330	Chair Kropf	I mean in identifying people off work and making this program available.
340	Brickman	Explains how the Employment Department would identify people who might qualify.
321	Johnson	Responds that thirty days of unemployment could be used and affirmed by individual certification.
337	Rep. King	Discusses concerns with this bill. Does not support bill. Says there is a lot of social policy in the bill. Windfall benefits could outweigh targeted economic benefits.

**TAPE 11,A**

035	Chair Kropf	Reiterates to clarify that there has to be an average of fewer than 50.
044	Chair Kropf	Asks Mr. Yates about credit tax and impact.
051	Yates	Once you have a credit base, you are talking about number of

111	Rep. Lowe	employees that are eligible. Explains example from chart.
120	Yates	Asks if there is a credit number that is a wash. Answers no. It will cost something. There has not yet been away to increase income by giving tax credits.
134	Chair Kropf	Discusses societal effects gained by the tax credit program.
157	Chair Kropf	Asks if there are any further questions on HB 4072. Explains there will be further amendments adjusting.
174	Rep. Hopson	Feels uncomfortable with some of the issues in this measure. Feels the potential is there for stimulating some jobs. Does not support the bill at this time.
206	Rep. King	Comments that the bill may be an economic policy experiment but not as a budget assist in a negative budget.
237	Rep. Brown	Comments on HB 4072 as compared to a baseball single and not a home run. Wants continued efforts on the bill.
200	Rep. Lowe	Says she supports a little risk but not a lot. Asks to keep working on the numbers in this measure.
283	Chair Kropf	Refers to employment forecast for 2003. Will the tax credit have a more positive impact if there is less than the forecasted employment?
323	Chair Kropf	Comments that in the 5 <sup>th</sup> special session there has been no effort to stimulate the economy. Discusses Enterprise Zones. Talks about making an investment and long term benefits for society as a whole.
400	Chair Kropf	Mentions the \$1.7 million investment for six months (chart). Has a positive societal impact to employ those unemployed, on unemployment. Discusses frustration from economically disadvantaged.
420	Chair	Explains the employer will reinvest the tax credit he gets and create more jobs.
<b>TAPE 12,A</b>		
020	Chair Kropf	Explains how the credit will cause an employer to hire more people.
030	Rep. King	Refers to the chart from Revenue (chart) and questions what different figures would do to the picture. Says there could be significantly larger risks than shown in the model.
140	Chair Kropf	Comments on a joint memorial to Congress regarding Oregon's burned forests this summer.
149	Chair Kropf	Recesses at 3:45. Reconvenes at 4:15 p.m. to introduce LC 24 Memorial. <b>(EXHIBIT D)</b>
<b>PUBLIC HEARING ON LC 24</b>		
172	Mark Kelly	Works for 14 family owned forest products companies and a helicopter company in Oregon on federal forest policy issues.
180	Tim Wigley	Oregon Forest Industries Council. Describes wild fires in Oregon that destroyed acres of forest this summer, both private and government land. One million acres in Oregon have burned this summer. Supports the memorial.
193	Chair Kropf	Asks what the memorial urges Congress.
195	Kelly	Responds the proposal is to reduce hazards that fired the wild fires. Describes what is needed in the forests after the fires. Comments that this legislation will come before Congress on Thursday.
201	Chair Kropf	Responds that our adoption would be timely. Asks for questions.
214	Rep. King	Comments that by Thursday it would have to be adopted tonight.
215	Rep. Hopson	Asks for a work session.

230	Rep. G. Smith	Says 70 percent of land is federal in eastern Oregon. Supports.
235	Chair Kropf	Describes Ukiah fire that he saw two weeks ago. Biscuit Fire 500,000 acres. Memorial urges Congress to take steps to reduce fires. Describes Bridge Creek fire.

**WORK SESSION ON LC 24**

340	Rep. Hopson	Discusses the memorial. Will give courtesy vote.
341	Rep. Greg Smith	<b>MOTION: Moves LC 24 BE INTRODUCED as a committee bill.</b>
342		<b>VOTE: 7-0</b>
343	Chair Kropf	<b>Hearing no objection, declares the motion CARRIED.</b>
344	Chair Kropf	Adjourns meeting at 4:30 p.m.

Transcribed by,                      Reviewed by,

Nancy Massee	Ray Kelly
Committee Assistant	Committee Administrator

**EXHIBITS:**

- A – LC 16, staff, 8 pp**
- B – HB 4072-5, staff, 3 pp**
- C - Model Tax Credit Chart, staff, 1 p**
- D – LC 24, staff, 2 pp**