

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

March 24, 1999 Hearing Room 350

1:00 p.m. Tapes 29 - 30

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 2005 ñ Public Hearing and Work Session

HB 2248 ñ Public Hearing and Work Session

HB 2586 ñ 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 29, A		
004	Chair Krummel	Calls meeting to order at 1:13 p.m. and opens the public hearing on HB 2248.
<u>HB 2248 ñ PUBLIC HEARING</u>		
012	Rep. Mark Simmons	Submits the HB 2248ñ6 amendments (EXHIBIT A).
032	Art Fish	Enterprise Zone Coordinator, Economic Development Department. Submits packet of information explaining the HB 2248-6 amendments (EXHIBIT B) and the HB 2248-1 -2, -3 and ñ4 amendments (EXHIBITS G THROUGH J

		RESPECTFULLY OF COMMITTEE MINUTES DATED MARCH 10, 1999).
046	Rep. Simmons	Explains the purpose of the HB 2248-6 (EXHIBIT A) is to change the threshold related Oregon's long-term cash incentives and applies to enterprise zones. The investment must be at least \$50 million and provide at least 150 jobs at 150 percent of the county's average annual wage. The intent is to provide more incentive to communities located more than 10 miles from I-5. The amendments reduce the amount of initial investment required to one percent of real market value of all the property in the county. Gives example of Baker County that would only have to have an investment 4.1 million dollars instead of the fifty million dollars, and an addition of 35 new jobs at 150 percent of the county's average wage. The 150 percent would include the entire loaded costs in the wage package.
088	Fish	Reviews the long-term, rural enterprise zone tax incentives (EXHIBIT B, page 3). Explains the long term, rural tax incentive is applicable to rural areas and is a much longer term and more generous benefit to attract sizable investments. HB 2248 would create gradual or sliding scales so the smaller counties or those farther from the I-5 corridor would have a better chance of making the incentives a benefit and inducement to large investments and jobs.
146	Rep. Simmons	Adds that for counties with chronic unemployment, it would be a huge anomaly to find a company to invest \$50 million and employ 150 people. Believes there is a real desire and recognition this session of some of the problems that the remote counties and communities are experiencing. Believes the five amendments go a long way to show that the state is sincere about providing serious incentives to companies to locate in rural communities.
156	Rep. Montgomery	Asks if the EDD can change the requirements by administrative rules.
170	Fish	Responds that the law requires a minimum investment of at least \$50 million for a company to qualify for the incentives.
184	Chair Krummel	Asks if a company would be paying \$15,000 in excise taxes.
188	Fish	Explains that if a company hires the minimum 50 employees, they would be paying \$750,000 and would have a lower floor above which they could start using the credit than the current law allows.
207	Chair Krummel	Asks if it could create incentives for companies in the I-5 corridor as well as for companies outside the corridor.
210	Fish	Responds that if the location is within 10 miles of I-5, under this bill they could only start to use the tax credit at one million dollars.
223	Rep. Montgomery	Asks if the area would be entire Douglas County or the enterprise zone itself.

228	Fish	Responds it would be the facility itself.
238	Bob Alexander	Enterprise Manager, Portland Development Commission (PDC). Comments that John Paul appeared before the committee at the March 10 meeting and talked about the ñ1 amendments. Submits and highlights letter from Adidas (EXHIBIT C) and prepared statement (EXHIBIT D).
293	Rep. Deckert	Asks Mr. Fish what his feeling is about the potential problem that exists in how the incentive is structured.
397	Alexander	Responds the current law does provide some safeguards. The law says they must maintain 110 percent of employment within the entire area. Experience in Portland has been the loss of population relative to the outlying counties over the last five years. Thinks there is equal movement in and out of the zone. Adds that this incentive will not encourage a company that wants a 15-acre green field site. Thinks this is attempting to make an economically depressed area as attractive as possible. Does not see massive influx of headquarters into enterprise zones as a result of passage of this bill.
350	Alexander	Comments on benefits of the ñ1 amendments to their commission (EXHIBIT D).
398	Rep. Montgomery	Comments that enterprise zones were created for blue-collar jobs. Suggests that too much is being allowed in enterprise zones.
<u>TAPE 30, A</u>		
003	Bill Scott	Director, Oregon Economic Development Department. Testifies in support of the HB 2248-1, 3, -4 and ñ6 amendments. Explains that the ñ2 are technical amendments proposed by the department. . Lines 1-10 (EXHIBIT B, page 2) go into detail about the ñ2 amendments. Other amendments are to fix drafting mistakes.
		The language in line 12 is a deletion because Legislative Counsel added too much language and it would create another problem.
060	Scott	Comments on the HB 2248-3 amendments. After reviewing the bill itself and adding to the unemployment criteria, the only eastern Oregon county left out, other than Deschutes, was Sherman. It seems clear a low population county with few people moving out to seek work elsewhere can have the effect of maintaining a decent looking unemployment and income rate but could have a distressed situation. They believe other counties might benefit from this in the future, particularly Gilliam County.
075	Scott	Comments EDD spoke to the -4 amendments in a previous hearing and they support all amendments, -1-4 and ñ6.
086	Chair Krummel	Closes the public hearing and opens the work session on HB 2248.

HB 2248 n WORK SESSION

095	Rep. Montgomery	MOTION: Moves to ADOPT the HB 2248-6 amendments dated 03/23/99 (EXHIBIT A).
098		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
099	Rep. Montgomery	MOTION: Moves to ADOPT the HB 2248--4 amendments dated 03/09/99 (EXHIBIT J, MARCH 10, 1999 COMMITTEE MINUTES).
102		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
105	Rep. Montgomery	MOTION: Moves to ADOPT the HB 2248-3 amendments dated 03/09/99 (EXHIBIT I, MARCH 10, 1999 COMMITTEE MINUTES).
105		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
112	Rep. Montgomery	MOTION: Moves to ADOPT the HB 2248-2 amendments dated 03/09/99 (EXHIBIT H, MARCH 10, 1999 COMMITTEE MINUTES).
112		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.

117	Rep. Montgomery	MOTION: Moves to ADOPT the HB 2248-1 amendments dated 03/09/99 (EXHIBIT G, MARCH 10, 1999 COMMITTEE MINUTES).
118		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
128	Scott	Explains that explanations of potential amendments are included in their packet of information (EXHIBIT B, page 1). The first involves a particular situation but has application around the state. There are communities whose livability depends in part on maintaining adequate, local medical services. There is a question of whether enterprise zones could be used to make it more attractive for doctors to locate in a community where there is not quite enough market to support the doctor. Suggest an amendment could be drafted to confine the zone to a place where it would make sense and not cause the situation Rep. Montgomery is concerned about. Adds that Senators Lim and Dukes are working on an amendment and may try to propose something when it gets to the Senate.
150	Rep. Montgomery	Comments he does not think we need to put a doctor's office that is going to employ one or two people in an enterprise zone. Explains that the enterprise zone was created many years ago to create jobs. The doctor's office would take up valuable space where an industry could put a building in and employ more people. Comments he would oppose a doctor's office because it is abusing the system.
164	Scott	Comments the other item is the concern from Nucor Steel (EXHIBIT B, page 1). Adds that Mr. Powell is here to make sure the amendments don't inadvertently cause any interference with the underlying legislation that would provide the benefit for Nucor Steel that people had in mind with the bill was passed two years ago.
178	John Powell	Nucor Steel. Comments he appeared before the committee previously in support of the concepts behind the amendments but with the caveat that they made commitments to very high standards last session in a somewhat controversial bill. Wants to make sure that the commitments under the bill last session, found in the first column of the million dollars and larger number of jobs and higher investment category, continue to apply to the project under the bill passed in 1997. As a consequence, it would likely be better if only the amendments that have to go in that section do so. Legislative Counsel did not codify the 1997 bill because of the five-year sunset. As a result, the law is pretty clean. Understands that the parties suggesting the four amendments want to use the model what was passed last session. Suggests the remainder of the bill and the amendments could be put in another section and leave the existing section in for administrative purposes to assure those to whom Nucor made commitments that Nucor will keep the commitments. Offers to work with the department and staff on the amendments and if necessary to help them create different sections.

233	Chair Krummel	Asks if Mr. Powell sees any problems with the amendment that have been adopted.
235	Powell	Responds he does not, however, the amendments are changing some of the terms of the credits, which could lead to some potential confusion.
231	Chair Krummel	Asks that Mr. Powell work with the department.
241	Rep. Montgomery	Asks if Mr. Powell would be more comfortable if the bill were engrossed and returned to the committee for another review prior to sending the bill to the full committee.
246	Powell	Comments he thinks it would be worthwhile.
264	Chair Krummel	Advises that staff will hand-engross the bill and reschedule it for one more work session before sending to the full committee.
275	Chair Krummel	Closes the work session on HB 2248 and opens the work session on HB 2586.
<u>HB 2586 n WORK SESSION.</u>		
287	Chair Krummel	Recalls that at the last meeting there were some questions about warranties and batteries and Legislative Counsel has been requested to speak to the questions.
293	B. C. Debney	Staff attorney, Legislative Counsel. Introduces himself.
299	Rep. Deckert	Asks if there would be a problem if the legislature were to pass a mandate of 10 years and a battery last less time.
302	Debney	Responds there will be two issues. There can be a statutory requirement for a 10-year battery. They can warrant a 10-year battery and if there is a breach, they can limit the liability to the replacement or repair cost, but they cannot limit the other types of liability under the law on product liability negligence.
298	Chair Krummel	Comments on testimony given on battery life and asks what the liability would be if the battery did not last as long as the manufacturer said it would.
330	Debney	Responds the different types of liability can be limited by warranty on the battery or the smoke detector. Explains that a warranty is one tool the legal system uses to hold other people responsible for their product. It is regulated under the Uniform Commercial Code (UCC) of Oregon. Lawyers also use product liability and negligence as legal tools. The manufacturer can limit the warranty aspect. Explains that a person could only sue the manufacturer for the replacement cost of the battery. Adds that one qualification would be whether there was a contract between two businesspersons.

369	Rep. Montgomery	Asks if the only thing he could get back if a 10-year battery fails is a new battery if someone dies.
390	Debney	Responds, no..
391	Rep. Montgomery	Asks if he could sue for negligence or something.
392	Debney	Responds affirmatively.
402	Chair Krummel	Asks upon whom the warranty would fall if there were a sealed unit.
410	Debney	Responds in the case of a sealed unit, he believes the question would probably come down to whether there was a contract between the smoke detector company and the battery company. Adds they would probably have divided the liability.
429	Chair Krummel	Comments this legislation would not be creating necessarily greater exposure for either the battery manufacturers or the detector/alarm manufacturers, but only sets a standard by which we want them to abide by when they sell their units in Oregon.
437	Debney	Adds there could possibly be a cause of action based on the statute. Suggest the committee could amend the bill to say that a breach of this statute does not give rise to an independent cause of action, or something to that effect so it would not create a cause of action.
448	Chair Krummel	Asks if it is necessary to add that kind of language.
452	Debney	Responds, no, but he would prefer to report back to the committee on the issue.
457	Rep. Montgomery	Comments that based on the testimony the committee had, he would feel more comfortable if it said eight years because the battery people have said they will last at least eight years, but we don't need more amendments.
464	Rep. Montgomery	MOTION: Moves HB 2586 to the full committee with a DO PASS recommendation.
466		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.

507		Rep. Deckert will lead discussion in the full committee.
<u>TAPE 29, B</u>		
045	Chair Krummel	Opens a public hearing on HB 2005.
<u>HB 2005 ñ PUBLIC HEARING</u>		
055	Larry Harvey	Cultural Advocacy Coalition. Submits the HB 2005-2 amendments (EXHIBIT E). Explains that the amendments address the issues spoken about at the last hearing. Reviews amendments. Explains that seven members would have votes on the committee and the total number of members would be changed from seven to nine. The new membership would allow the President of the Senate and the Speaker of the House to appoint ex-officio members to the task force to protect their interests.
095	Larry Harvey	The amendment in line 4 to page 2 allows flexibility for EDD to prevent an undue burden on the department. They can utilize their own staff. Language allows for short-term personal service contracts.
		Designated staffing and responsibilities would be managed through EDD. All the affected parties would have a vested interest. In deference to all interested parties, it would seem EDD could function to make sure every interest has fair representation on the task and at the committee level.
121	Harvey	Explains that any appropriation that would go to either EDD or into the trust fund being created is an entirely different issue. All appropriations recommendations have been taken out of the bill. Adds that somebody needs to manage the fund. Believes the task force would also recommend how the trust fund or investment account would be managed.
136	Harvey	Comments they suggested in the last hearing there is no extreme emergency requiring the emergency clause. Suggests the task force members would be appointed and the act implemented in September.
152	Harvey	Adds that originally the bill had subsequent refer to W & M. He has spoken with the Speaker and would request that if the committee should choose to adopt the amendments and move the bill to the full committee, that the subcommittee also suggest to the full committee that the subsequent referral be rescinded. The bill would deal only with policy and the appropriations are already built into the EDD budget and will be considered in Ways and Means.
166	Rep. Montgomery	Comments that the Fiscal Statement shows one FTE and \$200,000. Asks if the money is included in the Governoris budget.
169	Harvey	Nods affirmatively

170	Rep. Montgomery	Asks if the one FTE would be a limited duration position.
171	Harvey	Responds affirmatively. Explains if EDD should chose to staff the task force through the department or the Arts Commission, then a part-time or temporary FTE might be incurred. Adds it is not required in this bill but will be a consideration when the budget discussions occur in Ways and Means.
189	Chair Krummel	Closes the public hearing and opens the work session on HB 2005.
<u>HB 2005 n WORK SESSION</u>		
190	Rep. Deckert	MOTION: Moves to ADOPT HB 2005--2 amendments dated 03/22/99 (EXHIBIT E)
195		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
198	Rep. Deckert	MOTION: Moves HB 2005 to the full committee with a DO PASS AS AMENDED recommendation and that the subsequent referral to Ways and Means be rescinded.
210		VOTE: 4-0
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
211		Rep. Rosenbaum will lead discussion in full committee.
213	Chair Krummel	Adjourns meeting at 2:22 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2248, HB 2248-6 amendments, Rep. Simmons, 4 pp

B ñ HB 2248, explanation of bill and amendments, Art Fish, 9 pp

C ñ HB 2248, letter from Adidas, Bob Alexander, 1 p

D ñ HB 2248, prepared statement, Bob Alexander, 2 pp

E ñ HB 2005, HB 2005-2 amendments, Larry Harvey, 1 p