

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

March 10, 1999 Hearing Room 350

1:00 p.m. Tapes 21 - 22

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Ryan Deckert

Rep. Jim Hill

Rep. Diane Rosenbaum

MEMBER EXCUSED: Rep. Bob Montgomery

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD: HB 2005 ñ Public Hearing

HB 2248 ñ Public Hearing

HB 2878 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 21, A		
004	Chair Krummel	Calls meeting to order at 1:13 p.m. as a subcommittee for purposes of receiving testimony. Opens a public hearing on HB 2005.
<u>HB 2005 ñ PUBLIC HEARING</u>		
020	Jason Cody	Explains HB 2005.

029	Speaker Lynn Snodgrass	Testifies in support of HB 2005. Tells of daughter being able to take an art class for one year. Speaks of lack of programs in school or community. Arts and culture are important. Proposal may seem like another bill to study something or to generate another report for the legislature. The bill is a culmination of a tremendous amount of effort. HB 2005 represents the collaborative efforts of civic leaders throughout the state to sustain our resources and the quality of life in Oregon.
113	Rep. Deckert	Comments that how one deals with arts is critical to thinking skills. Asks if there will be funding.
121	Speaker Snodgrass	Responds it is her hope that if the legislature can complete the K-12 funding, they will know the kinds of funds available.
140	Bud Lindstrand	Oregon Cultural Development Task Force. Submits a prepared statement (EXHIBIT A) . Reviews history of creation of and activities of the task force. Task force brought to the governor three points of policy. Two are in HB 2005 that say there should be some way to coordinate all the activities and that there be a coordinating body to help with that and some funding for staff work. The second part is the funding to get to the long-term solution of funding arts and culture. It is the trust fund in the bill. HB 2005 is asking for a structure to be put in place so if the legislature is asked for funding, the legislature will know there is accountability.
244	George Bell	Member of the Cultural Task Force. Submits prepared statement and testifies in support of HB 2005 (EXHIBIT B) . Urges the committee to help the bill move swiftly.
323	Larry Harvey	Introduces Brad Redderson and explains that Redderson participated on the task force and on a number of products related to the issue. Advises that Speaker Snodgrass will be proposing amendments to the bill to help with clarification.
345	Brad Redderson	Eugene resident. Submits prepared statement and testifies in support of HB 2005 (EXHIBIT C) .
395	Redderson	Continues statement in support of HB 2005. Looking for a way to make this a part of life for everyone. The business opportunities are tremendous and can impact everyone. Has seen difference it makes when people get involved in arts and humanities long after they are out of school.
416	Rep. Rosenbaum	Asks what the task force would be doing.
422	Redderson	Explains interests of and considerations by the task force.
<u>TAPE 22, A</u>		
015	Larry Harvey	Cultural Advocacy Coalition. Speaks to the construction of the task force. Speaker is having amendments drafted to increase membership to nine.

041	Harvey	Explains that in Section 1 (5) the task force is charged with specific tasks. The task force will bring specific recommendations back to the next session. Recommendations will be on whether there should be qualifying criteria for receiving grant proposals to be funded through the trust fund and what the criteria would be. They are not ready to say today what it should be but will be gathering information. Submits information items from the Oregonis Task Force on Cultural Development (EXHIBIT D). Speaks to economic impact. States it is a great investment and generates revenue for the State of Oregon. Notes that the bill provides that OEDD could contract for staff and that the emergency clause is important because the work should begin as quickly as possible. Speaker Snodgrass will be asking for a specific enactment date.
116	Rep. Deckert	Comments he does not know why they are not asking for money this session.
123	Harvey	Comments this bill is part of a package. The Governoris recommended budget includes \$200,00 to potentially cover staffing costs for the task force and he also set aside \$1 million to OEDD to be potentially deposited in the investment account. The other two bills are in the Senate. One is to encourage private contributions. The other is for an education grant proposal asking for \$10 million.
168	Christine DiArcy	Oregon Arts Commission. Submits letter from Mike Lindberg (EXHIBIT E).
171	Chair Krummel	Submits letter from Coquille Indian Tribe (EXHIBIT F).
184	Chair Krummel	Announces that the subcommittee will have another hearing on the amendments when they are received.
190	Chair Krummel	Closes the public hearing on HB 2005 and opens a public hearing on HB 2248.
<u>HB 2248 n PUBLIC HEARING</u>		
195	Cody	Reviews provisions of HB 2248.
	Bill Scott	Director, Oregon Economic Development Department (OEDD). States he will give an overview of the bill and the amendments. Introduces Art Fish, Coordinator, Enterprise Zone Program. Submits prepared statement and program information (EXHIBIT K).
230	Scott	Comments there are proposed technical and policy amendments.
235	Scott	Explains purpose and history of Enterprise Zone Program.
290	Scott	Continues explaining program.

304	Scott	Advises that the technical amendments are related to an audit by the Secretary of State that found a number of situations of noncompliance or faulty compliance that jeopardized tax exemptions because of confusion in qualifying for the exemption. There was also some concern that some of the responsibilities may be displaced. In some cases the existing legislation requiring duties of the tax assessor are more properly lodged with the zone sponsor. The technical amendments are things they have figured out in trying to apply the law over the last couple of years.
319	Scott	States that the policy change in the base program is to clarify that a "call center" does qualify for the program as a trade sector industry. The original program was designed for manufacturing industries. The best opportunity for a rural community today is the kind of center that does customer assistance for various businesses.
322	Rep. Deckert	Asks what the status is of Nucor.
336	Scott	Explains that Nucor wants to build a steel mill at Coos Bay. There were a number of barriers. The remaining issues are on their way to being solved are completion of an option for a site with Weyerhaeuser, the completion of a power sales agreement with BPA and a power supplier and a ruling from the Public Utility Commission (PUC) to allow PacifiCorp to step aside as the local service provider. Bonneville (BPA) needs to complete an Environment Impact Statement (EIS) successfully in association with building up a line from the Willamette Valley to Coos Bay. Nucor has announced they assume all the barriers will be removed and they will locate there. They are at least a year away from knowing for sure.
384	Rep. Deckert	Asks if the barriers are removed whether OEDD feels they will break ground within a year or two.
391	Scott	Responds he is never 100 percent confident. Adds there are factors that have to do with the world steel market and other things that could change Nucor's mind.
416	Scott	Explains there are two substantive policy changes in the bill. Reviews II on page 2 of testimony (EXHIBIT K, page 2). There are counties where unemployment is relative low, but they have had a dramatic reduction in their income. The other is to give the local authorities the opportunity to negotiate something less than 15 years. It would be seven to fifteen years in the case of a property tax exemption or five to fifteen years in the case of a corporate income tax exemption.
<u>TAPE 21, B</u>		
032		Reviews prepared statement (EXHIBIT K, page 3) on proposed amendments: HB 2248-1 proposed by the City of Portland (EXHIBIT G); HB 2248-2 proposed by OEDD (EXHIBIT H); HB 3348-3 proposed by OEDD and Rep. Simmons (EXHIBIT I); and HB 2258-4 proposed by OEDD (EXHIBIT J).

090	Rep. Susan Morgan	District 46. Speaks in favor of the HB 2248-4 amendments (EXHIBIT J). State that the ñ4 amendments would benefit an existing company in her region and rural families. Explains that two projects are not certainties at this time because sites outside Oregon are still being considered. The program with the proposed amendments will tip the scales in favor of Oregon. The total investment in Oregon would approach \$75 million. Direct employment would reach 150 jobs within three years. The annual wage would be at least \$35,000. The January unemployment rate in Douglas and Coos counties averaged higher than 11 percent.
145	Rep. Ken Messerle	District 48. Comments his district is very much under employed and the Port is operating at much less than their capacity. He is here to support the ñ4 amendments (EXHIBIT J). Cites earnings in area compared to the Portland area. States that the bill passed last session did not do much for the local businesses that are operating full time. This bill is important to aggregate the communities. Several companies have been interested in using the Port of Coos Bay. Thinks it makes sense to work the enterprise zones together. This would be a tremendous incentive for companies to come to the Port.
190	Joan Burger	Mayor, City of Coos Bay. Cites economic statistics for City of Coos Bay. Believes bill gives them some tools to work with. Believes the flexibility will assist their area. States there are counties in Oregon that do not have high unemployment but do have low income. Thinks that by addressing low income, it will benefit other counties as well. The inclusion of "call facilities" expands their ability to locate those businesses. Believes they are very capable of handling the decisions if HB 2884 is passed.
250	Chair Krummel	Asks if the bill creates the ability to do a ramp up on the property taxes.
259	Scott	Responds that the bill does not provide that, but since the local government is authorized to negotiate anything it wants to, it could relieve all the property tax but negotiate a cash payment; there is the ability to tailor the deal.
278	Burger	Comments they still have a lot of hoops to jump through in order for Nucor to move to Coos Bay.
291	John Hall	Systems Development Officer, Portland Development Commission (PDC). Speaks in support of the -1 amendments (EXHIBIT G). As the program is constructed, the programs included as eligible are already allowed when associated with manufacturing. They are receiving inquiry from firms only engaged in headquarters activities. The North Northeast Enterprise Zone is more than 10 years old. Headquarters provide a wide range of opportunities. PDC sees the amendment as a technical fix with a little bit of policy thrown in but consistent in general with some changes in the structure of the economy that has occurred over the ten to twelve year life of the enterprise zone program.
355	Hall	Reviews the impact of the Adidas decision to locate in the enterprise zone.
433	John Powell	Nucor Corporation. Comments that he will comment about the bill and the amendments as they relate to a bill that was passed last session. The Nucor bill

		set out very high standards that must be met to qualify for the exemption. Any change in the law lowering those thresholds would not affect Nucor's intentions nor have they asked for any change in the threshold. The size of the project and amount of the investment, they amount they pay and the qualifications would continue. Since some of this law would amend the section of law that was created last session, perhaps these should be separated and the bill passed last session should be left in tact. Believes OEDD is preparing some amendments that would give that option. Adds that Nucor wants to make sure that everyone understands they want to keep faith with what was represented last session.
490	Powell	Explains that the bill from last session was not codified in the statutes because it sunsets in five years. Will work with committee and staff. Thinks Mr. Scott outlined the barriers.
TAPE 22, B		
050	Fish	Explains the bill amendments (EXHIBIT H) relate to the long-standing three to five percent property tax exemption. In that program, a line is drawn 30 miles from each enterprise zone. They cannot get an exemption beyond the 30 miles. Explains how the law applies.
084	Rep. Deckert	Comments the Adidas situation is difficult. Asks what the defense would be in future situations. Believes more examples of the situation are occurring. Wonders what OEDD has done, and what can be done to prevent the situation from occurring again.
103	Fish	Explains restrictions when a company moves.
113	Scott	Asks that the department take another look at the issues and the protections built into the statutes to see if they might recommend some further changes.
128	Rep. Rosenbaum	Asks if the subcommittee will get the fiscal and revenue impact statements.
132	Cody	Explains process for fiscal and revenue statements.
140	Chair Krummel	Closes the public hearing on HB 2248 and opens the public hearing on HB 2878.
<u>HB 2878 - PUBLIC HEARING</u>		
155	Rep. Deckert	Submits and summarizes a prepared statement in support of HB 2878 (EXHIBIT L).
155	Brent Gunderson	President, Sun, Wind & Fire, Portland. Submits prepared statement and product information (EXHIBIT M). Displays sample of product. Tax credit proposal is to drive down the costs of the projects to get people to install the products on their home. States that currently 20 systems generate their own electricity. This

		bill will level the playing field for solar generation.
215	Chair Krummel	Asks if this enables a person to have his or her own power system.
222	Gunderson	Responds he believes this system will be a partner with the utilities. Explains the system of selling generated electricity and purchasing back from the utility.
235	Chair Krummel	Asks if this is to create a residential tax credit.
251	Gunderson	Responds that the bill is only for residential tax credit. The credit is \$3 per watt of the system that is installed. Adds that the cost to install this system is over \$10 per watt.
272	Rep. Deckert	Gives example of \$80 tax credit on energy efficient refrigerator. Comments the concept of this bill is similar to tax credit on the refrigerator.
295	Frank Vignola	Oregon Solar Energy Industries Association. Testifies in support of HB 2878. Comments on need for alternative generation capabilities. Feels the tax credit will increase the market for the Photovoltaic modules and enable the industry to build bigger plants and know there is a market.
339	Doug Boleyn	President, Solar Energy Association of Oregon. Submits statement and pictures (EXHIBIT N) . Has system on house. Testifies in support of HB 2878.
343	Brian Bauman	Resident, Hillsboro. States he has a 1,000-watt inter-tie system on his house. States that from data collected on his system he needs a 3,000-watt system. The proposed tax credit seems geared to about a 3,000-watt system and lends itself to putting up a 3,000-watt system. The 3,000-watt system would provide most of the annual needs for his single-family house in Hillsboro. Would like to see a shoring up of the infrastructure support in Oregon and nationally.
414	Chair Krummel	Closes the public hearing on HB 2878 and adjourns meeting at 2:51 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2005, prepared statement, Bud Lindstrand, 1 p

B ñ HB 2005, prepared statement, George Bell, 1 p

C ñ HB 2005, prepared statement, Brad Redderson, 2 pp

D ñ HB 2005, prepared statement and task force information, Larry Harvey,

E ñ HB 2005, letter from Mike Lindberg, Christine DiArcy, 1 p

F ñ HB 2005, letter from Coquille Indian Tribe, Rep. Krummel, 1 p

G ñ HB 2248, HB 2248-1 amendments, Bill Scott, 2 pp

H ñ HB 2248, HB 2248-2 amendments, Bill Scott, 1 p

I ñ HB 2248, HB 2248-3 amendments, Bill Scott, 1 p

J ñ HB 2248, HB 2248-4 amendments, Bill Scott, 3 pp

K ñ HB 2248, prepared statement and program information, Bill Scott, 24 pp

L ñ HB 2878, prepared statement, Rep. Deckert, 1 p

M ñ HB 2878, prepared statement and product information, Brent Gunderson, 4 pp

N ñ HB 2878, prepared statement, Doug Boleyn, 3 pp