

## SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

January 13, 1999 Hearing Room B

3:00 p.m. Tapes 1 - 2

**MEMBERS PRESENT:** Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Verne Duncan

Sen. Tony Corcoran

Sen. Bill Fisher

**MEMBER EXCUSED:**

**STAFF PRESENT:** Carol Rives, Administrator

Gary Roulier, Administrative Support

**MEASURE/ISSUES HEARD:** Overview of Oregon's Economy and Employment

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		
006	Chair Lim	Opens meeting at 3:00 p.m. and remarks that time is critical for committee meetings and will need to start on time.
034		Member introductions.

071	Chair Lim	Introduces staff, Carol Rives and Gary Roulier.
099	Vice-Chair Gordly	<b>MOTION: Moves to ADOPT the proposed Committee Rules dated 1/13/99.</b>
101		<b>VOTE: 5-0</b>
	Chair Lim	<b>Hearing no objection, declares the motion CARRIED.</b>
112	Chair Lim	Asks for explanation of pre-session-filed bills.
117	Administrator Carol Rives	Lists bills with brief explanation for each, pages 1-3 of <b>(EXHIBIT B)</b> .
192	Chair Lim	Asks for discussion ñ none.
206	Chair Lim	Asks for committee bill assignments for current session.
211	Rives	Explains bills assigned to committee, page 1 of <b>(EXHIBIT C)</b> .

288	Sarah Gates	Forecasting Analyst, Office of Economic Analysis. Discusses the United States and Oregon economies. States that growth continues in the US, and country is in the second longest expansion in post-war history. Points out that unemployment is at a 28-year low. Adds that inflation remains low because prices are falling. States that producers are concerned about deflation in manufacturing, lower prices, low import (oil) prices, low agricultural prices, etc. Remarks that the country is not moving into true deflation because wages and health costs are rising, and inflation is now rising moderately due to rise in wages.
339	Gates	Continues that income is rising but spending is high, and remarks that spending will keep the US GDP growth at 3.8%. Points out that the country has a negative savings rate, offset by strong gains in stock market.
381	Gates	Remarks that Oregon's economy diversified in the 1990s. States that the construction sector has boomed, we have had rapid in-migration and significant high technology investment.
403	Sen. Duncan	Asks about loss of high wage jobs that are replaced by lower wage jobs.

418	Gates	Responds that the next speaker will cover that topic.
430	Vice-Chair Gordly	Asks about growth not occurring in some depressed areas, and gaps between low and high wage earners.

**TAPE 2, A**

011	Gates	Responds that the next speaker will cover that topic in his presentation. States that growth in Oregon is slowing, and adds that Oregon is no longer among the top ten states in growth, but is now ranked 22 <sup>nd</sup> . Explains that the major cause is the financial crisis in Asia. Adds that Canada has now replaced Japan as our top export market.
060	Sen. Corcoran	Asks Chair if he is aware of differences in severity of economic slowdown by country in Asia.
071	Chair Lim	Answers that Japan is the leader, but he is not aware of specific differences.
078	Sen. Corcoran	Relates that a presentation by high technology representatives indicated that the Asian problem would be 24 months in length.
082	Gates	Notes that job growth is slowing, but that a strong housing market will keep construction employment strong, and high technology will grow as Asian economies recover. Remarks that in summary: Asian economies should recover in late 1999 and beyond; Oregon's economy should regain top ten in growth in 2000; and, while a recession is not out of the question, it would not be as severe as the recession in the 1980s.
131	Sen. Duncan	Asks if the lumber decline was good for the state.
143	Gates	Answers that it has been beneficial due to diversification. Adds that the pieces are in place to fuel long term growth, and Oregon should be a high growth state.
173	Gates	States that lottery resources are declining, and are mostly spoken for. Adds that the decline in revenues has occurred because of increased debt service, slower growth in game revenues and fewer new installations.
206	Sen. Corcoran	Indicates that education was not shown as a lottery obligation.
232	Chair Lim	Asks to what extent video poker has slowed.
236	Gates	Responds that growth is approximately 1-2%.

248	Chair Lim	Supports slow growth of video poker. States that in the 1980s we were dependent on agriculture, and we may now be too dependent on high technology. Supports diversification and assistance to distressed areas.
278	Sen. Duncan	States that the agriculture communities are depressed in rural areas, affecting 11 eastern Oregon counties.
303	Chair Lim	Thinks that the economic forecasts of growth may be too rosy, and supports the Governor's idea for a rainy day fund.
310	Graham Slater	Manager of Research and Employment Service Programs, Oregon Employment Department. Remarks that he will not include agriculture figures in his discussion. Discusses unemployment rate, which from a statewide viewpoint is at a low level.
365	Slater	Discusses type of unemployment, i.e., frictional, seasonal, cyclical, and structural.
408	Slater	States that unemployment rate in 1997 was 5.8% statewide, with a high of 13.0% in Grant County and a low of 2.4% in Benton County. Remarks that we are unusual in this fact with relation to other states. Adds that the only two counties that have double digit unemployment are Grant and Lake.

**TAPE 1, B**

010	Slater	States that the Asian economic situation has affected employment. Points out that over 12,000 jobs have been lost, primarily in high technology and in the Portland Metropolitan area. Notes that even though employment growth in Oregon slowed in 1998, there were still 40,000 jobs created.
023	Vice-Chair Gordly	Asks who received the 40,000 jobs and whether they were Oregonians or in-migrant hires.
028	Slater	Answers that he will get that information for Sen. Gordly. Continues to say that job growth has flattened. Points out that not all new jobs are low paying jobs, some service industry jobs are high paying.
061	Vice-Chair Gordly	Asks how a good job is defined. Whether a good job is a living wage job.
074	Slater	Defines a bad job is low skill, low pay. Explains that conversely, a good job is high skill, high pay, or a living wage job. Adds that he will discuss in detail later.
094	Sen. Fisher	States that in Douglas County the timber jobs lost have not been replaced with high paying service jobs. Remarks that the region does not have much non-timber manufacturing, and has been affected by Canadian imports.

187	Slater	Responds that he was referring to the fact that recent closures have not been as severe as former closures. Continues that unemployment rates will vary widely throughout the state. Remarks that not all states have this disparity. Estimates of employment growth indicate that in 1998, Oregon added 40,000 jobs, with Medford the fastest growing area.
248	Slater	States that the Employment Department is anticipating growth of 30,000 new jobs a year in Oregon for the next ten years. Adds that while not all industries will grow, all regions of the state and all occupation groups will share in the growth.
187	Slater	Suggests that about half of the new jobs in Oregon will be in the low wage range, defined as below \$23,000. Adds that the jobs requiring higher education are higher paying. Discusses what employers say are the skill levels required for low and medium-wage jobs, high and very-high paying jobs.
301	Sen. Duncan	States that the education system must support the skill levels required for new jobs.
315	Vice-Chair Gordly	Notes that we need to see relationships between skills of low versus high wage jobs.
330	Sen. Corcoran	Comments that it would be interesting to see statistics on how much income retirees are bringing to the state, i.e., whether they are a net contributor to the tax system of the state.
370	Sen. Lim	Asks for outline of next meeting.
374	Rives	Outlines next meeting, which will consider SB 106.
383	Chair Lim	Adjourns meeting at 4:31 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

**B ñ Pre-Session File Bills for Trade & Economic Development Committee, staff, 3 pp**

**C ñ January 12, 1999 Referrals for Trade & Economic Development Committee, staff, 1 pp**

**D ñ Office of Economic Analysis, Economic Outlook presentation, Sarah Gates, 14 pp**

**E ñ Oregon Employment Department, Employment presentation, Graham Slater, 14 pp**

**F ñ Oregon Employment Department, Labor Market Information, Graham Slater, 5 pp**