

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 03, 1999 Hearing Room 350

1:00 p.m. Tapes 1 - 2

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Ryan Deckert

Rep. Bob Montgomery

Rep. Diane Rosenbaum

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

HB 2153 - Public Hearing

HB 2521 ñ Public Hearing and 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 1, A		
004	Chair Krummel	Calls meeting to order at 1:06 p.m. and opens the public hearing on HB 2153.
<u>HB 2153 ñ PUBLIC HEARING</u>		
014	Chair Krummel	Announces that the subcommittee will not go into work session on HB 2153 today.
021	Hilary Abraham	Program Director, Legislative Affairs and Drinking Water, Oregon

		Environmental Council (OEC). Submits and reads a prepared statement in opposition to HB 2153 (EXHIBIT A) .
061	Rep. Montgomery	Asks how OEC feels about maintenance dredging of the Columbia River.
068	Abraham	Responds OEC's issue is there has not been an environmental impact statement (EIS) made.
073	Rep. Montgomery	Asks if OEC will be in favor of dredging if the Columbia River EIS comes out favorably.
075	Abraham	Responds OEC will have to examine the environmental statement before addressing the concern.
081	Rep. Rosenbaum	Asks if OEC has objections other than the dredging of the Columbia.
084	Abraham	Responds they do not. Adds that OEC strongly supports the authorization of dollars for municipal drinking water systems.
088		The subcommittee discusses subcommittee procedures for acting on legislation.
112	Greg Jeffrey	Finance Manager of the Oregon Lottery Revenue Bond Program, Department of Administrative Services (DAS). Submits and paraphrases a prepared statement in support of HB 2153 (EXHIBIT B) .
130	Jeffrey	Continues presentation of statement (EXHIBIT B) .
193	Jeffrey	Comments the graphs demonstrate uses of revenues (EXHIBIT B, page 3) .
205	Jeffrey	Reviews chart showing Breakdown of Available Lottery Bond Capacity (EXHIBIT B, page 4) .
227	Jeffrey	Reviews chart on Lottery Bond Debt Service by Biennium (EXHIBIT B, page 5) .
255	Jeffrey	Explains that the bonding capacity increases beginning in 2009-11 (EXHIBIT B, page 5) because at that time the Westside Light Rail bonds will have been retired.
250	Jeffrey	Explains that the chart on page 6 (EXHIBIT B) demonstrates the outstanding debt service on the existing obligations and the projected debt service on the four authorities in HB 2153.

272	Rep. Montgomery	Asks whether the Economic Development Department (EDD) could add to the education school districts if they wanted to.
281	Jeffrey	Responds that is what he meant to say. This bill would be a vehicle by which the legislature could add additional authorities by which the state could issue lottery revenue bonds. Adds that assuming SB 200 passes, which provides for the mechanisms in this bill, it would get incorporated into the overall authority.
302	Chair Krummel	Comments that while going through the bill, he added up about \$130 million in bonding. Asks if Jeffrey is saying we have plenty of room to do that based on the forecast for the lottery revenues over the next 15 years and how the bond payments would be made.
313	Jeffrey	Responds the estimate of existing remaining capacity Is over \$500 million in principal and there is room for implementation without exceeding the capacity.
319	Chair Krummel	Asks if chart 3 (EXHIBIT B, page 5) shows that in 2015-17 biennium there is full bonding capacity again, or whether it shows we will be \$500 million in debt.
327	Jeffrey	Explains that all existing lottery bonds currently outstanding and those proposed in HB 2153 would be retired, assuming no additional bonds are issued in the meantime.
338	Rep. Deckert	Asks how many bonding authorities were established last session.
338	Jeffrey	Responds that three authorities were established: \$15 million for Oregon Parks, approximately \$6 million for safe drinking water projects matching funds, and \$150 million for Oregon school districts.
346	Rep. Deckert	Asks how many bond proposals are being made this session.
352	Jeffrey	Responds the only ones he knows for certain are the four in HB 2153.
364	Chair Krummel	Asks if Oregon decides, before 2015, that the lottery has created too many millionaires and decides to kill the lottery, whether it would be killing the goose that laid the golden egg and whether it would mean we would have to find another way of bonding to cover the bonds.
380	Jeffrey	Responds when the authorization was passed last session, there was a promise in the authorization that the legislature would continue to have the lottery operate until the debt service is satisfied.
386	Chair Krummel	Asks if the same clause is in HB 2153.

389	Jeffrey	Responds the clause would be moving into the SB 200 provision, the master authority for the lottery revenue bonds.
394	Chair Krummel	Asks what happens if an initiative is passed to abolish the lottery.
398	Jeffrey	Responds that would be a legal question.
411	Chair Krummel	Comments he is concerned about how the lottery debt would be covered.
TAPE 2, A		
004	Rusty Vernon	Director, Oregon State Fair. Testifies in support of HB 2153. Comments he is particularly supportive of Section 1 for the Capitol Project Funds for the Oregon State Fair. Reviews history of legislation last session resulting in an audit and recommendations that there be some restorative capitol funds made available to the Fair so the buildings would be brought up to market standards and for the fair grounds to be able to operate both as an exposition center and to support activities such as the State Fair.
020	Vernon	Adds that the dollars in HB 2153 is a portion that will be needed over time for the State Fair; it is a good start on getting the buildings into a maintainable condition. Suggests that unless corrective action is taken, the agency will cease to exist, probably in year 2000. Adds that the Exposition Center is a significant economic activity in Oregon, generating an economic impact in excess of \$137 million a year. Thirty million of the activity occurs in Portland and \$50 million occurs outside the Valley.
047	Rep. Montgomery	Asks if any of the money from the bonds would be used at the horse track.
050	Vernon	Responds that approximately \$700,000 is contemplated to be used only after the legislature decides what is going to happen with horse racing.
057	Rep. Montgomery	Asks if there is legislation that would permit horseracing and not require the state to subsidize it.
060	Vernon	Responds that the audit report recommended that the statute on horseracing be removed. Adds that at least three bills are being introduced dealing with horseracing by the Racing Commission, Oregon Fairs Association and New Portland Meadows. Adds he doesn't think there is any public funding contemplated by the State Fair and they are looking for solutions out of the industry.
073	Bill Scott	Director, Economic Development Department (EDD). Submits and summarizes a prepared statement and proposing amendments (EXHIBIT C).
119	Rep. Montgomery	Comments that the chart on the Governor's Recommended Budget (EXHIBIT C, page 3) implies that in 1995-97 EDD had \$50 million and in 1997-99 it was

		\$39 million.
126	Scott	Explains that the legislature appropriates a single sum and the Economic Development Commission allocates the money on an as-needed basis into the programs.
151	Rep. Deckert	Asks what will make these investments less palatable 10 years from now than they are today.
162	Scott	Responds he thinks these kinds of infrastructure investments do result in the creation of jobs that end up growing the General Fund.
174	Rep. Deckert	Comments he believes if we are still paying back the indebtedness 10 years from now there will be items that also need to be paid for. Feels we should pay for it today and then pay for the immediate need 10 years from now.
200	Scott	Makes analogy of either buying a house today with a mortgage or trying to save capitol to pay for a house.
224	Scott	Calls members' attention to the proposed amendments (EXHIBIT C, pages 5-6). Comments he believes the drafters of the amendments were intending to fulfill the intent of the Governor's budget. However, the findings are not fully consistent with the authorization language as it exists in the draft and EDD does not think all the projects that are intended to be authorized are actually authorized by the language of the bill. The proposed amendments would make it clear that the legislature wants to approve the Safe Drinking Water match money, infrastructure projects, potential community facilities and brown field assessment costs and handle the basic water/sewer, telecommunication and other infrastructure needs as well.
248	Bob Repine	Director, Department of Housing and Community Services (DHCS). Submits copies of "Oregon Livability Initiative" (EXHIBIT D). Paraphrases policy statement and uses of the Incentive Fund.
313	Repine	Comments on program in Portland. Adds they are looking at a project in Pendleton to improve the quality of downtown. They are trying to develop living units above the businesses. Believes they can build four floors of affordable housing and offer child care and community college services. Pendleton is not in a position to fund it. HCSD could leverage the money and the City of Pendleton could seek matching money.
375	Repine	If a community said they wanted to develop housing and did not have the money to change the zone, DHCS could, with DLCD, make the change and DHCS could go in and provide the development with the City of Pendleton.
395	Repine	Comments that some communities have available land but nobody wants to buy it and they cannot afford to give it away. This would allow someone to go in and acquire the land. Gives example of programs in Portland. Adds that such combined efforts result in rollover of money for use in other communities.

442	Repine	Comments that cities and counties have to rely heavily on system development charges and in most cases the cost is passed on to the next person who is doing renovation or development in the community. Adds that the Incentive Fund could be used to compliment what the developer normally would have had to pay for the additional sizing of a line. It becomes a very fluid account that would allow a variety of activities that would enhance reinvestment in downtown communities.
TAPE 1, B		
039	Repine	Gives examples of vacant upper stories of buildings in downtown Salem. Suggests HB 2153 is a way to address a lot of issues.
057	Rep. Montgomery	Asks if a property is taken off the tax rolls when DHCS buys it.
061	Repine	Responds it depends on the nature of the partnership.
065	Repine	Comments in response to Rep. Deckert's question to Mr. Scott about paying for projects now and in ten years. Suggests this is a time to step in and make changes and corrections that would create a level of prosperity far greater than the amount of money put into it.
111	Rep. Montgomery	Comments we are in a time of prosperity but there are different problems in different areas.
133	Chair Krummel	Comments that on a senior housing development in Wilsonville the city forgave the system development charges on the project. Asks if other communities are also willing to do the same thing.
143	Repine	Responds that communities step up the best way they can offering "soft money" including waving some of the system development charges, taking them over time, not charging interest, waiving the fees for inspections a variety of ways. Adds that \$15 million in Trust Fund moneys in the last four years have bought \$340 million worth of investments. Of that, probably half comes from a variety of sources within the community. Communities will do everything that they can financially do to help facilitate the construction or restoration of the projects.
155	Chair Krummel	Asks what the definition is of a "distressed community".
164	Repine	Suggests there is probably "a definition" of what constitutes "distressed" somewhere in the community environment.
167	Chair Krummel	Asks if the dollars DHCS dispenses are primarily loan dollars, grant dollars, etc.

178	Repine	Responds that Housing Trust dollars are grants. They are built into the equity of the project. Federal dollars are grants. Most of the other funding comes through long term increment financing.
207	Ken Armstrong	Executive Director, Oregon Public Ports Association. Submits list of Columbia River Channel Coalition Leader4ship Advisory Council and supporters (EXHIBIT E) . Testifies in support of HB 2153. Comments this is the first piece of legislation that is part of a culmination of two years of work by a coalition. The groups addressed how to get urban and rural distressed infrastructure and investments increased this session. Believes they have come up with a very aggressive and creative approach to making some of the investments that deal with problems in rapidly developing areas and the lack of growth in some of the rural areas. Adds that their highest levels of interest are focused on the Columbia River deepening project and the \$45 million for municipal grants and loans for other infrastructure projects. Asks that Keith Levitt speak to the channel project.
230	Keith Levitt	Port of Portland. Comments that the Port's interest is in the channel activity. It is a statewide issue as well as a bi-state project. The State of Washington and Oregon are to cost share with the Federal government. They expected Oregon's cost share to be around the \$10 million that is included in HB 2153; it is now another \$7.7 million beyond that. The gap is about \$17.7 million. Oregon's total share for the project will be \$27.7 million. The Ports Association will be seeking the \$10 million in this bill plus somehow filling the remaining \$7.7 million gap. Adds that \$7.7 million is shared by the State of Washington at the same level; the federal government would contribute \$93 to 95 million dollars to deepen the channel.
301	Levitt	Adds that the project is out in draft form. Comments are coming in from the regulatory agencies at the federal and state levels. The Corps of Engineers will evaluate the comments and reflect the federal statutes.
317	Levitt	Adds that the Ports Association and the Governor are recommending that the Willamette project be delayed until they can deal with some of the sentiment issues. They believe they can move forward on the Columbia River portion, but will wait to see the feasibility study.
333	Rep. Montgomery	Asks if Washington is aware they need to come up with the money and whether they have agreed to do so.
336	Levitt	Responds Washington is very aware they need to come up with their share of the project; they are working with their legislature and the governor to come up with dollars.
345	Rep. Montgomery	Asks if Oregon decides to increase the bonding, and if Washington comes up with the money, whether it would be acceptable. Also asks if Oregon decided not to come up with \$7 million or \$8 million, but something less, whether the Port of Portland would be willing to come up with a little bit
351	Levitt	Responds that the Port of Portland is willing to work with the committee on the funding. Adds that the ports are contributing a lot to the project outside the cost share.

356	Rep. Montgomery	Suggest that on Page 2 of HB 2153, in line 31, the \$10 million be changed to \$17.7 million and that the committee have a discussion on it.
375	Rep. Deckert	Comments he is comfortable with the \$17.7 million.
404	Willie Tiffany	League of Oregon Cities (LOC). Testifies in support of HB 2153. Echoes Ken Armstrong's comments. LOC is interested in Section 3, particularly the community development funds to assist distressed communities. LOC supports the technical amendments by EDD. Also supports Section 4 and would support additions to Section 3.
430	Chair Krummel	Closes public hearing on HB 2153 and opens public hearing on HB 2521.
TAPE 2, B		
<u>HB 2521 n PUBLIC HEARING</u>		
011	Jason Cody	Administrator. Explains that HB 2521 increases the maximum amount of promissory notes that may be issued by a port from \$250,000 to \$1 million. The legislature set the maximum amount in 1979. Adds that the purpose of the promissory note is to provide short-term loans to allow ports to conduct management activities. Reviews interest rates in ORS 281.515.
036	Rep. Montgomery	Comments he introduced the bill at the request of the Oregon Ports Association.
044	Ken Armstrong	Executive Director, Oregon Public Ports Association. Explains that HB 2521 is a housekeeping measure for the Ports Association. It is an updated tool directed at short-term bridge financing.
063	Rep. Montgomery	Asks if this bill will cost the taxpayers anything.
064	Armstrong	Responds that it will not.
068	Bill Scott	Director, Oregon Economic Development Department (EDD). Testifies in support of HB 2521. Comments EDD is very familiar with the issues. Ports have run into the situation where they could not do the most efficient thing because of the restriction.
074	Chair Krummel	Closes public hearing and opens work session on HB 2521.
<u>HB 2521 n WORK SESSION</u>		

081	Rep. Rosenbaum	MOTION: Moves HB 2521 to the full committee with a DO PASS recommendation.
085		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED. REP. ROSENBAUM will lead discussion in full committee.
093	Chair Krummel	Adjourns meeting at 2:26 p. m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2153 ñ prepared statement, Hilary Abraham, 1 p

B ñ HB 2153, prepared statement, Greg Jeffrey, 6 pp

C ñ HB 2153, prepared statement, Bill Scott, 6 pp

D ñ HB 2153, prepared statement, Bob Repine, 2 pp

E ñ HB 2153, list of council members and supporters, Ken Armstrong, 1 p