

SENATE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

April 25, 1995 Hearing Room 137
8:00 a.m. Tapes 71-72

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

MEMBERS EXCUSED:

STAFF PRESENT: Joseph Cortright, Executive Officer
Jeri Chase, Office Manager
Bobby Sullinger, Committee Assistant

WITNESSES: Mark Huston, Oregon Economic Development Department
Wendy Robinson, Assistant Attorney General
Sharon Timm, Multnomah County
Jon Jaqua, Deputy Director, Oregon Economic Development
Bob Cantine, Association of Oregon Counties
Tom Linhares, Columbia County Assessor
Randall Edwards, Oregon State Treasury
Wayne Embree, Oregon Resource and Technology Development

MEASURES HEARD: SB 673 -- Changes manner of requesting undertakings of
eligible projects benefiting key industries -- WS

SB 696 -- Requires State Treasurer to submit annual report to Gov
Legislative Assembly concerning investment of specified state funds in
manner benefiting economy of Oregon -- WS

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 71, SIDE A

001 CHAIR LIM: Brings the committee to order at 8:08 a.m.

SB 673 -- Changes manner of requesting undertakings of eligible projects
benefiting key industries -- Work Session

002 CHAIR LIM: Opens WORK SESSION on SB 673.

012 CORTRIGHT: Overviews Proposed Amendments To Senate Bill 673-2 [EXHIBIT
A].

030 Committee discussion relating to bond exemptions.

035 CORTRIGHT: Continues to overview [EXHIBIT A] (Eligibility standards).

039 SEN. DERFLER: Are we exempting property tax for the county and having
the Economic Development Commission authorize the exemption?

042 CORTRIGHT: Responds to committee discussion relating to tax exemptions
on industrial revenue bonds.

049 CORTRIGHT: Continues to overview [EXHIBIT A] (County role in requesting
a project).

070 SEN. DERFLER: Senator Hamby is concerned that cities are not given
enough authority in the negotiations for new economic development projects.

088 CHAIR LIM: The cities do play a role in these projects.

096 CORTRIGHT: Continues to overview [EXHIBIT A] (Fees for application for
new projects).

107 Committee discussion relating to application fees.

132 CORTRIGHT: Overviews section 5 proposed amendments to SB 673 [EXHIBIT
B].

148 MARK HUSTON: Presents Proposed Amendments to Senate Bill 673 [EXHIBIT
C].

158 CHAIR LIM: What is the difference between the proposed SB 673-2
amendments and [EXHIBIT B]?

159 WENDY ROBINSON: Responds to committee discussion relating to why
language contained in [EXHIBIT B] is needed.

192 CHAIR LIM: What can we do if records are released without consent?

194 ROBINSON: Responds to committee discussion relating to public
exemptions.

209 SEN. BRECKE: Will [EXHIBIT B] be SB 673-3 amendment?

211 CORTRIGHT: Responds to committee discussion.

220 MOTION: CHAIR LIM: MOVES to ADOPT conceptual amendments to SB 673-2 on page 4, line 4 after "body" insert "gives official notice of its intent to take".

221 VOTE: CHAIR LIM: Hearing no objection the amendments are ADOPTED. All members are present.

224 CORTRIGHT: Continues to overview [EXHIBIT A].

243 CHAIR LIM: Can you give us an example of "reasonable requirements" which cities may impose on business under the program.

244 CORTRIGHT: Continues to overview [EXHIBIT A] (Authority of counties).

261 SHARON TIMM: Responds to committee discussion relating to additional requirements counties can impose.

276 CHAIR LIM: Are there any other requirements?

277 TIMM: Responds to committee discussion relating to additional requirements.

287 JON JAQUA: Responds to committee discussion relating to additional requirements counties may impose on new projects.

320 SEN. DUKES: Have you discovered the constitutionality of hiring requirements?

324 ROBINSON: Responds to committee discussion relating to constitutionality of hiring requirements.

361 SEN. DUKES: There are some training programs that are operated by Oregon. Are these programs for Oregonians only?

377 ROBINSON: Responds to committee discussion relating to eligibility for training programs operated by Oregon.

395 JAQUA: Responds to committee discussion relating to flexibility and local negotiations for projects.

427 SEN. DUKES: I am concerned we are giving up property taxes and then having people come from out of state to take the jobs.

442 JAQUA: Responds to committee discussion relating to conditions imposed by counties.

453 SEN. BRECKE: I share Senator Duke's concerns, but I would caution this committee not be make the statute so restrictive that it excludes residents from benefiting from these economic development projects.

TAPE 72, SIDE A

014 CHAIR LIM: Can you explain the housing issues which are additional requirements imposed by counties?

016 JAQUA: Responds to committee discussion relating to housing needs and impact analysis.

050 CHAIR LIM: I am worried about the possibility of counties imposing unreasonable requirements. What can be done?

052 JAQUA: Responds to committee discussion relating to the negotiation process.

062 SEN. DERFLER: I do not think counties would risk losing a project by being unreasonable in their requirements.

069 CHAIR LIM: Who imposes these requirements?

070 JAQUA: Responds to committee discussion relating to who may imposes these requirements.

076 CORTRIGHT: Continues to overview [EXHIBIT A]. (Taxable property).

085 SEN. DERFLER: Are the taxes based on market value or are they based on a flat rate?

087 CORTRIGHT: It would be a flat rate.

090 JAQUA: Responds to committee discussion relating to property tax assessments.

096 HUSTON: Overviews Growth Rate of Locally Assessed Property Tax Accounts, by County -- FY 84 to 93/94 [EXHIBIT D].

114 SEN. DERFLER: Does this exhibit present residential or commercial property?

115 HUSTON: Responds to committee discussion relating to growth rates of property taxes.

128 BOB CANTINE: Responds to committee discussion relating to increases in property values and how they relate to SB 673. Presents Washington County Assessed Value Increases [EXHIBIT E].

155 SEN. DUKES: Is the 4% value increase a disincentive for companies to move here?

159 JAQUA: Responds to committee discussion relating to property values and assessments.

194 SEN. DUKES: I was asking about any percentage. Do these percentages make it more difficult to recruit companies in rural Oregon?

209 JAQUA: No. It is not impractical to implement economic development with a valuation increase without losing projects.

234 SEN. DERFLER: I think the 4% would be a fair amount.

249 HUSTON: Responds to committee discussion relating to how counties allocate the 100,000,000 in collected project fees.

260 SEN. DERFLER: How does the allocation of fees work?

261 HUSTON: The money is allocated to land, buildings, and then equipment in that order.

263 Committee discussion relating to the allocation of fees.

287 CORTRIGHT: Continues to overview [EXHIBIT A] (Starting dates of industrial revenue bonds).

333 HUSTON: Responds to committee discussion relating to the need for language contained in [EXHIBIT C].

369 SEN. DUKES: Did you say Washington County already has imposed some requirements?

371 HUSTON: Responds to committee discussion relating to requirements imposed by counties.

379 TOM LINHARES: Responds to committee discussion relating to requirements imposed by counties.

410 CHAIR LIM: Do these community service fees apply to property taxes?

413 LINHARES: No.

428 CHAIR LIM: Do you have a time line for when companies need to pay?

432 LINHARES: We wanted to allow flexibility as it relates to time lines for repayment.

TAPE 71, SIDE B

011 MOTION: CHAIR LIM: MOVES to ADOPT amendments to SB 673-2 amendments as outlined in [EXHIBIT C].

011 VOTE: PASSES: Hearing no objections the amendments are ADOPTED. All members are present.

014 CORTRIGHT: There is a blank in the bill as it relates to the percentage of the application fee which will be given to the Department of Revenue for purposes of administration of ORS 307.123.

019 HUSTON: The fee split is acceptable to the Department of Revenue..

027 MOTION: CHAIR LIM: MOVES to ADOPT amendments to SB 673-2 amendments on page 2, line 26 after the word "pay" insert "fifty".

031 VOTE: PASSES: Hearing no objections the amendments are ADOPTED. All members are present.

032 Committee discussion relating to the 4% tax issue.

034 CORTRIGHT: Originally this bill did not have a subsequent referral to the Committee on State and School Finance, the committee may want to see if the Chair of that committee if they would like to have hearings on the measure.

045 SEN. DUKES: Does this bill have a revenue impact?

048 CORTRIGHT: The measure does make significant changes to property tax.

056 Committee discussion relating to the possibility of a subsequent referral to Committee on State and School Finance.

076 JAQUA: Responds to committee discussion relating to bonding authority.

086 CORTRIGHT: Overviews the amendments to SB 673 which have been adopted.

095 MOTION: SEN. DUKES: MOVES to ADOPT SB 673-2 amendments.

096 VOTE: CHAIR LIM: Hearing no objection the amendments are adopted. All members are present.

100 MOTION: SEN. DUKES: MOVES SB 673 to the Senate Floor with a DO PASS AS

AMENDED recommendation.

101 VOTE: PASSES: In a roll call vote all members present vote AYE. All
members are present.

106 CHAIR LIM will lead discussion on the Senate Floor.

112 CHAIR LIM: Closed WORK SESSION on SB 673.

SB 696 -- Requires State Treasurer to submit annual report to Governor and
Legislative Assembly concerning investment of specified state funds in
manner benefiting economy of Oregon -- Work Session

113 CHAIR LIM: Opens WORK SESSION on SB 696.

124 CORTRIGHT: Overviews Proposed Amendments To Senate Bill 696-1 [EXHIBIT
F].

144 CORTRIGHT: Overviews a letter from Legislative Counsel regarding the
constitutionality of SB 696-1 amendments [EXHIBIT G].

149 Committee discussion relating to investments and proceeds of those
investments.

175 SEN. DERFLER: I want to know what it will cost to compile this report?

182 RANDALL EDWARDS: Overviews Oregon State Treasury - Oregon Investments -
June 30,1994 [EXHIBIT H].

210 Committee discussion relating to the investment policy for the endowment
fund.

230 EDWARDS: Responds to committee discussion relating to investment policy
and the endowment fund.

255 CORTRIGHT: Continues to overview [EXHIBIT F] (How the endowment fund is
to be invested).

271 CHAIR LIM: I would like to amend SB 696-1 amendments on page one, line
5 after "credited" insert "ten".

293 Committee discussion relating to the amount of money available to
investment in the Oregon Growth Account.

295 CORTRIGHT: Overviews proposed amendments to SB 696-1. On page 1, line
14, delete "seed" and "venture". On line 15 delete "capital".

299 Committee discussion relating to key industries.

319 SEN. DUKES: I am concerned that we do we need to create another fund
for economic development activities. The state already has similar
programs in place.

342 WAYNE EMBREE: Responds to committee discussion relating to need for
capital in early stages in developing growth companies.

365 SEN. DUKES: Is the problem the high failure rates of these emerging
companies?

370 EMBREE: Responds to committee discussion relating to business failure
rates and their ability to repay seed capital investments.

386 SEN. DUKES: Is the reason the private sector is not investing in start
up businesses is because of the small rate of return and too much risk?

389 EMBREE: Responds to committee discussion.

419 SEN. DUKES: Does the Oregon Investment Council normally do these type
of seed capital investments?

426 EDWARDS: Responds to committee discussion relating to the types of
investments made by the Oregon Investment Council.

445 SEN. DUKES: Is the council involved in seed capital investments?

446 EDWARDS: No.

450 Committee discussion relating to the types of investments by the Oregon
State Treasury.

TAPE 72, SIDE B

014 SEN. KENNEMER: If we take out the words "seed" and "capital" would that
preclude investments in seed and venture capital?

016 EDWARDS: No.

017 SEN. KENNEMER: Is it true that very little seed and venture capital
investments are made in Oregon.

029 EMBREE: There has been a substantial decrease in the availability of
early stage capital in Oregon for a number of years.

036 SEN. KENNEMER: It is my understanding that if a seed or venture capital investments goes bad that anyone related to that investment is subject to a law suit. I think if we ask the treasury to make these type of investments we should limit the liability.

043 SEN. DERFLER: I am concerned about hiring an investment council, who are experts, and then telling them how to make the investments.

054 MOTION: CHAIR LIM: MOVES to AMEND SB 696-1 amendments on page 1, line 5 after "credited" insert "ten".

055 Committee discussion relating to the proper percentage that should be used.

067 VOTE: CHAIR LIM: Hearing no objections the amend is ADOPTED. All members are present.

070 CORTRIGHT: Overviews proposed amendments to SB 696-1. On page 1, line 14, delete "seed" and "venture". On line 15 delete "capital".

076 EDWARDS: Presents Proposed Amendments To Proposed Amendments To Senate Bill 696-1 [EXHIBIT I].

103 CORTRIGHT: I can have these amendments drafted by legislative counsel for our next meeting.

117 CHAIR LIM: Closed WORK SESSION on SB 696.

119 CHAIR LIM: Adjourns committee meeting at 9:48 a.m.

Submitted by

Bobby Sullinger
EXHIBIT LOG

EXHIBIT A - Proposed Amendments To Senate Bill 673-2, Presented by Joseph Cortright, 9 pages.

EXHIBIT B - Section 5 proposed amendments to SB 673, Presented by Joseph Cortright, 1 page.

EXHIBIT C - Proposed Amendments to Senate Bill 673, Presented by Mark Huston, 1 page.

EXHIBIT D - Growth Rate of Locally Assessed Property Tax Accounts, by County -- FY 84 to 93/94, Presented by Mark Huston, 1 page.

EXHIBIT E - Washington County Assessed Value Increases, Presented by Bob Cantine, 1 page.

EXHIBIT F - Proposed Amendments To Senate Bill 696-1, Presented by Joseph Cortright, 2 pages.

EXHIBIT G - A letter from Legislative Counsel regarding the constitutionality of SB 696-1 amendments, Presented by Joseph Cortright, 2 pages.

EXHIBIT H - Oregon State Treasury - Oregon Investments - June 30,1994, Presented by Joseph Cortright, 12 pages.

EXHIBIT I - Proposed Amendments To Proposed Amendments To Senate Bill 696-1, Presented by Randall Edwards, 1 page.