

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 22, 1999 Hearing Room B

3:00 p.m. Tapes 22 - 23

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: Introduction of Committee Bill

HB 2247A Public Hearing

HB 2246 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 22, A		
003	Chair Lim	Opens meeting at 3:10 p.m. and opens a work session for introduction of a committee bill.

INTRODUCTION OF COMMITTEE BILL

019	Carol Rives	Administrator. Explains the provisions of LC 2662 which extends a formal invitation to Kim Dae-jung, President of the Republic of Korea, to visit Oregon.
037	Sen. Corcoran	Asks about the section of LC 2662 which refers to Kim Dae-jung as the Korean Nelson Mandela.
039	Chair Lim	Summarizes the history of Kim Dae-jung and the benefits of a visit.
063	Sen. Duncan	MOTION: Moves LC 2662 dated February 28, 1999, BE INTRODUCED as a committee bill.
065	Chair Lim	Hearing no objections, declares the motion CARRIED.
066		LC 2662 will be introduced as a committee bill.
068	Chair Lim	Closes work session and opens public hearing on HB 2247A.
<u>HB 2247A PUBLIC HEARING</u>		
080	Rives	Explains the provisions of HB 2247A which increases the authorized number of enterprise zones in Oregon.

090	Mike Burton	Assistant Director, Oregon Economic Development Department. Presents (EXHIBIT A) and testifies in support of HB 2247A.
140	Chair Lim	Asks for a historical perspective on enterprise zones.
145	Sen. Duncan	Asks about the definition of eastern Oregon in HB 2247A.
155	Art Fish	Enterprise Zone Coordinator, Oregon Economic Development Department. Responds that HB 2247A uses the definition for eastern Oregon that is currently in Oregon statutes.
168	Chair Lim	Adds that the committee will deal with the definitions when a work session is held.
174	Sen. Fisher	Comments that the original bill referred to only five additional enterprise zones.

185	Rives	Outlines that the amended bill increases the number of new zones to ten, with four of the new zones guaranteed for eastern Oregon. Adds that the amended bill includes Hood River in the definition of eastern Oregon, for purposes of this bill.
193	Burton	Explains that HB 2247 increased the number of new zones.
200	Fish	Adds that in 1997, seven enterprise zones were authorized to the original 30 authorized in 1993.
203	Sen. Fisher	Asks if all of the new zones would be non-urban.
207	Burton	Responds yes.
213	Fish	Adds that only five of the current thirty-seven enterprise zones are urban.
221	Vice-Chair Gordly	Asks about the competition process for becoming an enterprise zone.
232	Fish	Explains that the process includes the economic hardships that would qualify the area for the tax exemptions. Adds that the competition is necessary because the demand for enterprise zone designations exceeds the available supply.
271	Chair Lim	Asks for a historical perspective on enterprise zones.
276	Fish	Discusses the history and use of enterprise zones and emphasizes the unique rural emphasis of enterprise zones in Oregon.
314	Fish	Continues a historical discussion of enterprise zones in Oregon, page 5 and 6 of the exhibit.
352	Sen. Fisher	Asks if Malheur County has three enterprise zones.
361	Fish	Answers that the one enterprise zone in Malheur County is non-contiguous and contains four or five separate areas within the cities of Nyssa, Ontario, and Vale.
374	Sen. Fisher	Relates an example of the enterprise zone in Sutherlin and how it was necessary to make the zone contiguous.
398	Fish	Responds that the law was changed because there were no previous limits on how far enterprise zones could reach.

TAPE 23, A

008	Sen. Fisher	Asks about the five enterprise zones that are sunsetting.
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011	Fish	Explains the procedure to renew an enterprise zone.
014	Sen. Duncan	Asks about the separation allowed within rural enterprise zones.
017	Fish	Responds that the separation allowed in rural areas is 15 miles.
023	Chair Lim	Asks about the activity within the existing enterprise zones.
037	Fish	Responds that there are a few enterprise zones with no activity (pages 10 and 11 of the exhibit). Notes that past success is taken into account when an application for renewal is submitted.
044	Chair Lim	Asks about the justification for additional enterprise zones when some are not active.
050	Burton	Responds that enterprise zones are incentives and economic development is a long-term activity. Demonstrates that most of the 35 enterprise zones in Oregon have had significant activity (pages 10 and 11 of the exhibit).
078	Sen. Corcoran	Asks about property tax exemptions and the change from a levy-base to a rate-base taxing system, as mandated by Ballot Measure 50.
085	Fish	Answers that Ballot Measure 50 has changed the environment for local taxing districts and greatly affects local decisions on tax exemptions.
101	Sen. Corcoran	Asks about possible recourse when a company uses the enterprise zone exemptions and then leaves.
108	Fish	Answers that the exemption would be disqualified retroactively in a situation where a company closes down or significantly curtails operations.
109	Sen. Corcoran	Discusses a firm in Pendleton that shows \$6 million in investment, with no jobs created. Notes that enterprise zone exemptions do not seem to be creating high skill/high wage jobs.
136	Fish	Responds with historical data on enterprise zones and jobs created (pages 10 and 11 of the exhibit).
151	Burton	Adds that enterprise zones are short-term investments by a community for long-term benefits. Notes that some of the businesses listed in the table are still under construction and therefore no new jobs are reported because the company is not yet doing business (pages 10 and 11 of the exhibit).
173	Sen. Corcoran	Asks about Seaside and South Douglas County which show no jobs created and an expiration date in 1999.

178	Burton	Answers that these figures reflect precertifications. Adds that there is no guarantee that a company will be in the enterprise zone forever, but the new investment should be of long-term benefit to the community.
194	Sen. Fisher	Remarks that the South Douglas County enterprise zone did not develop any new jobs. Adds that private development would have been more successful.
214	Burton	Comments that the enterprise zone designation does not determine use and zoning by the local districts.
232	Mike MacArthur	Sherman County Judge and President of the Association of Oregon Counties. Testifies in support of HB 2247A and emphasizes that rural areas need incentives to attract new businesses.
267	Vice-Chair Gordly	Asks about the overall value of enterprise zones and possible missed opportunities in Sherman County because of the lack of incentives.
278	MacArthur	Responds with examples of businesses, particularly in the transportation industry, that might find Sherman County a desirable location, with the proper incentives.
285	Vice-Chair Gordly	Asks about the quality of the workforce in Sherman County.
291	MacArthur	Responds that 80 percent of the high school graduates in Sherman County go to college and only 10 percent return after graduation.
300	Sen. Fisher	Remarks that there is no guarantee that Sherman County would receive one of the additional enterprise zones and suggests that each county should receive one enterprise zone.
324	Chair Lim	Asks about work done during the interim that defined economic development in rural Oregon and whether there were any specific recommendations regarding enterprise zones.
331	MacArthur	Responds that he is not aware of any specific recommendations.
344	Doris Penwell	Legislative Coordinator, Oregon Economic Development Department. Explains the interim recommendations regarding the need for additional incentives for rural Oregon.
362	Sen. Corcoran	Asks about other tools available for development in rural areas.
369	MacArthur	Answers that the biggest needs are to develop infrastructure and incentives for businesses to locate in rural areas.

389	Chair Lim	Asks about the differences between federal and state enterprise zones.
395	Fish	Explains the differences between state enterprise zones and federal "empowerment zones." Notes that the incentives in the federal zones are much broader than in the state programs.

TAPE 22, B

012	Sen. Fisher	Asks about the Federal Foreign Trade Zone in Klamath Falls.
020	Fish	Answers that foreign trade zones are unrelated to the enterprise zone program and are used by local communities to attract international trade and have been in place for decades.
039	Sen. Duncan	Remarks that the approval of additional enterprise zones for rural Oregon may be beneficial to development in those areas.
069	Dr. Sonny Park	Medical Internist, Astoria, Oregon. Testifies that there is a need in Astoria for a kidney dialysis and cancer treatment facility, but that health care facilities are not eligible for enterprise zone tax exemptions.
103	Chair Lim	Asks if Astoria was able to precertify for an enterprise zone designation.
111	Park	Responds that Astoria was not able to qualify for the enterprise zone certification and the necessary capital for the facility was withdrawn.
120	Sen. Fisher	Asks whether this would be a private or a nonprofit operation.
123	Park	Answers that this would be a private operation.
129	Sen. Fisher	Asks about the provisions of the statute and how it affected the enterprise zone designation.
132	Park	Responds that the provisions of the statute exclude health care facilities from qualifying for enterprise zone tax exemptions.
146	Burton	Clarifies that the statute does not specifically exclude medical facilities. Clarifies that the list of approved business categories does not include medical facilities.
172	Park	Adds that the proposed health care facility would create 68 new positions in Astoria.

188	Fish	Remarks that there are provisions in the tax code which may help health care facilities in rural areas.
204	Treva Hunter	Manager, South Douglas Enterprise Zone. Presents (EXHIBIT B) and testifies in support of HB 2247A. Summarizes business activity in the South Douglas County Enterprise Zone.
256	Hunter	Relates the example of a small electronics firm which moved to Port Orford because of enterprise zone exemptions, and resulted in 16 family wage jobs.
292	Hunter	Continues with the example of a hydraulics and pneumatics company that also took advantage of the enterprise exemptions, which brought 65 additional jobs to the region.
341	Hunter	Concludes that the benefits realized through the enterprise zone program more than offset the loss of revenue from the tax exemptions.
362	Rives	Submits (EXHIBIT C), written testimony by Richard Reid, President of CityWatch, in opposition to HB 2247A.
370	Chair Lim	Closes public hearing on HB 2247A and opens public hearing on HB 2246.

HB 2246 PUBLIC HEARING

381	Burton	Presents (EXHIBIT D) and testifies in favor of HB 2246 which eliminates the sunset provision from the Port Planning and Marketing Fund.
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TAPE 23, B

013	Ken Armstrong	Executive Director, Oregon Ports Association. Testifies in support of HB 2246.
044	Greg Baker	Manager, Port of Hood River. Testifies in support of HB 2246.
069	Chair Lim	Asks about the funding provision requiring a 25% local match.
073	Baker	Responds that the statutes require the 25% local match.
082	Burton	Adds that the local match is included in the project summaries (pages 4-6 of the exhibit).
092	Chair Lim	Asks if the funds are earmarked for planning.
098	Burton	Responds that the funding is for preliminary planning and that financing for the project is generally secured after the planning is completed.

102	Chair Lim	Notes that there are no figures to show what projects have been completed as a result of these planning expenditures.
108	Baker	Summarizes a Hood River Port project that developed a joint marketing plan for the region.
115	Chair Lim	Notes that the figures presented in the exhibit do not show the end result of the funds expended for planning.
128	Armstrong	Responds that he cannot address the individual projects but emphasizes that the Port Revolving Loan Fund is a valuable program for the ports.
146	Chair Lim	Notes that he does not see a tangible result for the funds expended.
149	Jim Coker	Portis Specialist, Oregon Economic Development Department. Responds that the output of the planning for the ports is not always tangible. States that much of the work financed by this fund relates to strategic planning for the ports. Adds that marketing and facility pre-development planning are also funded.
193	Vice-Chair Gordly	Notes that it would be helpful to see the outcomes from the various planning activities.
215	Sen. Fisher	Remarks that the Port of Coquille has never received a grant from the fund.
224	Coker	Responds that the Port of Coquille has never requested funds for planning.
238	Armstrong	Adds that the Port of Coquille has few assets.
249	Chair Lim	States that the committee would like to receive additional information and closes the public hearing on HB 2246.
265	Sen. Duncan	Remarks that the committee needs additional information regarding the enterprise zone audits, page 3 of (EXHIBIT B).
286	Chair Lim	Adjourns meeting at 4:49 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2247A, written testimony, Michael Burton, 51 pp

B ñ SB 2247A, written testimony, Treva Howard, 1 pp

C ñ HB 2247A, written testimony, staff, 4 pp

D ñ SB 2246, written testimony, Michael Burton, 10 pp