

SENATE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

March 30, 1995 Hearing Room 137
8:00 a.m. Tapes 54-55

MEMBERS PRESENT: Sen. John Lim, Chair
Sen. Bill Kenemer, Vice-Chair
Sen. Gene Derfler
Sen. Joan Dukes

MEMBERS EXCUSED: Sen. Bill Bradbury

STAFF PRESENT: Joseph Cortright, Executive Officer
Bobby Sullinger, Committee Assistant

WITNESSES: Jon Jaqua, Deputy Director, Oregon Economic Development
Department

Rick Schulburg, Oregon Economic Development Department
Gary Weeks, Director, Oregon State Lottery
Mark Huston, Oregon Economic Development Department

MEASURES HEARD: SB 526 -- Establishes International Trade Advisory Committee

within Economic Development Department -- PH & PWS

any broadcast or printed medium -- WS SB 700 -- Prohibits Oregon State Lottery from advertising lottery

persons and organizations in neighboring states, SB 695 -- Requires Economic Development Department to work with Canada and other nations
to establish Pacific Rim Trade conference in Portland in 1996 -- PH & PWS

billion in industrial development revenue bonds during 1995-1997 biennium to
for purposes of financing eligible projects that benefit key industries --
PH & PWS

These minutes contain materials which paraphrase and/or summarize
statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings,
please refer to the tapes.

TAPE 54, SIDE A

001 CHAIR LIM: Brings the committee to order at 8:06 a.m.

SB 526 -- Establishes International Trade Advisory Committee within
Economic Development Department -- Public Hearing

010 CHAIR LIM: Opens PUBLIC HEARING on SB 526.

013 CORTRIGHT: Overviews Staff Measure Summary for SB 526 [EXHIBIT A].

039 JON JAQUA: Presents testimony relating to SB 526.

087 CHAIR LIM: What is the difference between the Economic Development
Commission and the proposed International Trade Advisory Committee?

088 JAQUA: Responds to committee discussion relating to the international
aspect of the proposed committee.

106 Committee discussion relating to the possibility for a subcommittee of
EDC to focus on international trade issues.

130 SEN. DERFLER: I am not sure we should be telling EDC they have to
create a subcommittee on international trade. Can you respond to this
concern?

134 JAQUA: Responds to committee discussion relating to the possibility of
having EDC create a subcommittee as opposed to a statutory requirement.

138 SEN. DERFLER: I agree we need a committee specifically for
international trade. I think the commission should be creating a committee
not the legislature.

145 Committee discussion relating to need for increased international trade
efforts.

157 CHAIR LIM: Could you explain your suggested changes to the bill?

159 JAQUA: The department feels that one of the members of the committee
should be skilled in international trade issues.

169 RICK SCHULBURG: Presents testimony related to SB 625.

185 CHAIR LIM: Do you support creating an International Trade Advisory
Committee?

187 SCHULBURG: Yes.

201 CHAIR LIM: Do you have an alternative plan in the event that this bill
does not gain legislative support?

208 JAQUA: Yes. Bill Scott has indicated that he would have the EDC create
a subcommittee for international trade efforts.

223 CHAIR LIM: Could you create this committee with the current staff?

231 JAQUA: Yes.

238 SEN. DERFLER: I think this advisory committee should be created by the
commission rather than the legislature.

257 JAQUA: We could create this committee without a statutory requirement.

262 SEN. DUKES: I support this measure.

303 CHAIR LIM: The advisory committee could incorporate their report into
the commission's report instead of reporting to the legislature directly.
We would not have two reports which would save resources.

315 SEN. DERFLER: I support your suggestion.

324 CHAIR LIM: Closed PUBLIC HEARING on SB 526.

325 CHAIR LIM: Opens WORK SESSION on SB 526.

325 Committee discussion relating to possible amendments to SB 526.

340 CHAIR LIM: I would like to have the advisory committee incorporate
their report into the EDC report to the legislature.

345 CORTRIGHT: Overviews proposed amendments relating to reports.

346 Committee discussion relating to efficiency in only having one report.

349 CHAIR LIM: How do we feel about having one member of the EDC be a
members of the proposed International Trade Advisory Committee?

352 MOTION: SEN. DUKES: MOVES to ADOPT SB 526 conceptual amendments to
insert language to have the Economic Development Commission include a
section in their legislative report relating to the International Trade
Advisory Committee's recommendations, and that a member of the Economic
Development Commission be appointed a member of the International Trade
Advisory Committee.

375 CORTRIGHT: I believe OEDD had one other amendment to have the EDC make
recommendations to the Governor as to who should be appointed to the
International Trade Advisory Committee. That could be incorporated in
section 2, subsection 1.

380 SEN. DERFLER: Is it possible to have the commission appoint the members
of the committee?

383 Committee discussion relating to the appointment process of the
committee members.

410 CHAIR LIM: Do we want to specify how many members of the committee
should represent key industries?

415 SEN. DUKES: I do not want to specify the make-up of the committee
members any further.

418 SEN. KENNEMER: I agree with Senator Dukes.

425 VOTE: CHAIR LIM: Hearing no objection, the amendments are ADOPTED.
SEN. BRADBURY is EXCUSED.

428 CORTRIGHT: I would like to have these amendments drafted by Legislative
Counsel. We can have them ready for our next hearing.

433 MOTION: SEN. DUKES: MOVES SB 526 be returned to the President's desk
pursuant to SR8.50, that a letter be attached recommending that the
subsequent referral to the Joint Committee on Ways and Means be rescinded,
and that SB 526 be sent to the Senate Floor with a DO PASS AS AMENDED
recommendation.

436 Committee discussion relating to the proper motions.

455 VOTE: PASSES: In a roll call vote, all members present vote AYE. SEN.
BRADBURY is EXCUSED.

458 CHAIR LIM will lead discussion on the Senate Floor.

459 CHAIR LIM: Closed WORK SESSION on SB 526.

TAPE 55, SIDE A

SB 700 -- Prohibits Oregon State Lottery from advertising lottery games in
any broadcast or printed medium -- Work Session

010 CHAIR LIM: Opens WORK SESSION on SB 700.

016 CORTRIGHT: Overviews Proposed Amendments To Senate Bill 700-3 [EXHIBIT
B].

030 SEN. KENNEMER: I would prefer having the State Lottery use 3% of
revenues for administrative expenses, but I will support 2.5%.

034 CHAIR LIM: How much does the State Lottery spend on administrative expenses now?

035 CORTRIGHT: The exact number is 2.63%.

039 SEN. DERFLER: I will support 3%, but I will not support a 2%.

046 CHAIR LIM: When the lottery revenues went up the spending on advertising did not go down.

048 Committee discussion relating to the lottery's advertising budget.

056 GARY WEEKS: Presents testimony relating to the effectiveness of advertising. Overviews a letter to the committee relating to studies on the effectiveness of advertising [EXHIBIT C].

088 CHAIR LIM: I would like to have the letter added to the record.

090 SEN. DERFLER: I would like to point out that the commission could have spend up to 16% of revenues on administrative expenses, but they only spent 6%.

099 SEN. DUKES: I do not think it is necessarily prudent administration that the lottery did not spend the 16%. I do not think they could have spent 16% without some type of public back lash as a result.

116 WEEKS: Responds to committee discussion relating to the Lottery Commission's control over spending.

127 SEN. KENNEMER: I agree they have kept advertising expenses down.

135 WEEKS: Responds to committee discussion.

144 CHAIR LIM: I think most of us agree the Oregon Lottery Commission is doing a good job. I would like to suggest that the Secretary of State choose an independent company to assess the effectiveness of the advertising.

160 WEEKS: We would not use our own advertising agency to do an audit of the effectiveness of their advertising.

174 CHAIR LIM: Would you be willing to have the Secretary of the State choose the agency to do the audit.

176 WEEKS: Yes.

181 SEN. DERFLER: Advertising will increase business by keeping the business in the minds of the customers.

197 SEN. KENNEMER: Advertising does work. The issues is: should it be public policy to support gambling activities.

216 CHAIR LIM: We are not trying to eliminate advertising. We just want to moderate it.

228 WEEKS: Responds to committee discussion relating to advertising in moderation.

240 CHAIR LIM: Are the expenses associated with administration of the State Lottery going to continue to increase at the current rates?

256 WEEKS: Responds to committee discussion relating to the annual budget for administrative expenses.

271 CORTRIGHT: Continues to overviews [EXHIBIT B].

295 CORTRIGHT: Overviews Analysis of SB 700 -- Effect of a Limit on Lottery Advertising Spending [EXHIBIT D].

300 Committee discussion relating to the appropriate percentage for the Oregon State Lottery to use for administrative expenses.

308 MOTION: SEN. DERFLER: MOVES to AMEND SB 700-3 amendments on line 7, delete "two" and insert "three".

314 CHAIR LIM: I do not support the motion.

330 VOTE: FAILS: In a roll call vote SEN. DERFLER and KENNEMER vote AYE. SEN. DUKES and LIM vote NO. SEN. BRADBURY is EXCUSED.

348 MOTION: SEN. KENNEMER: MOVES to AMEND SB 700-3 amendments on line 7, delete "two" and insert "two and one half".

355 VOTE: PASSES: In a roll call vote, SEN. DUKES, KENNEMER, and LIM vote AYE. SEN. DERFLER votes NO. SEN. BRADBURY is EXCUSED.

365 MOTION: SEN. KENNEMER: MOVES to ADOPT SB 700-3 amendments as amended.

369 VOTE: PASSES: In a roll call vote, SEN. DUKES, KENNEMER, and LIM vote AYE. SEN. DERFLER votes NO. SEN. BRADBURY is EXCUSED.

385 MOTION: SEN. KENNEMER: MOVES SB 700 to Joint Ways and Means Committee in accordance with its prior referral with a DO PASS AS AMENDED recommendation.

392 VOTE: PASSES: In a roll call vote, SEN. DUKES, KENNEMER, and LIM vote

AYE. SEN. DERFLER votes NO. SEN. BRADBURY is EXCUSED.

395 CHAIR LIM: Closed WORK SESSION on SB 700.

SB 695 -- Requires Economic Development Department to work with other persons and organizations in neighboring states, Canada and other nations to establish Pacific Rim Trade conference in Portland in 1996 -- Public Hearing

413 CHAIR LIM: Opens PUBLIC HEARING on SB 695.

415 CORTRIGHT: Overviews Staff Measure Summary for SB 695 [EXHIBIT E].

438 SCHULBURG: Presents testimony relating to SB 695.

TAPE 54, SIDE B

016 SEN. DUKES: Why did OEDD not organize an international trade conference with the money that was allocated to them during the last legislative session?

018 SCHULBURG: There has been a effort to conduct an international trade conference. This measure has more direct language as it relates to the mandates of the legislature.

029 Committee discussion relating to the language of the bill.

035 SEN. DUKES: What other countries have you contacted relating to the possibility of a Pacific Rim Trade Conference?

037 SCHULBURG: We have contacted Japan, Korea, Taiwan, Hong Kong, and Indonesia.

043 SEN. DUKES: Do you have copies of letters detailing these contacts?

044 SCHULBURG: I am not sure if there are letters, but I know oral conversations have taken place.

053 SEN. DUKES: Do you believe you can accomplish a trade conference?

054 SCHULBURG: Yes. We can do this in the next two years.

059 SEN. DERFLER: Could the EDD director move these fund elsewhere?

067 SCHULBURG: I do not know if he would have the authority to move these funds.

073 SEN. DERFLER: Can this \$100,000 dollars be spent on something other than a trade conference?

075 JAQUA: We cannot move special funds.

082 SEN. DERFLER: Can Strategic Reserve Funds be moved by the OEDD Director?

084 JAQUA: No.

091 CHAIR LIM: My intention is to bring one country at a time in on the idea of having a trade conference until we can arrange to have all of them together.

104 SEN. DERFLER: If this bill is passed could the Joint Committee on Ways and Means amend it?

109 CORTRIGHT: The bill directs OEDD to undertake this project which is independent of any actions by the Joint Committee on Ways and Means. The mandate and the funding are separate decisions.

119 Committee discussion relating to a subsequent referral to the Joint Committee on Ways and Means.

130 JAQUA: If we do not get the funding we could not comply with the mandate of SB 695.

140 SEN. DERFLER: We do not have the ability to fund SB 695 mandates. What do you suggest?

145 JAQUA: I would hope the way the bill is drafted would be subject to funding approval through the ways and means process.

149 SEN. DERFLER: Would it be better to send the measure to the Joint Committee on Ways and Means?

151 JAQUA: By sending it to the Joint Committee on Ways and Means it will send a message that the bill is important to this committee and they should consider leaving the carry over in tact to fund this proposal.

153 SEN. DERFLER: Do you want the bill to be forwarded to the Joint Committee on Ways and Means.

154 JAQUA: Yes.

154 CHAIR LIM: Closed PUBLIC HEARING on SB 695.

155 CHAIR LIM: Opens WORK SESSION on SB 695.

160 MOTION: SEN. DERFLER: MOVES SB 695 be returned to the President's desk

with a letter requesting that the bill be referred to the Joint Committee on Ways and Means with a DO PASS recommendation.

163 Committee discussion relating to referring SB 695 to the Joint Committee on Ways and Means.

169 VOTE: PASSES: In a roll call vote, all members present vote AYE. SEN. BRADBURY and DUKES are EXCUSED.

174 CHAIR LIM: Closed WORK SESSION on SB 695.

SB 698 -- Allows Economic Development Commission to authorize up to \$1 billion in industrial development revenue bonds during 1995-1997 biennium for purposes of financing eligible projects that benefit key industries -- Public Hearing

175 CHAIR LIM: Opens PUBLIC HEARING on SB 698.

177 CORTRIGHT: Overviews Staff Measure Summary for SB 698 [EXHIBIT F].

232 Committee discussion regarding tax abatements as they relate to income tax and property tax in conjunction with revenue bonds.

249 JAQUA: Overviews history of SB 698 and reason for its conception.

309 SEN. DERFLER: Is this tax exemption on equipment and property?

310 JAQUA: Responds to committee discussion relating to the process of issuing industrial bonds and negotiations for economic development.

363 JAQUA: Overviews impact to community when a company invest hundreds of millions of dollars on industrial development.

388 SEN. DERFLER: Why do you sell bonds through the state?

391 JAQUA: The reason is because when we issue a bond the public has an interest in the project which allows us to take the property off the tax roles.

431 SEN. DERFLER: We need to understand the total impact of selling bonds. Would the interest rate on the bonds issued by the state be less than what a bank would assess.

434 JAQUA: In the example of Intel they did not need to use a bank.

438 SEN. DERFLER: Would a company applying for a revenue bond from the state receive a lower rate of interest than if the company went to a bank?

443 MARK HUSTON: These are income taxable bonds. The interest earned by the bond holder is taxable income by the state and federal government.

TAPE 55, SIDE B

012 SEN. DERFLER: Is the only savings a company would receive be the 75% reduction in property taxes for fifteen years?

016 JAQUA: Responds to committee discussion relating to the impact of issuing industrial revenue bonds.

036 SEN. DERFLER: I think the resources utilized in promoting economic development seem to be the price the state pays to compete with other states that are doing the same.

040 CHAIR LIM: What state negotiated a better offer for the Intel Corporation? We should analyze the final offer Intel accepted and learn from it.

046 JAQUA: The Intel Corporation decided to site in New Mexico. They were given a number of tax abatements for a thirty year period. The tax abatement we offer is through the enterprise zones.

079 SEN. DERFLER: It is interesting that we are told job creation comes from small businesses, yet we provided huge subsidizes to large businesses.

085 JAQUA: We do subsidize small businesses through the enterprise zone program with tax abatements.

112 SEN. DERFLER: Is the only loss to the state the 75% tax abatement on the property tax?

112 JAQUA: Yes.

113 CHAIR LIM: Do you believe the one billion dollar increase is enough?

114 JAQUA: We would rather it stayed at two billion dollars.

116 Committee discussion relating to the subsequent referral to the Committee on Government Finance & Tax Policy.

122 SEN. DERFLER: Who selected the one billion dollar figure?

125 CORTRIGHT: I suggested the one billion dollar figure.

127 JAQUA: Overviews difficulties with the current revenue bond issuing program.

145 Committee discussion relating to the possibility of amending SB 698.
160 CHAIR LIM: Closed PUBLIC HEARING on SB 698.
161 CHAIR LIM: Opens WORK SESSION on SB 698
164 MOTION: SEN. DERFLER: MOVES SB 698 to the Committee on Government
Finance & Tax Policy in accordance with its prior referral with a DO PASS
recommendation.
172 VOTE: PASSES: In a roll call vote SEN. DERFLER, KENNEMER, and LIM vote
AYE. SEN. BRADBURY and DUKES are EXCUSED.
179 CHAIR LIM: Adjourns committee meeting at 9:48 a.m.

Submitted by

Bobby Sullinger
EXHIBIT LOG

EXHIBIT A - Staff Measure Summary for SB 526, Presented by Joseph Cortright,
1 page.

EXHIBIT B - Proposed Amendments To Senate Bill 700-3, Presented by Joseph
Cortright, 1 page.

EXHIBIT C - A letter to the committee relating to studies on the
effectiveness of advertising, Presented by Gary Weeks, 2 pages.

EXHIBIT D - Analysis of SB 700 -- Effect of a Limit on Lottery Advertising
Spending, Presented by Joseph Cortright, 1 page.

EXHIBIT E - Staff Measure Summary for SB 695, Presented by Joseph Cortright,
1 page.

EXHIBIT F - Staff Measure Summary for SB 698, Presented by Joseph Cortright,
1 page.