

January 18, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 5 - 8

199 1 Economic Development Issues - Staff Presentation

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. JERRY BARNES REP.
CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE REP. BOB PICKARD

MEMBERS EXCUSED: REP. MARGARET CARTER

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER,
POLICY ANALYST JERI CHASE, OFFICE MANAGER

WITNESSES:

NOTE: These minutes contain materials which paraphrases and/or
summarizes statements made during this meeting. Only text enclosed in
quotation marks reports a speaker's exact words. For complete contents
of the proceedings, please refer to the tapes.

TAPE 5, SIDE A

000 CHAIR BAUM convenes the meeting at 8:00 a.m.

199 1 Economic Development Issues - Staff Presentation

019 JOE CORTRIGHT begins presentation of 1991 Economic Development
Issues (EXHIBIT A) starting with the five economic challenges. Uses
overheads of same exhibit.

135 CORTRIGHT begins presentation of charts that begin with "Oregon
Population Surged in Late 80s After historic decline in 80-82." (EXHIBIT
B).

177 CORTRIGHT continues presentation of EXHIBIT B - "Oregon Unemployment
Reached 20-year Low in 1990 after a difficult decade."

200 CORTRIGHT continues presentation of EXHIBIT B - "Oregon Income Now
\$1600 Below U.S. Even After Economic Recovery". Per capita income is
total population divided by total population.

319 CORTRIGHT continues presentation of EXHIBIT B - "Low Wage Industries
Dominated Oregon Job Growth in the 80s".

380 REP. HAYDEN: Does this represent a "bumping down" of higher paid
people, i.e., loggers who had to take less skilled jobs, i.e., the loss
of jobs in the timber industry?

391 CORTRIGHT: Yes. It also represents the overwhelming growth of
retail and service sector jobs - which tend to be lower paying. It also
represents the loss in manufacturing jobs. There are a lot of shifts in

the economy that almost all have reduced average wages in Oregon economy.

404 REP. KATZ: To what extent is this affect due to the loss of high income timber jobs vs. the increase in service/tourism jobs? What is the balance?

413 CORTRIGHT: It is difficult to say. There are not about 20,000 fewer jobs in the timber industry than in 1979. Most of those jobs paid 24,000 per year or more. Most of the growth in jobs has been in the service sector, where the average wages are much lower. It is a combination; you cannot separate them out well.

436 REP. HAYDEN: The population of the state is growing. The better paying jobs are diminishing. There are more people staying here, taking lower paying jobs than leaving the state altogether.

470 REP. BARNES: Could staff analyze how government has impacted this shift in income. I see impacts as a result of Regional Strategies program.

479 CORTRIGHT: We will do what we can.

TAPE 6, SIDE A

030 CORTRIGHT continues presentation of EXHIBIT B "Low Wage Industries Grew Fastest During the Recovery Since 1982".

053 CORTRIGHT continues presentation of EXHIBIT B "U.S. No Longer Most Productive Although Living Costs Lower".

112 CORTRIGHT continues presentation of EXHIBIT B "The Economic Cliff: A Few of Us Are Getting Richer, But Most of Us are Losing Ground".

128 CORTRIGHT continues presentation of EXHIBIT B "The More Education You Have, the More Money You Earn".

200 Distribution of "The Two Oregons" (EXHIBIT C).

202 CORTRIGHT continues presentation of EXHIBIT B "Four Metro Counties Dominated Oregon Population Growth in 1980s".

232 CORTRIGHT presents "Four Metro Counties Dominated Oregon Job Growth in 1980s" (EXHIBIT D).

248 REP. MC TEAGUE: Does this (economic activity clustered in urban areas) parallel what is happening in other states or is it unique to Oregon?

255 CORTRIGHT: This is part of a national trend. Per capita income is becoming more divergent between rural and urban areas.

275 REP. BARNES: Do you use the federal criteria for a SMA?

CORTRIGHT: In general, we use the federal definition. This defines as urban the Tri-County Portland area, Yamhill, Marion, Polk, Lane, and Jackson County.

298 REP. HAYDEN: Is there a heavy out-migration of highly-skilled personnel in urban areas on the Eastern seaboard?

CORTRIGHT: The problem in the East is that a lot of the growth is occurring on the urban fringe, not in the central political jurisdiction of the cities.

316 REP. KATZ: Growth in the urban areas can also be a problem. Is there a skewing of income distribution larger in inner cities than in rural areas? This creates additional social problems.

330 CORTRIGHT: That has historically been true. We will know more about that when we get 1990 Census data. It is difficult to measure because economic data is measured by county. Therefore the inner urban data gets lost.

359 CORTRIGHT continues presentation of EXHIBIT B "Oregon Economic Model Predicts Mild U.S.Recession, Little Oregon Slowdown".

408 REP. BARNES: What criteria does the Employment Division use to classify "unemployed"?

416 CORTRIGHT: There are two measures of unemployment: 1) eligibility for unemployment insurance; and, 2) the unemployment rate itself (which is the result of a national telephone household survey).

433 REP. BARNES: I believe there are a lot of persons not counted which results in inaccurate counting.

475 CHAIR BAUM recesses meeting at 9:00 a.m.

TAPE 5, SIDE B

030 CHAIR BAUM reconvenes meeting at 9:10 a.m.

036 CORTRIGHT continues presentation of EXHIBIT B "Forest Products Employment Predicted to Decline to 1982 Levels".

060 REP. KATZ: How much of the decline is due to poor practices of the organizations vs. national policies on cutting and exporting?

064 CORTRIGHT: There are a series of factors: resource base, improved efficiency and productivity in mills, changing markets, types of products that can be made, decline of traditional products (plywood) due to increase substitutes, competition. Oregon's market niche is and will continue to change.

087 REP. HAYDEN: Efficiencies have diminishing returns. We are probably close to the maxing out on technological processing. Our timber base is less than 50 percent of that biologically available.

103 CORTRIGHT: Regarding technology, in a particular mill you do reach a point where you are running the mill as efficiently as possible. An economist uses the term "technology" to encompass not just the mill, but all of the differen possible uses of the resource. Over time as "less efficient" products are abandoned and "higher value items are products, productivity - in economic terms - can continue to increase. A lot of the improvement in efficiency between 1979-1983 wasn't due to new investment in the industry, but due to elimination of the least efficient mills out there. The average efficiency can be increased by dis-investing.

128 REP. BARNES: What is the relationship between the loss of forest service jobs and other employment?.

CORTRIGHT: The multiplier is estimated to be between one and two (for each forest products job lost, at least one other job is lost and possibly two of them).

137 REP. HAYDEN: As a matter of policy, we should lobby the federal government to increase federal forest employment.

154 REP. MC TEAGUE: Is the package of forest products legislation developed by the Joint Interim Committee on Forest Products Policy going to be referred to this committee?

160 CHAIR BAUM: That package will begin in the Senate, since they were filed there. Some of them are very labor-oriented so some of them may go to the Senate Labor Committee.

196 CORTRIGHT: Continues presentation of EXHIBIT A "Oregon's Economic Strategy".

250 REP. PICKARD: Is the Oregon Progress Board and the Benchmarks part of the purview of this Committee? If we do the proper thing with this, it could be the most important thing this Committee does.

268 CORTRIGHT: Continues presentation of EXHIBIT B "Available Resources".

292 CORTRIGHT: Begins presentation of lottery memorandum (EXHIBIT E).

460 CORTRIGHT: Continues presentation of EXHIBIT E.

TAPE 6, SIDE B

040 REP. HAYDEN: I am not a friend of the lottery. It demeans the dignity of the government to participate in this.

Discussion continues regarding lottery appropriateness and opinions issued by the Attorney General's Office.

135 CORTRIGHT: Begins presentation of Governor's Budget memo (EXHIBIT F).

295 REP. KATZ: What increase does the Governor's Budget request represent for tourism.

298 CORTRIGHT: This request represents a back-out of General Fund with Lottery Funds. The total amount is a slight increase over the budget for last biennium. Setting the amount allotted for the Oregon Trail aside, the total budget would be a slight decrease.

320 CORTRIGHT: Continues presentation of EXHIBIT F.

362 REP. BARNES: I feel that the distribution of lottery funds is causing a loss of public credibility. It has gone against the wishes of the people and what they thought they voted for.

382 REP. KATZ: Where does the public think it has gone?

387 REP. BARNES: Sports Lottery, roads to no place, education.

395 CHAIR BAUM: There are a lot of my constituents in my district that think this is a boondoggle. However, the county and city officials do not feel that way.

410 REP. KATZ: I think the people think this money is being dedicated to education; we tell them over and over that is not what passed, but they still think that. So, I think the public doesn't really know how this money is being spent which is a criticism I have against the Lottery Commission about not spreading the word about where the funds are being spent. The people do not know or understand what economic development means to them.

433 CORTRIGHT: Continues presentation of EXHIBIT F.

TAPE 7, SIDE A

030 CORTRIGHT: Continues presentation of EXHIBIT F.

163 REP. PICKARD: What are the differences between the Regional Strategies and Community Initiatives programs?

165 CORTRIGHT: Regional Strategies was established by the legislature in 1987 and is an entitlement program - allocations to each region of a guaranteed amount for the implementation of their particular region's strategy which is geared toward a particular industry. Community Initiatives is aimed at individual small towns, not limited to an industry, more of a technical assistance to assist communities in development of a strategic plan. It has been targeted (so far) towards communities in Southern and Eastern Oregon; about 50 communities have participated. An additional small amount of funding was allocated by the Emergency Board last interim for EDD to make small grants to some of those communities. There is not an explicit link between the Community Initiatives and Regional Strategies programs.

205 REP. HAYDEN: Where do administrative funds come from for those programs not supported with any general funds?

220 CORTRIGHT: Many of these EDD programs are funded exclusively with lottery funds. For EDD, in particular, direct expenses are removed from each of the programs. This is a provision of four percent.

246 CORTRIGHT concludes presentation.

253 REP. MC TEAGUE: What changes occurred in the Ways and Means Committee to the recommended lottery allocation made by the Trade Committee during the previous biennium? Were the changes significant?

264 CORTRIGHT: The bulk of the recommendation was unchanged; however, the bulk of the Trade Committee recommendation was unchanged from the Governor's budget recommendation, as well. The changes made would be a judgement call.

275 CHAIR BAUM: I intend to be in constant contact with the Chair of the Senate and both Co-Chairs of the Ways and Means Committee in order to achieve consensus prior to our package moving to Ways and Means.

290 REP. KATZ: This is the only substantive committee that has a say in

the expenditure of a substantive amount of money. If the Chair works with the Senate Chair and the Chairs of the Ways and Means, we should be able to develop a package that isn't substantially changed. Give the Ways and Means Committee a little bit of flexibility.

300 REP. MC TEAGUE: Since this Committee is now meeting separately, will the recommendation be made separately also, or jointly?

307 CHAIR BAUM: It will operate the same as in the past. We hope to have both Senate and House recommendations be the same.

Continued discussion regarding joint meetings, concensus, Governor's recommended budget, etc.

375 CORTRIGHT: Continues presentation of EXHIBIT A "Regional/Community Development".

436 CORTRIGHT: Continues presentation of EXHIBIT A "Industry Strategies".

478 CORTRIGHT: Continues presentation of EXHIBIT A "Business Assistance".

TAPE 8, SIDE A

030 CORTRIGHT: Continues presentation of EXHIBIT A "Business Assistance".

072 MILLER: Continues presentation of EXHIBIT A "Workforce Issues".

155 REP. KATZ: Where is the money is coming from for the lottery? I think that in most forms of taxation (income, sales, etc.), more money is "given" from urban areas than is received back. I want to know if that also is true for lottery dollars.

165 CORTRIGHT: We can provide you with a county by county tabulation of lottery sales. We can try to estimate where the lottery funds get spent, however, a lot of projects get categorized as having "statewide" benefit (i.e, National Forest Planning, Regional Strategies, etc.). This information is available cumulatively since the lottery was established.

193 REP. KATZ: I have always resisted and will continue to resist the "we vs. them" mentality, i.e., rural vs. urban.

204 CHAIR BAUM: Adjourns meeting at 10:50 a.m.

Submitted by,

Jeri Chase Office Manager EXHIBIT SUMMARY

EXHIBIT A -1991 Economic Development Issues, presented by Joe Cortright, 8 pages

EXHIBIT B - Economic charts/graphs, presented by Joe Cortright, 12 pages

EXHIBIT C -The Two Oregons: Comparing Economic Conditions Between Rural

& Urban Oregon, submitted by Joe Cortright, 26 pages

EXHIBIT D -Chart: Four Metro Counties Dominated Oregon Job Growth in 198 0s, presented by Joe Cortright, 1 page

EXHIBIT E -Memo regarding Lottery Sales, presented by Joe Cortright, 2 pages

EXHIBIT F - Memo regarding Governor's Proposed Allocation, presented by Joe Cortright, 6 pages