

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 6, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 37-40

EDD Briefing Marketing Services Presentation Regional Strategies  
Presentation EDD Budget

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

WITNESSES: STEVE PETERSEN, DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT KAY  
BRYANT, MARKETING SERVICES MANAGER, ECONOMIC DEVELOPMENT DEPARTMENT LISE  
GLANCY, REGIONAL STRATEGIES PROGRAM MANAGER, ECONOMIC DEVELOPMENT  
DEPARTMENT GEORGE WYATT, DEPUTY DIRECTOR OF PROGRAMS ECONOMIC  
DEVELOPMENT DEPARTMENT CARLENE JACKSON, DEPUTY DIRECTOR OF  
ADMINISTRATION, 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 37, SIDE A

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

HB 5002 (Economic Development Department Budget) - Public Hearing/ EDD  
Briefing on Marketing Services and Regional Strategies

008 JOSEPH CORTRIGHT: Overviews HB 5002.

040 STEVE PETERSEN: We will do briefings on the Marketing Services and  
Regional Strategies Sections at EDD and then do the budget overview.

051 KAY BRYANT: Begins presentation of written testimony (EXHIBIT A).  
Also submits folder of marketing information (EXHIBIT B).

119 REP. KATZ: I am uneasy. I know it is your job to market Oregon.  
But, this makes it hard for us to do some things we need to do. I  
challenge the data (i.e., educational system) and I question the  
interpretation. As long as the public is being told Oregon is doing  
wonderfully, policymakers have difficulty making needed changes because  
nobody believes they are need. You need to be sensitive to that in your  
glossy approach to marketing. I can interpret the SAT data to discount  
your results. I want the data used to say that Oregon's

primary/secondary school system is the top-ranked in the Western United States, Oregon's productivity is number one on the west coast, the fourth-highest nationally- ranked literacy rate, graduation requirements.

155 PETERSEN: We will get that background information for you. That information was put together about two and one-half years ago. This piece was to attract investment to Oregon; there have been a lot of changes in the past few years that have affected this. We now try to be more sensitive to these issues in our marketing activities.

190 REP. HAYDEN: I think the marketing is admirable. It is your role to market Oregon's strengths.

218 REP. MCTEAGUE: Was this advertising funded with lottery or general funds?

222 PETERSON: A combination of both.

245 REP. CARTER: In terms of the slick looks and quality of this information, it is very good. We need to be careful about the omissions. The marketing ability is superior.

268 REP. BARNES: When you market a product you accentuate the positive and eliminate the negative.

280 CHAIR BAUM: Who is the customer for this information and what does it buy Oregon?

282 BRYANT: We have a wide target market that can vary depending on the section using it.

307 REP. KATZ: You have done an incredible job over the past few years. I remember when Oregon's leaders in the business community would talk negatively about Oregon, and that has now changed. You deserve credit for that attitude change. As a policy-maker, if you perpetuate only "the best" we will never be able to change the things that are wrong.

335 MCTEAGUE: I think they have done a good job. This "boosterism" is becoming institutionalized. When are policy-makers going to discuss Oregon's carrying capacity that some of us are concerned about? There is a limit to how much suburban development can be absorbed.

400 CHAIR BAUM: You do marketing, the Tourism Division does some, International Trade Division does some, etc. How do the separate entities relate to each other? Have we ever tracked the results of this marketing?

415 PETERSEN: The idea of "Brand Oregon" is consolidation - under one banner, whether it is agriculture, forestry, tourism, or anything else. We are trying to do that coordination with the limited resources we have. We respond to interest with general information and more specific information in response to more specific interest. It is more response than outreach at this point.

470 CHAIR BAUM: Are there any measurable results?

TAPE 38, SIDE A

018 PETERSEN: We have seen about 150 companies move into the state that

we have been directly involved in.

024 REP. KATZ: Surveys indicate that companies come here because they appreciate the quality of life (directly relating to land use planning laws), the relative fairness of the tax system, and a workforce with a high work ethic.

038 PETERSON: The workforce issue is often in comparison to where they have come from.

044 REP. HAYDEN: There are differences of opinion on population growth. Haven't we heard that most of the state growth has been biological?

051 CORTRIGHT: I think that is true over decade of the 1980's; in the past three years it has changed.

052 REP. HAYDEN: It would be a difficult social concept to control the birth rate in the state of Oregon. I do not believe there are technological limitations to growth; it is a social issue.

073 REP. BARNES: These publications are designed to interest people. Every state in the country does this and it is a good approach.

090 REP. CARTER: We have a responsibility to market Oregon and to set policy.

135 LISE GLANCY: Begins presentation of written testimony on the Regional Strategies Program (EXHIBIT C). Summary of EDD Regional Strategies workshops submitted as EXHIBIT D.

177 REP. HAYDEN: We have been shown that forestry and agriculture are active players in Oregon's economy, with very little lottery funding. Tourism provides relatively low wages, with a large amount of funding. Why is this?

176 GLANCY: Regions make their own choices. The State is merely a facilitator. We encouraged regions to use secondary products (wood and agriculture) as strategies, but we had a very difficult time doing that. Industry does not generally cooperate with government. The private wood products industry was very suspicious about any secondary wood products discussions because they thought that meant the end of primary processing. Things are changing. A lot of regions that have tourism strategies are thinking about changing to secondary wood products. With decentralized decision-making, you have to live with the choices. A lot of the regions chose tourism for their strategy. We think this may have happened for two reasons: 1) funding of the Oregon Convention Center which provided the signal of approval for this strategy; 2) the tourism industry are marketers and came out and were heard. We had to work harder for other industries to come out and participate.

218 REP. HAYDEN: I have heard that many regions were told that we are going to spend \$7 million in your district but only on tourism. If that region balked at that, they were discouraged. Was that true?

234 GLANCY: I think that tourism is a good opportunity for many regions - particularly the rural areas that do not have a great deal of opportunity. When timber-dependant communities review their options, they are looking towards tourism for diversification. I do not believe that the State said it was any region's only choice; there was

perception that tourism was the "winning ticket".

255 WYATT: Regional Strategies staff made an extended effort to encourage every region to consider their regional economies comprehensively and their options. We tried to encourage a broad base of strategies. The regions had an intense desire to diversify their economies and not be dependent on a single resource industry. Most had a history of wood products and agriculture that they were trying to diversify away from.

272 CHAIR BAUM: My impression was entirely the opposite in our region. Union and Wallowa Counties were told they were crazy if they didn't choose tourism. Emissaries from the Governor's Office were sent with the message: "Do it or else". The perception was that tourism was being shoved down their throats. I want to assure this session that regions are truly free to choose strategies, then held accountable for the expenditure of the funds within that strategy.

299 REP. KATZ: I am surprised that the agricultural community wouldn't be more aggressive in their secondary products development. Were any product development ideas even discussed?

320 WYATT: A number of counties came together as regions that were aggressive in agriculture and have used the regional strategies program to improve that economy. Other regions decided, locally, to choose other strategies.

331 REP. BARNES: Boundaries should follow labor market boundaries. Would it also be more helpful for diversification to have a primary and a secondary or more strategies.

348 GLANCY: When the program was first begun, there was no assessment. We believe that, miraculously, the 15 regions that were created are commensurate with labor markets. There are a few boundaries you would change now that more information about the labor markets has been assessed. That will be one of the changes we will recommend - designating regions based on the lessons we have learned about the regions that worked well. The program was written with a single-industry focus and we remain committed to targeting the limited resources. A dual strategy could diminish those resources. With strategic re-evaluations for this biennium, some regions could end up with essentially two strategies - one from 1987 and 1989 that is still being implemented and a different one chosen for 1991.

403 PICKARD: Tourism being chosen for the Central Oregon region, very early in the process, may have influenced other regions to do the same.

438 REP. HAYDEN: Maybe strategies should be diversified.

450 REP. KATZ: There was discussion about this and the Governor sometimes refused to accept some of the ideas that came from local communities. If you empower the local level to make the decisions you may have to do things that do not agree with your particular interest or public policy position. That is difficult.

TAPE 37, SIDE B

020 GLANCY: Continues presentation of EXHIBIT C.

135 REP. HAYDEN: I would like to hear about net jobs.

147 CHAIR BAUM: Overall did the Regional Strategies program affect the net job losses? Do you have the capability to analyze that?

154 GLANCY: That is difficult for us to determine. What we need to do is measure the economic health of regions. We are requesting a consultant come in and evaluate regional economies. It is very difficult to measure true impact of any program.

167 GLANCY: Continues presentation of EXHIBIT C.

189 CORTRIGHT: Why is there such a difference between the projected and actual amounts invested (from Page 8 of EXHIBIT C)?

184 GLANCY: There are a lot of reasons. Some strategies are slow to develop. The slow development in the Lane County strategy is a big reason for that difference.

237 GLANCY: Continues presentation of EXHIBIT C.

250 CORTRIGHT: Could you discuss the length of time that it takes the funds to be dispersed.

261 GLANCY: We have dispersed approximately 77 percent of the funds for the first biennium and about 76 percent of the funds for this biennium. Disbursements are made in advance or on a reimbursement basis. It is hard for us to be sure when all of the biennium's funds will be dispersed.

306 REP. KATZ: We are trying to get involved in the concept of high performance work organizations which should include state agencies. Perhaps some agency reorganization within EDD could help accomplish additional staffing for this program.

344 PETERSEN: All of our people in the field are involved in the Regional Strategies program. We are improving that inter-relationship.

354 REP. BARNES: Have you given any thought to one individual, with staff, representing your department per region.

368 REP. CARTER: Flexible networking is one of the most positive things we saw in other countries. It is not the wave of the future to have people "in boxes". It creates turf problems, problems in terms of direct ownership of a program, etc. I want to see this department go forward.

426 REP. HAYDEN: State agencies should be as efficient as private business.

475 CHAIR BAUM: It would be nice to have one person delivering all available services within a region.

480 REP. KATZ: If we expect an agency to do all this that we are asking, we are going to have to pay the employees well. There has been a lot of discussion already this session about state employees' salaries, pensions, merit pay, etc. If you eliminate those things, the state is not going to be able to attract or keep high caliber employees.

TAPE 38, SIDE B

048 CHAIR BAUM: Recesses meeting at 9:34 a.m.

049 CHAIR BAUM: Reconvenes the meeting at 9:50 a.m.

062 PETERSEN: Begins general overview of EDD Budget.

088 REP. KATZ: I want to know your supervisory structure as you go along.

096 PETERSEN: Functional organization charts available in EDD briefing book (previously submitted). We will provide more detailed organization charts at the next meeting.

135 PETERSEN: Begins overview presentation of budget information charts (EXHIBIT E).

180 PETERSEN: Begins overview of 1991 Governor's Recommended Budget (by Division) (EXHIBIT F).

216 REP. KATZ: Why is there such a substantial increase in Other Funds in the Office of the Director from the 1989-91 biennium to 1991-93 recommendation?

222 JACKSON: The increase primarily represents a shift in funds that were scattered throughout the department; there is an anticipated increase in activity in those accounts (from \$1 million to \$1.5 million - throughout the agency).

264 PETERSEN: Continues presentation of EXHIBIT F and organizational structure information for the Director's Office.

413 CORTRIGHT: Was there an allocation for Oregon Trail activities in the Tourism budget last biennium? How much?

419 JACKSON: It was approximately \$250,000. They were used for balancing our share of general fund reduction.

429 REP. CARTER: Why is there such a large lottery increase in Tourism Division.

435 PETERSEN: It is a fund shift. Tourism would almost all be lottery funded during 1991-93.

453 REP. CARTER: If Tourism is worth funding, it should be continued with General Funds. We need to return to the goals and objectives for lottery funding - creative ideas funded on a one-time basis. If we start backfilling the General Fund this will be harmful to the lottery programs.

TAPE 39, SIDE A

031 PETERSON: Continues presentation of EXHIBITS E and F.

185 CHAIR BAUM: This bill has a subsequent reference to Ways and Means. We cannot spend 30 days over-viewing this budget. We need to carry forth our main job - the lottery allocation. I do intend to bring this bill back to move it out later next week. Members need to decide which programs you need a more in-depth budget presentation on and request that soon.

215 REP. KATZ: When you keep shifting programs back and forth between general funds and lottery funds it is difficult to track a program's progress. That is a problem.

224 CHAIR BAUM: We would like to see a better organizational break-down.

232 CORTRIGHT: The Ways and Means Committee is asking state agencies to identify an additional increment of general fund cuts. There may need to be a discussion with EDD about what they think those will be. This Committee has in the past expressed opinions about items to keep and items to cut in the budget - not changing the numbers but communicating priorities to the Ways and Means Committee.

245 CHAIR BAUM: Have you already been asked to propose cuts?

248 PETERSEN: We were asked to do that but we have not made the cuts ourselves. Ways and Means staff did that from our options. We do not know what those cut are yet. We gave them option packages to choose from.

279 CORTRIGHT: The proposed EDD budget currently has been reduced by 10 1/2 percent in general funds since last biennium.

305 REP. KATZ: What is your target of additional reductions?

309 JACKSON: They have indicated an overall reduction of 15 percent; an additional reduction of approximately 5 percent. We laid out options to Legislative Fiscal staff of ways to achieve that additional reduction. We do not know what they have chosen.

334 JACKSON: We are uncomfortable to recommend specific cuts. We would prefer laying out the options and letting the decision-makers make the decision on those options.

345 REP. KATZ: You are probably going to have to do that anyway.

369 REP. BARNES: Maybe we should be looking at different models of service delivery. There is concern in my region that service delivery is too fragmented and effectiveness is lost.

386 PETERSEN: We are looking at that and that has been part of our analysis in reduction packages. We are also looking at minimal levels of service delivery. We need to be more effective in using existing staff to provide services and are trying to find ways to do that.

410 CHAIR BAUM: It looks like funds have just being moved around, without many actual reductions.

421 PETERSEN: We can show you more on this next time. One problem is that less than half of our functions are general funded.

440 CHAIR BAUM: We do have some information on backfilling general funds with lottery dollars and we need a detailed break down on that.

446 PETERSON: We have described "how we got here". We would like to spend some more time on that.

471 JACKSON: Begins presentation on the Governor's Recommended Budget Summary (EXHIBIT G).

TAPE 40, SIDE A

030 JACKSON: Continues presentation of EXHIBIT G.

035 REP. KATZ: How many of the eight positions not recommended for funding are vacant and what type of positions are they?

040 JACKSON: None of them are currently vacant, they are all full time, and approximately 5 1/2 of them are general fund positions.

043 JACKSON: Continues presentation of EXHIBIT G.

089 REP. HAYDEN: The only significant figure is the increase or decrease from their base budget.

100 REP. KATZ: The easiest reductions to make are in services and supplies. This is often an arbitrary cost.

120 JACKSON: Often that is the way that Ways and Means adjusts across the board. If you take all of that out, you are really reducing our budget because those are real costs.

171 CHAIR BAUM: Adjourns meeting at 10:55 a.m.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Written testimony, submitted by Kay Bryant, 2 pages

EXHIBIT B - Information folder, submitted by Kay Bryant

EXHIBIT C - Written testimony, submitted by Lise Glancy, 11 pages

EXHIBIT D - Summary of EDD Regional Strategies Workshops,  
submitted by Lise Glancy, 49 pages

EXHIBIT E - Budget charts, submitted by Steve Petersen, 4 pages

EXHIBIT F - EDD Recommended Budget 1991-93, submitted by Steve  
Petersen, 2 pages

EXHIBIT G - Governor's Recommended Budget Summary, submitted by  
Carlene Jackson, 3 pages