

**HOUSE COMMITTEE ON COMMERCE SUBCOMMITTEE ON
TELECOMMUNICATIONS AND TRADE**

April 23, 1997 Hearing Room 343

8:15 A.M. Tapes 58 -59

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Tom Whelan

Rep. Cynthia Wooten

MEMBERS EXCUSED:

Rep. Eldon Johnson

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 2060 - Public Hearing

HB 3372 - Public Hearing

HB 3378 - Public Hearing

HB 3382 - 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 58, A		
004	Chair Hill	Opens meeting at 8:19 AM. Opens public hearing on HB 3372.

<u>HB 3372 - PUBLIC HEARING</u>		
011	Julie Neburka	Presents staff measure summary.
022	Doris Penwell	Executive Assistant to the Director of the Oregon Economic Development Department. Notes the bill's impact on a number of the department's programs, specifically the regional strategies program.
034	Joan Rutledge	Regional Strategies Manager for the Oregon Economic Development Department. Submits written testimony (EXHIBIT A).States that in 1991 the legislature designated 12 industries which were critical for Oregon's economic diversification. States that each region develops long-term plans for those industries' growth. States that in 1995 the Oregon Economic Development Commission was instructed by the legislature to study "key industry criteria," noting that the key industry designation was too restrictive for the regions. Talks of SB 211 which removes restrictions of the number of designated key industries. Cites the department's interest in legislative focus and suggests that SB 211 be joined with HB 3372.
058	Rep. Wooten	Talks of both the successes and the short-comings of the key industry program. Talks of the program's decision-making process occurring at a local level to meet the needs specific to each region. States that the prioritizing of the key industries should change. Seeks to maximize the flexibility granted each region without losing sight of the state's goals.
108	Rep. Wooten	Continues. Suggests repealing key industry provisions currently in statute.
117	Jim Whitty	Manager of the Industry Development Division of OEDD. States that the program started in 1991. Cites the program's success. Cites the program's diminishing funding, and that this year the grants are likely to disappear. States that the department can continue to work with the associations, but that the program is "beyond necessity."
151	Rep. Adams	Asks if the regions have felt limited even though it says in statute that the number of key industries isn't limited to 12.
153	Rep. Wooten	Answers that the regions have been limited. Mentions SB 212 which authorizes more flexibility for regional programs at the local level. Adds that the department has the ability to work with individual industries. Talks of efforts to capture \$1.2 million in grants, replacing some severe business cuts.
194	Rutledge	Talks of SB 211 eliminating restrictions on which key industries the department should focus.
203	Rep. Adams	Asks about the status of SB 211.
206	Rutledge	States that the bill passed the Senate 2/14.
213	Chair Hill	Closes public hearing on HB 3372, opens public hearing on HB 3378.

**HB 3378 -
PUBLIC
HEARING**

230	Rep. Wooten	Talks of the success of the Credit Enhancement Fund in expanding existing businesses in the state. Suggests expanding OEDD's authority. Discusses the steadily growing export-import business. Mentions the possibility of using lottery funds to insure exports.
260	Chair Hill	Asks about the bill's relationship with a previous bill passed by the committee dealing with the Credit Enhancement Fund.
265	Mark Huston	Manager Business Finance for the OEDD. Submits written testimony (EXHIBIT B). Highlights differences between the bill and SB 213.
315	Huston	Talks of the Oregon Economic Development Commission's ability to set up a finance committee. Recommends not establishing an advisory committee. States that the proposed use of lottery funds by the program is not in the governor's budget and that the department opposes that provision. States that they will need additional staffing to get the program moving immediately.
360	Frank Brawner	Oregon Banker's Association. Supports the bill. States that the program need not stop if it doesn't meet "set-aside" goals. Reports that the program will run out of funds during the next biennium, and that if the program is to continue to be a success additional funding is needed.
397	Chair Hill	Asks if SB 213 addresses additional funding.
398	Brawner	Answers no.
402	Rep. Wooten	States that SB 213 addresses policy issues and not changes in the program. Praises the program's success. States that there has never been a single default. Discusses creating a reserve pool.
452	Rep. Wooten	Asks the membership to consider the amendments.
TAPE 59, A		
016	Brawner	Notes that creating jobs creates revenue for the state.
021	Rep. Adams	Asks why they are pulling wood products from the bill.
027	Rep. Wooten	States that the originally the bill focused on diversifying the timber industry, and now that that has been accomplished, they hope smaller businesses will be capable of accessing the fund.
045	Brawner	Anticipates that the percentage of value-added utilization of the program to stay the same, particularly with the export feature.
051	Huston	States that the program won't change in a significant way. Notes the wood products industry's importance, but adds that other industries are important as well.
064	Brawner	

		States that the Credit Enhancement Program is not a life-long program, but rather seeks to make a business "bankable." Notes that the aim is help businesses become self-sufficient.
075	Rep. Adams	Asks why the timber industry is losing a seat on the board while value-added agriculture is gaining a seat.
084	Huston	Recommends consolidating oversight of the program with the finance committee.
102	Rep. Adams	Asks if the department would recommend deleting all of section 6.
104	Huston	Answers yes with providing oversight authority to the OEDC who in turn would delegate the authority to the finance committee.
114	Chair Hill	Notes that the bill will be back for a work session and asks that amendments be prepared beforehand. Closes public hearing on HB 3378. Opens public hearing on HB 3382.
<u>HB 3382 - PUBLIC HEARING</u>		
134	Julie Neburka	Presents staff measure summary.
140	Rep. Wooten	Notes that the program isn't part of the governor's budget.
160	Mark Huston	Manager of Business Finance OEDD. Submits written testimony (EXHIBIT C). Mentions similarities to SB 210. Describes the Capital Access Program. States that there has been over 1,100 loans totaling \$41 million averaging \$35,000. Talks of the program helping small businesses and distressed areas. Discusses lottery's investment and its job creation States that the bill makes accessing the loans for people living in distressed areas, and that it reduces the minimum fee paid by the borrower.
207	Frank Brawner	Oregon Banker's Association. Notes that none of the loans would be made without the program. States that the program has been "the best success we have ever seen."
230	Rep. Wooten	Notes Wells Fargo's aggressive small business loan program.
245	Rep. Adams	Refers to section 2, subsection 2. Asks if the borrower pays 1.5% and the bank pays 1.5% into a reserve fund.
256	Brawner	Answers that the program stipulates that 1.5% of the loan goes toward bank fees, and that the state matches that 1.5% creating an interest-bearing reserve fund. States that half the interest goes to the department and that half goes into the account. Notes that the account is owned by the state. States that losses have been less than expected.
296	Rep. Adams	Asks when the state gets repaid.
299	Brawner	Answers that repayment comes from interest.

304	Huston	Adds that if a borrower wished to prematurely withdraw from the program that the remaining loan amount stays with the state drawing interest.
317	Rep. Adams	Asks what would happen to the program without additional money.
323	Brawner	States that loans would go unfunded. Mentions a bank who won't participate because they feel the program won't be sustained.
354	Huston	Mentions the possibility of drawing money from the Oregon Business Development Fund.
374	Brawner	States that even that fund might fail. Emphasizes the importance of the program.
386	Rep. Adams	Asks who is talking to the speaker, the president, and the co-chairs of the Ways and Means subcommittees.
394	Brawner	Answers that he is talking with the co-chairs. States that he could use help.
399	Rep. Adams	Asks if the money would be identified in the OEDD budget or if it would be identified separately.
401	Huston	Answers that the fund is included in OEDD's budget as a line-item.
416	Brawner	States that the program isn't a "windfall" for banks but that it serves small businesses. Mentions a similar program at the federal level; notes that the state program is more efficient and more practical.
TAPE 58, B		
009	Rep. Wooten	Thanks the chair for hearing the bill.
013	Chair Hill	States that they will rehear the bill on Tuesday. Closes public hearing on HB 3382. Opens work session on HB 2060.
<u>HB 2060 - WORK SESSION</u>		
030	Julie Neburka	Explains the -11 amendments (EXHIBIT D).
055	Rep. Wooten	States that moving to a statewide privilege or utilities sales tax is too much public policy for this session. States that the bill includes a 2% gross charge on telecommunications providers. States that the purpose of including energy providers in the amendments was to establish a fee for pilot projects. Notes unanimous support for the amendment's approach on pilot projects.
105	Rep. Wooten	Explains that the "set-aside" for the Oregon Telecommunications Forum Council allows it to leverage in conjunction with the private sector for fiber deployment and for providing advanced technologies to schools, hospitals, and libraries. Discusses revenue implications of the -11 amendments and submits case study (EXHIBIT E).
155	Rep. Wooten	

		Continues discussion of revenue implications. States that the -11 amendments enact a reduction in "hidden" franchise fees paid by consumers and an increase in overall business.
183	Chair Hill	Asks for the definition of "gross charges."
184	Rep. Wooten	Answers that gross charges apply only to telecommunication use while gross revenue includes additional sources of revenue, e.g., yellow page service. States that the amendments will result in decreased prices for the consumers. Discusses the case study.
234	Rep. Wooten	States that the amendments create simplicity.
251	Chair Hill	Notes that the tables use population data from 1988.
274	Jane Cummins	League of Oregon Cities. Expresses concern that revenue collected from energy utilities could decline in the coming years due to a lack of a "level playing field." Talks of HB 2821 and of predictions that that bill will result in a 30% decrease in city revenues by the year 2000. Supports the amendment's separate treatment of telecommunications and energy.
324	Cummings	Talks of the pilot approach and of delaying long-term solutions due to the present flux.
350	Rep. Wooten	Expresses desire to hear back from the witness once the revenue impact of the -11 amendments is better understood.
366	Rep. Adams	Notes the radical growth of towns in his district since 1988
398	Rep. Wooten	Asks staff to request that Mr. Yates run the numbers using the most updated population figures.
408	Rep. Adams	Suggests using the population figures provided during testimony on HB 2142.
428	Rep. Wooten	Notes Mr. Yates' careful approach to the numbers.
437	Neburka	States that Washington has a business and operations tax. Explains the case study.
TAPE 59, B		
024	Rep. Wooten	Mentions a newspaper article indicating wireless' intention to enter into local exchange markets "in a expanded way."
040	Chair Hill	Clarifies that roaming charges aren't included in the case study because determining nexus is difficult.
047	Rep. Wooten	Expresses concern over "double charges" with cellular calls.
050	Chair Hill	Asks if Oregon is the first state to consider taxing wireless. Notes that wireless companies don't use the rights of way.
059	Rep. Wooten	Replies that the -11 amendments do not impose a tax on the use of rights of way, but rather impose a business tax similar to that of the state of Washington.
070	Chair Hill	Asks why they should tax the distribution of wireless services.

075	Rep. Wooten	Answers that taxing wireless forwards the goals of equal treatment and open competition. Notes that other states are considering similar taxes.
096	Chair Hill	Asks if they would tax the consumer or the tower.
101	Rep. Wooten	Answers that the specifics aren't worked out
105	Rep. Adams	Requests the PUC's opinion on the amendments.
110	Rep. Wooten	Requests continuing public hearings at a later date so that they can hear all sides.
116	Chair Hill	Talks of the need to introduce all ideas so that the committee might mix and match.
124	Rep. Wooten	Reminds that these are "conceptual amendments in LC form" on pilot projects.
132	Chair Hill	Closes work session on HB 2060. Mentions Mr. Ruona's opinion concerning HB 3675 that the committee cannot pass legislation which future legislatures cannot repeal (EXHIBIT F). Adjourns meeting at 9:55 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3372, written testimony, Joan Rutledge, 1 p.

B - HB 3378, written testimony, Mark Huston, 2 pp.

C - HB 3382, written testimony, Mark Huston, 3 pp.

D - HB 2060, LC amendments, staff, 22 pp.

E - HB 2060, case study, staff, 6 pp.

F - HB 3675, written material, Eric Ruona, 1 p.