

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

March 20, 1997 Hearing Room 343

1:00PM Tapes 39 - 40

**MEMBERS PRESENT:**

Sen. John Lim, Chair

Sen. Joan Dukes, Vice-Chair

Sen. Bill Fisher

Sen. Gary George

Sen. Avel Gordly

**MEMBER EXCUSED:** Sen. Veral Tarno

**STAFF PRESENT:**

Jim Stembridge, Administrator

Julie Havel, Administrative Support

**MEASURE/ISSUES HEARD:**

SB 667 Public Hearing

SB 724 Public Hearing

SB 914 Public Hearing and Work Session

SB 915 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.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
TAPE 39, A		
005	Chair Lim	Calls meeting to order at 1:12pm and opens public hearing on SB 667.
<u>SB 667 -</u> <u>PUBLIC</u>		

<b>HEARING</b>		
016	Grover Simmons	Oregon State Elks Association, introduces George Anderson, Oregon Elks Association, and David Hooper, Oregon State Lottery. Testifies in favor of SB 667. Explains substitute language proposed in the -1 amendment <b>(EXHIBIT A)</b> .
066	Simmons	Continues explaining proposed -1 amendment and adds they can live with the language the lottery has proposed as long as it reflects the legislative intent by using the words "who oversee and direct the operation of."
088	George Anderson	Oregon State Elks Association, explains he is here to assist Simmons today and adds that under the present circumstances it would require 15 officers to sign, most of whom are only involved in ritual and meeting practices and do not oversee the operation of the club or the food, so it would preclude those people from having their backgrounds checked also.
098	Sen. Fisher	Asks for clarification as to how it applies to stockholders in businesses which are corporations that are not publicly traded, and why they are considering doing this for just one group and not all those involved.
100	Anderson	Explains they elect new officers each year, so this is not like a corporation whose officers stay in the same positions for a considerable period of time, and that person would be required to go through the background check.
117	Sen. Gordly	Asks how many organizations are sponsoring this bill, and what groups are included in the Oregon Federated Organizations, which is listed as the requester of this bill.
122	Simmons	Explains Oregon Federated Organizations is composed solely of Elks and that it is the Legislative Arm of the organization.
137	David Hooper	Public Affairs Manager, Oregon State Lottery, explains they will support this bill with the -1 amendments, but would like to suggest on line 10 the words " this paragraph" should be deleted and replaced with "subsection 2b of this section" to make it very clear who should disclose.
162	Jim Stembridge	Clarifies the proposed amendment to the amendment for the committee.
178	Stembridge	Explains intent of the bill and its amendments. Explains the amendments would clarify that the organizations required to disclose are private clubs, and the names that need to be disclosed are the Treasurer's office or trustees who oversee the lottery.
216	Chair Lim	States he would like to move onto the other bills and come back for a work session in the future on this.
225	Sen. Fisher	Asks how this will affect or expand the present lottery system.
235	Simmons	Explains it does not have any substantive effect when it comes to expanding the lottery.
246	Hooper	Adds that this bill just limits the number of background checks they have to do on people who do not directly work in the area of the lottery.
249	Sgt. Rodger Jincks	State Police, explains they have reached an agreement with the lottery on this bill and do not oppose it.

264	Sen. Fisher	Refers to page one, lines 21 through 23, and asks how far-reaching the background checks would be. Uses example of corporations having to list their stock owners or security owners that own five percent or more, and asks whether they would all be subject to the checks.
273	Jincks	Explains the purpose of these checks is to make sure people who have unlawful pasts do not have any connection to businesses which contract with the lottery.
296	Sen. Fisher	Asks about the layers of corporations, and how many layers this background check would reach.
312	Jincks	Explains.
324	Sen. Gordly	Declares potential conflict of interest because she is a member of an Elks Lodge.
340	Chair Lim	Closes public hearing on SB 667 and open public hearing on SB 724.
<b><u>SB 724 - PUBLIC HEARING</u></b>		
349	Chair Lim	Closes public hearing on SB 724 and opens one on SB 914.
<b><u>SB 914 - PUBLIC HEARING</u></b>		
379	Sen. Mae Yih	District 19, SB 914 Sponsor, testifies in favor of SB 914 ( <b>EXHIBIT B</b> ).
420	Sen. Yih	Continues testimony.
<b>TAPE 40, A</b>		
021	Sen. Yih	Asks committee to consider proposed amendments.
037	Chair Lim	Notes Sen. Yih is also the sponsor of SB 915, and opens public hearing on both measures.
<b><u>SB 915 - PUBLIC HEARING</u></b>		
048	Sen. Gordly	Given the current events surrounding China, asks why they should do this, and how they might justify the office to other senators who are concerned about the human rights violations that are allegedly occurring there.
060	Sen. Yih	Explains she prefers to keep trade and human rights issues separate, and one country should not get involved in the internal affairs of another country. Urges committee to send this bill to Ways and Means, which can then study a report on the issue that will be released by that time.
085	Sen. Gordly	States she would have gladly signed on as a co-chair of this bill.
090	Sen. Fisher	Asks about changing the date to July 1997--and states his concerns with the practicality of having the study done by that date.

104	Sen. Yih	Explains the money has been budgeted for this biennium, and the study has already been started.
134	Sen. George	States he has a possible conflict because his business has done trade with China, and asks what other countries they have trade offices with.
149	Chair Lim	Explains he believes they are Japan, Korea and Taiwan, and we used to have contractual services with Germany.
155	Warren Banks	International Division Manager, Oregon Economic Development Department, explains we have offices in Japan, Korea and Taiwan, but have never had any with Hong Kong to his knowledge.
168	Chair Lim	Asks for clarification on proposed amendments.
180	Sen. Yih	Explains her purpose for wanting to change page one line 20 to say "1998, and on page two, line five, to say "1997."
215	Serena Ross	Northwest Regional China Council, testifies in favor of SB 914 and SB 915 <b>(EXHIBIT C)</b> .
265	Ross	Continues testimony, explaining the benefits of opening such an office in China.
300	Sen. George	Asks her perspective on the issue of human rights and if she senses any changes as a result of opening a trade office there.
315	Ross	Explains she agrees with Sen. Yih that trade and human rights can be kept separate as long as you state that that is the case.
326	Banks	Testifies the Department and the Governor support expanding Oregon's International Trade relations, and China is definitely a place to consider. States his department has a neutral position on SB 914, but would oppose it if the Governor's recommended budget level for the department is reduced by the legislature. Testifies in opposition to SB 915 <b>(EXHIBIT D)</b> .
376	Banks	Continues testimony, explaining they are working on an analysis and business plan to maintain international offices, including an office in China.
400	Banks	Outlines his concerns about budgetary and statutory problems in connection with these bills.
<b>TAPE 39, B</b>		
015	Banks	Continues testimony, outlining the reasons he is opposed to SB 915.
033	Sen. Yih	Clarifies a proposed amendment on SB 915 changing the word "shall" to "may" on lines 12, 13, and 21.
058	Bruce Andrews	Director, Oregon Department of Agriculture, explains existing opportunities and challenges with China in area of agriculture, and outlines the problems they've had understanding how the dynamics in that trade market work.
100	Andrews	States he hopes study will shed some light on how Hong Kong will figure into the picture once it goes back to Chinese rule in July. States he has no idea where the best place to open an office there would be until they find out such information.
		Asks when he thinks the best possible time frame would be when it comes

116	Chair Lim	to opening an office.
120	Andrews	Explains.
138	Sen Fisher	Questions whether they might need to open more than one office, given the size of China.
152	Chair Lim	States there is a call of the Senate and states they will reschedule these bills as soon as possible.
162	Sen. Fisher	Asks if they have time to go vote and come back.
166	Chair Lim	States he was concerned about the time and whether all members would return to conclude the meeting.
172	Sen. Fisher	States his concerns about getting 914 and 915 to Ways and Means in a timely manner.
182	Doris Penwell	Director's office, Oregon Economic Development Department, explains the Trade and Economic Development Budget is still in the Ways and Means Committee and would remain there until next week.
202	Chair Lim	Closes public hearing and recesses the hearing until they can get a quorum, accepts written testimony in favor of SB 914, and SB 915 from Tom and Leslie Atiyeh ( <b>EXHIBIT E</b> ).
221	Chair Lim	Re-opens meeting and opens work session on SB 914.
<b><u>SB 914 - WORK SESSION</u></b>		
235	Jim Stembridge	Committee Administrator, recaps the provisions of SB 914, which direct the Economic Development Department to open a trade office in Shanghai, China, not later than July 1, 1999, and requires the department to complete a study regarding the opening of the office and regarding trade with China. The study is to be completed not later than July 1, 1998. It also appropriates \$165,000 and has a subsequent referral to Ways and Means. Explains Senator Yih was hoping the bill would be amended and sent to Ways and Means.
249	Sen. Dukes	Apologizes for her absence, explaining she has been on the floor, and does not have the bill, so she is at a bit of a disadvantage. States she knows they've had some discussions before on the topic of opening a trade office in Shanghai, and her understanding was that the Economic Development Commission did not feel that that was the best place to expand to right now. Explains further that looking at the cost of \$100,000, and knowing that she is from a school district with textbooks that still say Ronald Reagan was just elected president, and that has a non-functioning science lab, she's a "no."
266	Sen. Fisher	States he thinks after thinking about this, the changing dates, and the removal of the emergency clause, that they don't make too much sense. States it means they're asking for a study to be done before the bill even takes effect.
280	Chair Lim	Asks Sen. Fisher what his desire is for this bill.
		States he doesn't know. If they take the emergency clause out... he doesn't

282	Sen. Fisher	know how to look at it. Wants to know if the \$165,000 is for the opening of the actual facility, or getting ready to open it, because there's a problem with it opening in 1999 because it's the start of another biennium--where new funds could be appropriated for the operations of it. States we're asking now to open it and run it for a year on the money that was just supposed to get it started, so he doesn't know if that's an accurate estimate of the money it's actually going to take to do the process. States he doesn't see \$165,000 providing much more than a half a biennium. Shares his doubts that the office rental and one person in the office isn't going to accomplish what they want to accomplish out of a trade center. States the Chair has more experience with trade centers than he does--he is new to this trade and economic development arena.
316	Chair Lim	Asks if this office opens July 1, 1998, then do they not need any appropriation other than the \$165,000 pre-preparation funding.
318	Sen. Fisher	States that is the case, and the \$165,000 would do fine if they don't change the dates--if they change the dates, he does not see the \$165,000 being accurate, so he thinks they would need new economic impacts.
321	Chair Lim	Asks for the other members' opinions on this bill.
322	Sen. Dukes	Asks if it wouldn't make more sense to do the study and then decide whether it was a good idea whether to open the office, than to do the study and open the office all in one bill.
327	Sen. Dukes	States that's what she thought they were going to do, and states she remembers asking about the cost because she and Sen. Gordly were both interested in studying the possibility of opening similar offices in other countries, and they said the cost would be about \$10,000. States that is a "whole lot cheaper than \$165,000."
337	Sen. Dukes	Re-states her concern about the logic of doing a study if they already know they're going to open the office...and asks why they need the study if they've already decided they're going to open it. Asks where the money will come from to keep the office open the second year.
340	Sen. Dukes	Asks for confirmation that they've already cut \$14-million dollars out of the Oregon Economic Development Department's budget down in Ways and Means.
341	Chair Lim	States it could be proposed, but it is not for certain at this point, they are still studying the issue. States he does not know if the leadership wants to cut \$14-million dollars on top of the Governor's cuts.
353	Sen. Dukes	States she doesn't mind studying this --it seems like something very worthwhile to study, but they should take a study of it before they decide whether it's a good idea or not.
358	Chair Lim	States it is his opinion that the China market has to open sooner or later, and states they all agree that sometime in the future we have to open up a China Office. Calls Warren Banks to come forward to give an update on the status of such a study.
372	Chair Lim	Asks if they are currently studying to find out when the best time is to open an office down there.

376	Warren Banks	Manager of International Division, Oregon Economic Development Department, explains they have just begun the research for China, Russia and South Africa as to what those markets mean to the state of Oregon. States they are not personally doing the study, but they hope to have some preliminary information by the end of April, at which point they can at least decide whether to continue studying the possibility, or decide to drop the effort at this time.
393	Banks	Continues explaining they had sent a letter to Sen. Yih saying that that would be about the time that they would finish that and that a business plan for China would be completed by the end of the summer, if indeed they decided to move forward with the plan.
397	Chair Lim	Asks for confirmation that by of April they will know which direction the effort is taking.
400	Banks	States he believes they will at least have some good information, and briefly outlines analysis.
415	Banks	States they plan to do an analysis of statistical information with regard to exports to China from Oregon, the Pacific Northwest, and the United States. The review will include at least a preliminary finding of the areas of growth or potential growth by various industrial classification codes, and they will match that to Oregon's capacity to produce in those areas where China is importing. They'll compare the import demand to Oregon's capabilities in the areas of import--in other words, do we have the companies in Oregon that are producing what China is now or might potentially be importing in the near future. The study will also look at trade barriers, such as tariffs or other obstacles which would inhibit trade. From there, if it looks like the data is positive, they would then start contacting Oregon companies to see if there was a real interest on their part to take an active role in trading with China, and develop information as to how much volume might go on.
450	Chair Lim	States he does not believe they have enough time to take more information on this issue, so they will think about it and study it more before deciding on a date for a work session.
459	Sen. Fisher	Suggests they have some proper amendments drawn up so they can have something to work with in their decision-making process.
470	Stembridge	States they can do that.
472	Sen. George	Asks if they could also consider Sen. Dukes concerns about the amount of money and that these studies are already underway. Also asks if they can consider the fact that on the top of page two it suggests that they be looking for private funding sources.
<b>TAPE 40, B</b>		
030	Chair Lim	Closes work session and adjourns meeting at 3:00pm.

Submitted By, Reviewed By,

Julie Havel, Jim Stembridge,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - SB 667, proposed amendments, staff, 2pp.**

**B - SB 914 & SB 915, written testimony, Sen. Mae Yih, 4 pp.**

**C - SB 914 & SB 915, written testimony, Serena Ross, 3pp.**

**D - SB 914 & SB 915, written testimony, Warren Banks, 2pp.**

**E - SB 914 & SB 915, written testimony, Tom & Leslie Atiyeh, 2pp.**

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