

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 05, 1999 Hearing Room 350

1:00 p.m. Tapes 3 - 4

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 2092 ñ Public Hearing

HB 2177 ñ Public Hearing

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 3, A		
004	Chair Krummel	Calls meeting to order at 1:18 p.m. and opens the public hearing on HB 2092
<u>HB 2092 ñ PUBLIC HEARING</u>		
031	Jason Cody	Administrator. Explains the effect of HB 2092. Adds that the bill is temporarily in effect and they are looking for a long-term solution.
052	John Beaulieu	Manager, ORTDF. Testifies that the ORTDF is managed by Cascadia Pacific

		<p>Management, and is overseen by six board members chosen by the Governor and approved by the Senate. Submits annual report (EXHIBIT A). Reviews investments (EXHIBIT A, page 4). Explains that the purpose was to do early-stage investing by working with entrepreneurs, researchers and investigators to commercialize their technology. The fund was scheduled to receive \$25 million but because of the shortfall in the early lottery, the fund received roughly \$12.6 million. The fund has been self-sufficient. The first category of investments is profitable. They are complete in the investments except for Avi Biopharma; they are holding roughly \$2 million of publicly listed stock.</p>
062	Beaulieu	<p>Adds that the board works with the companies to help them grow to the point of liquidity. The proceeds are reinvested in other companies.</p>
065	Beaulieu	<p>Comments that Page 5 lists the returns and investments by industry.</p>
092	Beaulieu	<p>Comments that Page 7 gives a snapshot of what they have done in 12 years with \$12 millions. They have created over 50 companies. The follow-ons are important because it draws in other investors. The leverage on the \$12 million invested is probably over \$250 million.</p>
080	Beaulieu	<p>Twenty percent of the assets are in listed stocks. Assets totaling \$24,769,000 are under management (market value of securities plus cash; there are unrealized gains in the value). Adds that 21 companies have been spun off Oregon research institutions.</p>
098	Beaulieu	<p>Comments they can prove they broke even for the state after three years in business. There are no state employees assigned to ORTDF. They have 25-30 companies in the active portfolio that they are assisting to grow.</p>
104	Beaulieu	<p>Management fee is less than 1.5 percent.</p>
127	Beaulieu	<p>The audit report is done every year according to government accounting.</p>
120	Beaulieu	<p>Explains the problem they have is because the attorney general's office (AG) office has ruled that they can no longer make investments in stock and the stock they do hold has some issues as to title (EXHIBIT A).</p>
130	Beaulieu	<p>Comments the most important thing to do is to move ORTDF under the Education Endowment Fund. Two limited partnerships would be created and ORTDF assets would go into one account. As the assets are liquidated the proceeds would go into limited partnership number two which would be a new fund that could hold stock and make investments in stock and would not have any title problems. Liquidity could be realized. The new fund would have a 10-year life.</p>
173	Chair Krummel	<p>Asks if HB 2092 says that the funds go into the Oregon Growth Account.</p>
161	Beaulieu	<p>Responds the original bill did provide for the funds to go into the Oregon</p>

		Growth Account, and now he believes it needs to say "Oregon Education Endowment Fund.
165	Chair Krummel	Asks if they have proposed amendments to the bill.
164	Beaulieu	Responds they are in the process of writing the amendments.
180	Chair Krummel	Asks if creating and deleting the funds seems appropriate.
180	Beaulieu	Responds they are trying to cure the problem of being able to hold the stock.
188	Chair Krummel	Asks why this has not come up before.
190	Beaulieu	Responds that when ORTDF was a state agency, an agreement was reached with the AG's office to hold stock. Then a new AG was appointed to represent ORTDF and that is when the problems surfaced. The management group, CPM, was not aware of the decision until later. It was brought to the attention of the board in January 1998 and clarification of the problems was received in September.
217	John Castles	Vice-Chair, Board of ORTDF. Testifies that early on the fund acted as any venture capital fund should. In a change of personnel they suggested there was a problem and as a state agency they could not hold private stock in a private company.
235	Chair Krummel	Asks how much was originally put in the fund.
225	Beaulieu	Responds the original commitment was \$25 million; they received \$12.3 million.
247	Rollie Wisbrock	Chief of Staff, Oregon Treasury. Testifies in opposition to HB 2092. Advises they have been able to address the problems and HB 2092 is probably is not needed as it is written. Treasury recommends that HB 2092 be amended to move ORTDF under the Education Endowment Fund. The model for the language is in the Oregon Growth Account. It would give ORTDF the ability to hold stock up to 65 percent.
287	Rep. Deckert	Asks how the previous witnesses feel about the amendments.
290	Wisbrock	Responds he believes they would be in complete agreement.
325	Chair Krummel	Asks if the AG's office has looked at the recommended structure.
317	Wisbrock	Responds that a representative from the AG's looked at the recommended structure and agrees with it. Adds that the Treasury staff has agreed to look at the

		draft language from Legislative Counsel to make sure it addresses all the technical needs of the Treasury; the Treasury's AG will look at the amendment to make sure it meets all the requirements.
350	Chair Krummel	Comments he prefers to have another hearing in subcommittee prior to acting to send the bill to the full committee.
380	Chair Krummel	Closes the public hearing on HB 2092 and opens the public hearing on HB 2177.
<u>HB 2177 n PUBLIC HEARING</u>		
397	Jason Cody	Explains provisions of HB 2177.
TAPE 4, A		
010	Michael Skeels	Director, Center for Public Health Laboratories, Health Division, Department of Human Resources (DHR). States he is present to support HB 2177 and the HB 2177-1 amendments (EXHIBIT B). Explains the amendments have been proposed by the Department of Agriculture and include one cleanup amendment to correct a drafting error in the civil penalty section. Reads a prepared statement in support of HB 2177 (EXHIBIT C).
105	Richard Gates	Administrator, Laboratory Division, Department of Environmental Quality. Submits and reads a statement in support of HB 2177 (EXHIBIT D).
130	Norma Corrigan	Administrator of the Laboratory Services, Department of Agriculture. Explains HB 2177-1 amendments (EXHIBIT B). Reads statement (EXHIBIT E).
1206	Rep. Montgomery	Asks how many labs might be accredited and what the fees will be.
208	Skeels	Responds that the Health Division will adopt administrative rules, set the fees and collect the fees. The agencies do not know how many labs will seek accreditation; the number is unknown. There are currently 75-80 drinking water labs certified by the Health Division and those labs may want to seek certification. Adds there are other environmental laboratories doing other kinds of environmental testing that may want National Environmental Laboratory Accreditation Program (NELAP) accreditation as part of their business plan. Adds the Health Division has a budget package in the governor's budget that includes their best revenue estimates.
238	Rep. Montgomery	Asks if the fee might be \$1,000 per year.
238	Skeels	Responds that they anticipate a different fee scale depending on how many different kinds of parameters they want to be accredited for. The fee can be anywhere from a few hundred dollars for a relatively small or narrow range of accreditation up to a few thousand dollars for a large laboratory wanting to do a lot of things.

248	Skeels	Explains that during the drafting of the amendments Legislative Counsel found a drafting error in the bill and it is being corrected in lines 9-18 of the amendments. Adds that the only application of civil penalties would be for environmental labs that report they are accredited when they are not.
283	Chair Krummel	Asks if "collaborate" is correct language.
286	Skeels	Responds they believe it is.
311	Beth Meyers	A private laboratory owner since 1977. Comments she is the owner of a certified drinking water lab in Salem and is Treasurer for the Oregon Environmental Lab Association. The association feels there is strong industry support for certified labs. Gives example of testing on underground storage tanks by unknown and non-certified laboratories. Adds that currently in Oregon anybody can test for anything.
379	Myers	Adds that with joint custody of the program the labs can call any of the agencies for the appropriate technical support and get direct answers.
403	Myers	Comments their business is already paying fees to California and Alaska. Asks why not have national certification and pay their fees in Oregon.
427	Myers	Adds the legislation would allow Oregon laboratories to be players on a national level because laboratories from other states can come into Oregon, but Oregon laboratories cannot go into other states.
TAPE 3, B		
029	Chair Krummel	Asks if this legislation will eliminate competition of labs on projects.
042	Meyers	Explains it will not because the conflict is usually a sampling error.
057	Rep. Deckert	Asks why the bill did not pass in the previous two sessions.
064	Skeels	Responds the previous bills were not like HB 2177. They were attempts at mandatory licensure of environmental laboratories. This bill only creates an arrangement among three state agencies which positions them well to offer a voluntary accreditation program.
086	Gates	Comments that the reasons for objections to the previous bills were coming from municipalities that felt there would be higher fees, and university laboratories felt they did not need the programs because they were not regulatory.
111	Meyers	Adds that when the previous bills were introduced, NELAP was not in existence.

122	KathrynVanNatta	Northwest Pulp & Paper Association. Introduces Jim Craven, American Electronics Association. Submits and reads a prepared statement (EXHIBIT F).
132	VanNatta	Comments she is speaking for Boise Cascade, Weyerhaeuser, Georgia Pacific, Smurfit, Pope and Talbot, James River, and Longview Fiber.
182	VanNatta	Adds that Paul Cosgrove, representing the American Forest Products and Paper Association in Oregon, had to leave, however, his client also has concerns with the bill.
199	Rep. Montgomery	Asks if Ms. VanNatta has spoken with the supporters of the measure about her questions.
201	VanNatta	Responds that she gave the supporters her questions before the meeting, Comments the Northwest Pulp and Paper Association was not consulted in the drafting of the bill. Adds she has not received answers to her questions.
211	Jim Craven	Oregon Council of American Electronics Association. Comments they have attempted to get answers and have heard clarifying testimony here today. Supports the HB 2177-1 amendments that say the legislation will apply to companies "seeking accreditation". Adds that his association has no objection to the environmental lab community seeking voluntary accreditation. Does not believe the bill is drafted to include the in-house laboratories and does not believe they will be harmed by the bill. Does not believe their in-house laboratories will be seeking certification. Thinks the language in the HB 2177-1 amendments make it clear this is a voluntary program.
271	Craven	Adds there is some concern in the private in-house labs about "the camel's nose under the tent" feeling.
281	Rep. Montgomery	Asks if it is correct that Mr. Craven feels uncomfortable with the bill, because the word "voluntary" is not spelled out.
295	Craven	Responds he believes that is a fair characterization. They are not in opposition to the bill with the HB 2177-1 amendments.
302	Rep. Deckert	Asks if the term "seeking accreditation" is acceptable.
307	Van Natta	Responds they did not see the amendments until one o'clock and she has not checked with her membership about whether it provides a larger comfort level.
317	Chair Krummel	Comments Ms. VanNatta has raised some issues. Asks that both sides meet and go through the amendments and make sure it will work for those who are going to be regulated and to let the committee know when they are ready.
342	Chair Krummel	Closes the public hearing and adjourns the meeting at 2:20 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2092, Oregon Resource & Technology Development Fund annual Report, 1997-98, John Beaulieu, 26 pp

B ñ HB 2177, HB 2177-1 amendments, Department of Agriculture, 1 p

C ñ HB 2177, prepared statement, Michael Skeels, 2 pp

D ñ HB 2177, prepared statement, Richard Gates, 2 pp

E ñ HB 2177, prepared statement, Norma Corristan, 1 p

F ñ HB 2177, prepared statement, Kathryn VanNatta, 1 p