

House T&E Committee January 25, 1991 Page HOUSE LEGISLATIVE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

January 25, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 17-20

ECONOMIC DEVELOPMENT DEPARTMENT BRIEFING Overview by Director Community
Development Programs Overview

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

MEMBERS EXCUSED:

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

WITNESSES:STEVE PETERSEN, DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT LYNN
YOUNGBAR, LEGISLATIVE COORDINATOR, ECONOMIC DEVELOPMENT DEPARTMENT
YVONNE ADDINGTON, MANAGER, COMMUNITY DEVELOPMENT PROGRAMS, ECONOMIC
DEVELOPMENT DEPARTMENT

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 17, SIDE A

000 CHAIR BAUM: Convenes the meeting at 8:05 a.m.

020 STEVE PETERSEN: Begins review of Presentation of the Joint
Legislative Committee on Trade and Economic Development dated January
1991 (EXHIBIT A).

069 REP. CARTER: Have we evaluated the programs that have been in
existence for a while and know that they are doing what we want them to
do or they just still there?

074 PETERSEN: We have done a good job in the past four years of
evaluating the effectiveness of most programs. A lot of them have been
refined and have changed direction to meet today's needs. We have been
flexible.

086 PETERSEN: Begins slide presentation submitted as EXHIBIT B (What We
Are About).

133 PETERSEN: Continues presentation of EXHIBIT B (Challenges). In
addition to challenges listed in EXHIBIT B, there are three others: 1)
Measure 5 impacts; 2) recession; 3) long term effects of Persian Gulf
War.

148 REP CARTER: How do you bring a North/Northeast Portland, in addition to the rural areas? I hope that EDD will be working on that because I do not believe that the state can do well, in terms of Human Resources, if the quality of life that exists now in north/northeast Portland continues.

171 REP. KATZ: During a meeting on reapportionment there was a great deal of discussion on the growth factor which is all outside of Portland city boundaries. Within Portland, it is all a decline in Portland. REP. CARTER is right, it is a classic case of what will happen to our inner city if that continues - there are cities throughout the nation that has happened to.

184 PETERSEN: We are aware and concerned about that. We have initiated discussion with the Housin Agency and with ODOT and we will be looking at how the State can play a role in this. I favor making a recommendation to the Governor on how to deal with it as the State.

193 PETERSEN: Continues presentation of EXHIBIT B (Challenges).

260 REP. CARTER: Do we have technical assistance dollars available for strategic action? This will be vital for the success of the small communities.

277 PETERSEN: We have been working on how to get people to the point where they can access the assistance that is available through the state and federal governments. That will be a major challenge for us.

280 PETERSEN: Continues presentation of EXHIBIT B (Challenges).

312 REP. PICKARD: If you were to prioritize this list, I believe that the last item would be the most important. This should set the tone for everything that is done.

337 REP. HAYDEN: I believe we should balance growth and quality of life. I still believe that population densities still could be greater than they are and still have a high quality of life.

350 REP. MC TEAGUE: If we are going to have the kind of population densisties that REP. HAYDEN is talking about, we would have to have a dramatic shift in lifestyle in Oregon - massive investment in mass transit, less resistance to land use planning, etc.

390 PETERSEN: Continues presentation of EXHIBIT B (Four Strategies).

465 PETERSEN: Continues presentation of EXHIBIT B (Industry Development).

480 CHAIR BAUM: Recesses because of fire drill.

TAPE 18, SIDE A

025 CHAIR BAUM: Reconvenes the meeting.

030 PETERSON: Continues presentation of EXHIBIT B (Industry Development)

053 REP. CARTER: How do we encourage touriSMon a statewide basis rather than each region doing their own touriSMstrategy and how do we encourage family wage jobs in this industry. ...,

065 PETERSEN: That will be discussed when we consider Regional Strategies; would it be best to have more than one strategy.

088 REP. HAYDEN: When discussing the wood products industry, don't take too much of a short-term view. We need to plan for the resurgence in timber industry in 20 years or so when the timber matures on private lands and federal policy changes.

102 PETERSEN: Continues presentation of EXHIBIT B (Community Development)

202 REP. BARNES: Are you able to merge the SPWF and CDBG together for large projects?

205 PETERSEN: We are able to merge the funds for projects and the same staff handles both sections.

215 REP. HAYDEN: The thought of pursuing retirees is viable. Perhaps it could be done under Community Development. We could market the fact that we do have water. If we could keep the retirees we have in the state and bring in industry and federal retirees here we could benefit.

250 REP. BARNES: Do we know what wage level of jobs the retiree population attract or create?

255 PETERSEN: We are doing some specific research on this because we don't know.

262 LYNN YOUNGBAR: There has been very little quantifying work done. The U.S. Department of Agriculture has noticed that the fastest growing rural counties in the country are those that have retirement populations. Most of the jobs created are in the service sector. There might be some potential is in the small business side - what kind of businesses grow to serve the retirement population. We will be looking at how to prepare for this population - health care, housing, transportation needs. We need to do some long term planning for this.

287 REP. KATZ: There is a cost factor; the cost benefits vs. the tendency to vote down levies.

294 REP. HAYDEN: The cost benefit analysis should be reviewed.

303 PETERSEN: Continues presentation of EXHIBIT B (Community Development).

333 REP. KATZ: If EDD has a bond program that can help alleviate the effects of Measure 5, we might want to allocate additional resources for that.

344 CHAIR BAUM: That is being considered.

352 PETERSEN: Continues presentation of EXHIBIT B (Community Development).

376 BARNES: When you speak of ports, are you just talking about ports on the water or are you including the others?

378 PETERSEN: I am discussing the maritime ports. There are four types

of ports: 1) international; 2) economic development; 3) fishing; 4) recreation.

388 PETERSEN: Continues presentation of EXHIBIT B (Business Assistance).

TAPE 17, SIDE B

022 REP. MC TEAGUE: We are spending millions of dollars of public funds to improve the business climate in Oregon; yet there is not one business establishment representative in the audience. I am wondering if EDD and the Trade and Economic Development Committee does have a constituency in this state. Is the leadership on economic development only coming from the government officials of the State of Oregon? Where is the business community? Where is the constituency?

042 CHAIR BAUM: We are only in the overview stages. A lot of the constituency is working.

045 REP. CARTER: It is a question of effect vs. affect. When we are going to affect some of their businesses, people will be here; when we are talking about effective tools, you don't hardly see the public here, you see government.

052 REP. BARNES: In my area, we have an organization called SO-REDI that is a partnership of government and the private sector that does work closely with the state Economic Development Department.

058 CHAIR BAUM: I intend to rely heavily on the input about these programs that I receive from people in my area. I hope that other members can get input from their constituents.

066 REP. KATZ: Where is NFIB? Where is AOI? That is a good point.

068 CHAIR BAUM: I hope in the next week to have AOI and others in to discuss some of the committee's action.

071 REP. KATZ: That is positive, but I would like first to bring them into the 21st century with respect to economic and workforce issues. The point that REP. MC TEAGUE is making is valid. What we get from some individuals is all negative. It would be good if they attended the meetings so they could understand why this is happening.

083 PETERSEN: The local level is involved. We have nine Commissioners primarily from the business community. We are working in the business community on the local level.

090 PETERSEN: Continues presentation of EXHIBIT B (Business Assistance).

117 REP. BARNES: What type of relationship do you have with LCDC?

122 PETERSEN: It is improving. We have spent a lot of time working with them recently and are now going to be part of the review of all of the community updates.

133 PETERSEN: Continues presentation of EXHIBIT B (Human Investment).

155 REP. KATZ: I never understood why JOBS was placed in EDD. What is your sense about it moving back to AFS?

156 PETERSEN: It was transferred to EDD to provide the environment to grow with a connection to JTPA, community services, and the business community. It was an effort to make it more than a "welfare" program. With the proposals from Governor Roberts for accountability and consolidation, it makes sense to move it. Even if EDD doesn't have the programs, we still want to be participants.

171 REP. CARTER: The attempt of the Legislature to get a handle on Job Training programs has been a political nightmare. I thought it was a good idea for JTPA to be connected with EDD for accountability and responsibility and to link businesses.

208 REP. BARNES: I agree. We need an improved system.

212 CHAIR BAUM: The Senate Chair and myself agree and we are working on just that.

220 PETERSEN: Concludes overview of EXHIBIT B. Begins presentation of budget overview in EXHIBIT A. There are 173 staff at EDD during the 1989-91 biennium. The Governor's recommended budget is for 134; a reduction of 31 comes from transfer of positions in JTPA from EDD to DHR; eight positions will be reduced (positions that are currently fill).

287 REP. KATZ: I heard a presentation from the Governor's Office regarding the JTPA transfer from EDD to the Employment Division and there is real nervousness from members of the JTPA Board.

298 REP. BARNES: Did the Governor give you any chance to discuss her decision about the transfer?

299 PETERSEN: Yes. There were discussions. The important thing is consolidation of all programs dealing with job training.

311 PETERSEN: Continues presentation of budget information from EXHIBIT A.

325 CORTRIGHT: There are backouts of tourism funding - replacement of General Fund with lottery funds. Is there something that shows where there are real reductions in services - not being made up from other sources?

333 PETERSON: We will get you this information. Basically, with this proposal, there may be some reduction in staff, but we are hoping to maintain the current service levels.

345 REP. BAUM: We will have information available on backfills in the Governor's budget.

357 REP. KATZ: We need a breakdown on Regional Strategies and Workforce 2000.

365 PETERSEN: There will be individual presentations on these programs within the next few days.

367 KATZ: Does the Governor know where she wants to spend her recommended budget amount for Workforce 2000?

368 PETERSEN: Staff have been working on that and we will have that information for you.

371 PETERSEN: Continues presentation of budget information from EXHIBIT A.

383 REP. CARTER: The funds for Corrections, is that the money dedicated for prison construction in the name of economic development? How much longer will we pay this from lottery dollars?

395 PETERSEN: Yes, from last biennium.

397 CORTRIGHT: The COP's will be \$7.2 million per biennium over a 10-year period. The indentures do not specify it has to be paid from lottery funds. \$34 million came out of the 89-91 biennium.

435 REP. HAYDEN: What drives the shortfall?

439 PETERSEN: Revenues are down. I am not prepared to respond as to the reason why. The Lottery Commission may be better able to answer why that is happening.

453 PETERSEN: Continues presentation of budget information from EXHIBIT A - Budget Section.

TAPE 18, SIDE B

030 PETERSEN: Continues presentation of budget information from EXHIBIT A.

035 REP. CARTER: Tell me about the specifics of the recommended \$16 million for the Department of Education.

037 PETERSEN: I don't know the specifics on that; a large portion is for the Head Start funding (\$10.7 million).

038 REP. CARTER: We need to ask questions about whether or not we are going to allocate lottery funds for education or if we are going to keep them for economic development.

046 REP. PICKARD: The term "economic development" seems to equate with the future, which to me represents our most valuable future resource, our children.

053 CHAIR BAUM: We need to remain focused.

054 REP. CARTER: If you talk about job training, you are talking about economic development. We can stretch it, like we did with prisons, and say that education is economic development.

060 REP. KATZ: We believe this is a creative approach for funding Head Start since there are no General Fund dollars available.

079 REP. MC TEAGUE: These issues of constituency need to be discussed - support for the vision of the Committee's and the Department's programs.

105 CHAIR BAUM: We hope that all of this can be discussed; there are those who would like lottery dollars used for education, however, the lottery fund is unstable and not something to fund a lot of essential areas with. Programs will be subject to cuts. It was established for commitments to short-term, non-continuous projects. This will make the best use of the "gyrating" fund.

121 REP. CARTER: I would like to see debate on training/retraining and education. We allowed a 10-year commitment to Corrections last biennium and now there is danger of funding education with lottery funds. This is a policy issue that needs to be discussed.

123 CHAIR BAUM: My position is we need to be careful about making commitments with the lottery funds for important, continuous programs.

140 REP. KATZ: There are other opportunities to capture Head Start dollars; a new federal day care program with some flexibility in dollars, general funds, etc. I don't care how it is funded, as long as it is funded. Find the funds for it somewhere else and make sure it is on the list.

150 PETERSEN: Concludes overview.

173 CHAIR BAUM: Recesses meeting for 10 minutes at 9:45 a.m.

175 CHAIR BAUM: Reconvenes meeting at 10:02 a.m.

177 REP. MC TEAGUE: There is a major dislocation of timber workers in Oregon's economy. Please overview expansion of programs in the new budget that will help address that.

190 PETERSEN: The Community Initiatives Program is being increased by \$2 million. The initial round for this program used different funds. There is a requested continuation of the Forest Products Opportunity Fund at a level of \$500,000.

201 CHAIR BAUM: There is a set of bills in the Senate to address that issue.

207 PETERSEN: A lot of the money targeted for this is not new money, but re-prioritization of funds to meet those needs. One focus will be in the Industry Development Program - targeting forest and secondary wood products.

217 CORTRIGHT: Wasn't Oregon Partnership what became the Community Initiatives Program, with additional lottery funding from the Strategic Reserve Fund and Program auditing. Approximately \$750,000 went into Community Initiatives last biennium.

230 PETERSEN: Yes.

Community Development Programs Overview

232 YVONNE ADDINGTON: Begins testimony on Community Development Programs. Overviews previous experience. Overviews Community Development Block Grant Program (CDBG): This is pass-through funding to the State by HUD for rural areas only.

The Community Development Program has four missions: 1) increase business and employment and create new jobs in Oregon; 2) provide water, sewer and roads for basic residential service and improve the quality of life, and provide water, sewer, and roads for businesses; 3) preserve current housing supply and create affordable, safe, decent, and sanitary housing; 4) provide community facilities that are necessary for people to live a decent life. They also provide some technical assistance for those communities who have no ability to do that themselves. They have

made 600 grants and loans and invested \$120,000,000 since inception in 1983.

306 ADDINGTON: Described housing rehabilitation projects throughout the state.

355 REP. HAYDEN: These are good programs; but they seem to be social, rather than economic development. What is the rationale for this?

358 ADDINGTON: There is a relationship between affordable housing for workers and economic development. There is also a relationship with air quality problems. ADDINGTON: This is the CDBG program, from HUD, with a certain number of requirements to benefit low and moderate income housing.

390 REP. PICKARD: Regarding Klamath Falls, when you are identified as having the worst air quality in the U.S., that has a negative connotation for any growth. This is an appropriate way to spend economic development dollars.

414 REP. BARNES: The federal government has put airshed restrictions on Jackson County. This is one means of using federal funds to alleviate those restrictions imposed.

419 PETERSEN: Economic Development has become more complex. Community Development has become the first step for economic development. Many communities are not ready for economic development until their basic services are in place - a water system, housing, etc. The community development portion is the pre-cursor for economic development in many of these communities.

433 ADDINGTON: Continues presentation of innovative projects done with CDBG funds. Presents example of project in Yamhill County for housing assistance for farmworkers. They gave them a grant of \$500,000 for a farmer-owned revolving loan fund. These funds rehabilitated and provided housing for 380 people.

TAPE 19, SIDE A

032 ADDINGTON: Begins overview of Community Facilities Program.

042 ADDINGTON: Begins overview of Special Public Works Fund program. Presents examples of water and sewer problems. We have found that 70 percent of the projects and funds spent has been in rural areas.

099 REP. KATZ: Are these retrofit infrastructure projects as opposed to new infrastructure?

102 ADDINGTON: No. Not always. Typically the industries are on the outskirts of town and the infrastructure services need to be extended to them from the downtown area. A lot of the funds are used for this.

108 CORTRIGHT: A lot of these retrofit projects are CDBG imminent threat monies as opposed to SPWF new projects.

120 ADDINGTON: Continues presentation on SPWF projects and overview of the Oregon Bond Bank. There is a need for available funds for various projects, etc., therefore they are proposing (for expanding capacity) providing \$100 million in loan ability for that.

139 REP. KATZ: Is there a performance analysis of jobs created, how long the jobs were there, and whether or not any of the businesses closed down because of poor investment.

142 ADDINGTON: Distribution of Developing Oregon Porject Awards by County May 1983 through December 1990 (EXHIBIT C) and a sheet entitled Oregon's Drinking Water Crisis (EXHIBIT D). Out of 223 projects, there have been about 5 businesses that failed.

150 REP. KATZ: Have you reviewed whether it was a bad decision to give those businesses resources or not?

155 ADDINGTON: We provide the infrastructure and while the business may fail, the infrastructure will still be there. We do not keep track of whether or not it was a poor investment.

162 REP. KATZ: This is not satisfactory in terms of jobs information. I want to know what kind of jobs, how long, full time or not, income level, etc. I am going to continue to ask these questions.

172 CHAIR BAUM: Do you have this information available?

175 ADDINGTON: Some of it. We serve cities and counties and jobs are a side issue that we are tracking because of the economic development criteria.

180 CHAIR BAUM: Can we get this information?

189 ADDINGTON: We are having a lot of success. There is a minimum level of one job per \$20,000 loaned (granted). Many times they are creating more jobs than required.

192 REP. KATZ: This is the same thing I heard on Industrial Revenue Bonds. When we actually reviewed it, it was nonsense. Do they repay you back if they don't come through? Then you should know where you have created a job.

200 ADDINGTON: Overviews EXHIBIT C.

225 CHAIR BAUM: How do you verify the actual job counts?

227 ADDINGTON: We require the cities and counties to go out and make actual job counts. At the time of the award, they must provide us with their payroll showing the positions and when we do annual reviews we also count additional positions that are added. We require them to report for five years after the grant/loan.

250 REP. KATZ: Have you ever checked with the cities and counties to verify the employment numbers?

252 ADDINGTON: Yes. We have one person tracking this. I have been in the businesses myself. The majority are new jobs.

258 CHAIR BAUM: What is a family wage job?

260 ADDINGTON: That is shown on page 101 of EXHIBIT C. This is hard to define, but what we chose when we started the program. One-third of jobs must be at that wage.

262 REP. KATZ: Why are there blanks for some projects in the "Jobs

Required" columns in EXHIBIT C?

264 ADDINGTON: Those are technical assistance grants where jobs are not required or CDBG projects that are city-wide that benefit all. Overviews EXHIBIT C.

303 REP. PICKARD: How would CORTRIGHT characterize the firmness of this data?

328 CORTRIGHT: In comparison with other programs, the data on SPWF is better than average, but it falls short of perfection which would require detailed work that is above and beyond what, typically, program managers do. There are difficult questions associated with counting and measuring jobs. of two different types. One is the accounting question and SPWF does a good job with that. There is also an attribution question. Did building the sewer line to this industrial park cause those jobs to be created? That is a question that may not be able to be answered. That is by far a much more important question. Their standard is to achieve a certain number of jobs, but then the obligation has been met. If in one quarter of one year, they meet their requirement, but the jobs may not be there later. Is that still accurate?

371 ADDINGTON: We were tracking for five years; we are now tracking three.

380 CORTRIGHT: Overviews Page 99 of EXHIBIT C - the first bird-in-hand program - Site Specific Public Works Grant Program. You can see that about half of them did not meet their targets in terms of job creation.

391 REP. KATZ: Some of the programs have better track records than others.

400 CORTRIGHT: We did that sort of analysis with the Oregon Business Development Fund Program Evaluation. That analysis took approximately eight months to do for about 100 projects. No analysis of that magnitude has been done on SPWF.

412 CHAIR BAUM: You also need to consider the projects that have been done to allow people to retain employees and comply with DEQ or other imposed regulations.

422 REP. CARTER: Economic development funds were designed to create jobs - that is the policy issue.

425 CHAIR BAUM: Quality of life breeds economic development.

432 CORTRIGHT: You may well want to decide that there are other ways to measure what you want to do in economic development than counting jobs. Counting jobs may distract you from other important things that will help accomplish your goals.

449 ADDINGTON: Continues presentation of EXHIBIT C.

460 ADDINGTON: Overviews EXHIBIT D.

TAPE 20, SIDE A

030 ADDINGTON: Continues overview of EXHIBIT D.

036 ADDINGTON: Concludes regarding infrastructure needs.

054 CHAIR BAUM: Adjourns the meeting at 10:50 a.m.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -EDD Presentation to the Joint Legislative Committee on Trade and Economic Development Committee, presented by Steve Petersen, 44 pages

EXHIBIT B - Slide Presentation, presented by Steve Petersen, 11 pages

EXHIBIT C -Community Development Programs Projects Awards by County, presented by Yvonne Addington, 109 pages.

EXHIBIT D -Oregon's Drinking Water Crisis, presented by Yvonne Addington, 2 pages