

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 18, 1991
8:00 A.M.State Capitol Salem, OR

Hearing Room 343

Tapes 57- 60 Agricultural Opportunities Fund Minerals Fisheries

MEMBERS PRESENT: REP. RAY BAUM 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 HOLLY BROWN, COMMITTEE
ASSISTANT

WITNESSES: BRUCE ANDREWS, DIRECTOR, DEPARTMENT OF AGRICULTURE KATY COBA,
SPECIAL ASSISTANT TO THE DIRECTOR, DEPARTMENT OF AGRICULTURE DON HULL,
DEPARTMENT OF GEOLOGY AND MINERAL INDUSTRIES JIM MARTIN, FISHERIES
MANAGER, DEPARTMENT OF FISH AND WILDLIFE BOB JACOBSON, COMMISSIONER,
DEPARTMENT OF FISH AND WILDLIFE DALE PIERSON, MEMBER, RESTORATION AND
ENHANCEMENT BOARD

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 57, SIDE A

000 CHAIR BAUM convenes the meeting at 8:11 a.m.

Agricultural Opportunities Fund

010 BRUCE ANDREWS: Begins slide presentation from the Department of
Agriculture. Oregon's agriculture is a \$2.7 billion industry. This has
been increasing over the years. The value of farm and ranch production
has steadily increased. The majority of farms are 500 acres and less.
The average value of Oregon farmland is slightly less than the US
average. Oregon currently has a dept of 24% though it is decreasing.

116 ANDREWS: We are trying to get into the food processing industry
more. Continues slide presentation. Oregon's top commodity is cattle and
calves which is double what wheat is because of the drastic drop in the
price of wheat.

144 MILLER: Why is all the processing and packaging of cattle and
calves done in other states?

149 ANDREWS: There is an intermediate phase called the feeder stage
during which it is cheaper to feed the cattle in other states. That is
one reason we would like to get into the processing stage here in Oregon
so we don't have to send our cattle to other states.

170 ANDREWS: We are positioning ourselves for production for the
Pacific rim and because of our positioning it will become more lucrative
to process the beef here in Oregon. Continues slide presentation.
Oregon leads the nation in grass seed, filberts, and peppermint. We
can't compete in volume with California so we focus on niche markets.

197 CHAIR BAUM: How is Californias' water problem going to affect us?

200 ANDREWS: Umatilla and the Willamette Valley will begin producing some of those crops formerly grown in California. Labor intensive crops will go down to Mexico or Chile. Continues slide presentation. We have had an annual growth rate of around 40% in the agricultural export industry. Most of this is in the high value exports. White wheat is Oregon's top export which is sent to Oregon's best customer Japan.

260 REP. KATZ: There are no European nations on the list of customers.

265 ANDREWS: We are starting to expand to Europe but it is not yet focused. The European community is a strong competitor for the wheat crops.

310 ANDREWS: Ends slide presentation.

364 REP. MC TEAGUE: How well have the prices held up for beef cattle?

367 ANDREWS: It has been pretty constant.

395 REP. BARNES: Has there been research done to tell us what our potential is in new areas?

400 ANDREWS: Yes, but it is fraught with peril.

428 REP. BARNES: It seems like it would be helpful to help our ag people to respond to a new market quickly.

444 ANDREWS: We agree, we want to have the technology available but we don't do research ourselves.

TAPE 58, SIDE A

023 COBA: Presents a letter regarding the Agricultural Opportunities Fund (EXHIBIT A).

050 ANDREWS: Name identification is very important, it is important to sell an image.

061 COBA: Presents video on Oregon products.

102 COBA: End of video presentation. Continues presentation of EXHIBIT A.

129 ANDREWS: A lot of Oregon growers don't have access to Oregon markets and end up marketing their vegetables into Idaho and Utah.

132 REP. KATZ: Why haven't we done more to bring the local markets into Oregon, using maybe a Farmers market?

140 ANDREWS: We are trying to do that very thing.

158 COBA: We have been trying a Buy Oregon First campaign.

166 REP. KATZ: If you had the farmers markets it would send a message to the big grocery chains to buy Oregon because that is what the consumer wants.

170 COBA: We are trying to get the grocery stores to buy from Oregon but it is difficult for them because they would have to break their California contracts for the summer and then try to pick them back up again in the winter. Continues presentation of EXHIBIT A.

221 COBA: Presents video that is attempting to attract food

processing to Oregon.

395 COBA: Ends video presentation.

403 REP. PICKARD: Why the drop in wheat prices?

420 ANDREWS: Over production and competition from the European market.

TAPE 57, SIDE B

023 REP. MC TEAGUE: How much is your budget request and how much of that is general fund and how much is fee related?

025 ANDREWS: The departments budget went from \$16 million worth of general fund last year out of a \$41 dollar budget to this year a \$41.5 million budget with a general fund background of about \$9.6 million. We lost 44% of our fund in the budgetary process.

030 REP. MC TEAGUE: Could you describe how the department assesses this issue of Agricultural practices?

052 ANDREWS: Our role in terms of resources is to try and preserve the resource. We believe resource management makes sense and is profitable. We have decided to address the problems as they come up and we don't as yet have a theme or prescription for Oregon's agriculture.

078 REP. HAYDEN: I would rather see the money you need to get come from something other than an increase in fees.

096 ANDREWS: We had to take hard cuts in programs of 10% - 11%.

111 CHAIR BAUM: You will spend some \$360,000 because of the revenue shortfall. What would you do with \$360,000?

140 ANDREWS: We would put it into market expansion.

160 CHAIR BAUM: Why don't private for profit organizations qualify?

184 ANDREWS: They have access to it through broader marketing groups. The information regarding what has happened with the funds used will be available they just haven't accumulated the information as yet.

202 CHAIR BAUM: Recesses at 9:25 am.

213 CHAIR BAUM: Reconvenes meeting at 9:45 am.

Minerals

220 DON HULL: The gross value of minerals was \$225 million in 1990, a 22% increase in the last two years. The future looks even brighter.

300 REP. KATZ: Would you address the environmental issue?

305 HULL: We have some legislation up that would target to further improve the regulatory treatment of mining in Oregon. Also some civil penalty legislation up.

310 REP. KATZ: Is there a tax on minerals?

320 HULL: In part on production and severance tax. Only on oil and gas production.

335 REP. HAYDEN: Would you explain the relationship between severance tax and depreciation allowance?

337 HULL: Severance taxes are levied on the gross value of mineral production. Depletion allowance is a federal tax provision that accounts for the fact that minerals are a non renewable asset.

358 REP. PICKARD: How would the severance tax work?

360 HULL: Severance tax is levied without regard to profit level of the mine. So there is a lot of variety and it is hard for me to generalize like that.

390 HULL: I have seen some legislation that suggests a severance tax on gold. I don't think our department should be funded by a severance tax.

TAPE 58, SIDE B

030 CHAIR BAUM: I want to make sure we at least focus on the fact that we are talking about inventorying these assets and find out where they are.

042 REP. HAYDEN: Do we have more natural gas than we thought?

045 HULL: The future of producing natural gas is a promising new field through out Oregon.

054 CHAIR BAUM: Would the money you receive from us be used for new projects or finishing up the old ones that are still incomplete?

061 HULL: We have not finished up some projects because of the \$90,000 shortfall. We could finish the projects with the money.

095 REP. BARNES: What else should we be doing to keep those federal dollars coming in?

100 HULL: We have been looking at private partnerships more than federal funds.

115 REP. PICKARD: Is back filling a policy we are going to have?

119 CHAIR BAUM: No.

128 HULL: The Governors recommended budget did not allow us any lottery funds.

135 REP. KATZ: Is the work on the earthquake hazard being done?

140 HULL: We have received more funds for this project and the Governors budget has allowed for the DOGAMI staff, but not the university work.

161 CHAIR BAUM: Is that adequate?

165 HULL: That is difficult to answer because Oregon is under prepared for earthquake hazards.

177 REP. KATZ: Do we have the information about what is at risk?

183 HULL: We are just now starting to get that information.

189 CHAIR BAUM: What about just Trojan?

195 HULL: We haven't done a study on the Trojan area since the early 198 0's, we have been focusing on the Portland area.

205 REP. CARTER: How Effective is the housing built in northeast Portland?

210 HULL: The one and two story homes are fairly stable, safe exit seems likely. The high rises are another story.

232 REP. KATZ: Are these buildings built under the state building codes? And if they are, are you comfortable with that?

238 HULL: Yes and no. I think the building codes should be upgraded.

253 REP. HAYDEN: Does your department evaluate buildings and bridges?

259 HULL: Only on occasion are we called into site specific evaluations.

281 REP. BARNES: Do we have the transportation network to export minerals?

288 HULL: Minerals require rail transportation and the rail system is not adequately set up for this type of extensive use.

300 REP. CARTER: What are the uses of dynamite?

310 HULL: It can be used to clarify liquid and for many other uses.

Fisheries

342 JIM MARTIN: Begins presentation of "Fisheries Restoration and Enhancement act of 1989," (EXHIBIT B) and submits "Distribution of Lottery Funds by Oregon Department of Fish and Wildlife" (EXHIBIT C) and "Fish Restoration and Enhancement Program" (EXHIBIT D).

TAPE 59, SIDE A

035 CHAIR BAUM: What happens if SB 246 doesn't pass?

048 MARTIN: None of these programs would happen, we have dollars to do hatchery repairs but I don't know how much money there is for this.

073 CHAIR BAUM: Under the cuts proposed by the Governors budget for your agency will the surcharge funds be used to back fill what otherwise would have been funded from your regular license fees or from your general fund allotment?

074 MARTIN: If this budget doesn't pass then no.

088 REP. HAYDEN: What is the total department budget?

090 MARTIN: \$138 million.

095 REP. HAYDEN: Where do the funds come from?

100 MARTIN: Almost 37% come from federal sources, 50% comes from license dollars, and about 13% comes from general fund.

105 REP. HAYDEN: What are we providing with \$138 million?

108 MARTIN: The number one service that you are providing is insurance that we will be able to protect resources and maintain Oregon's favorable way of life. The second thing we provide is recreational opportunities for fish and wildlife. And the third thing we provide is opportunities for commercial fisheries as an important part of our economy. Up to ten percent of the income in some fishing areas comes from commercial fishing.

128 REP. HAYDEN: What is the cost benefit ratio of airlifting trout?

130 MARTIN: I don't know exactly but it has a wonderful economic benefit.

170 CHAIR BAUM: Are their other fee increases?

174 MARTIN: Yes, there will be an increase in the poundage fees. We also have a bill coming forward to require crabbers have a general

anglers license.

220 CHAIR BAUM: Fee increases are going to have a tough time in this legislature.

221 MARTIN: The fee increases are very controversial.

251 REP. BARNES: If you go any higher with the fees you are going to lose a lot of casual fishers.

269 MARTIN: We are getting closer to that on the hunting side than the fishing side.

282 REP. KATZ: Either the fees are adopted or you find general fund dollars to substitute for the loss of revenues if the fees don't increase.

292 REP. MC TEAGUE: Could you brief this committee on the challenges that are facing the commercial fishing industry?

317 MARTIN: The commercial fishing industry is being squeezed by three forces. More pressurized management, the economic situation right now, and the license and poundage increases.

368 BOB JACOBSON: The poundage fee increase is not supported at the level it is at now. We are contemplating increasing the license fee with a smaller increase in the poundage fee. These fee increase are a separate program than the R&E program.

TAPE 60, SIDE A

058 REP. HAYDEN: Do you add in cost for the water spilled over the dam?

088 MARTIN: No we don't attempt to articulate those.

Bill Introduction - LC 3514

090 CHAIR BAUM: Presents Draft of LC 3514 (EXHIBIT E).

110 MOTION: REP. PICKARD moves that LC 3514 be introduced as a committee bill.

VOTE: Being no objection, LC 3514 is introduced as a committee bill.

Fisheries (continued)

112 DALE PIERSON: The R& E board is not an advisory board, it has control over the money. Our orientation is very much toward the commercial fisherman and the recreational fisherman. We try to put this money to work without administrative over head.

137 REP. KATZ: What was the Governor's rationale to eliminate fish and wildlife from the general budget?

146 MARTIN: I am not privy to her rationale. We think the program was excellent in both process and product.

200 REP. PICKARD: The Fish and Wildlife commission did not appropriate any money without the Restoration & Enhancement Board's recommendation. Then the R&E board is not obliged to take your recommendation?

210 PIERSON: That is true.

215 TAMI MILLER: If you were to get the \$2 million from lottery would that be in addition to what you already have?

220 PIERSON: Yes that would be in addition to those funds.

230 CHAIR BAUM adjourns the meeting at 11:10 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Letter to the Committee regarding the Agricultural Opportunities Fund, submitted by Katy Coba, pgs. 3.

EXHIBIT B - "Fisheries Restoration and Enhancement Act of 1989," submitted by Jim Martin, pgs. 7.

EXHIBIT C - "Distribution of Lottery Funds by Oregon Department of Fish and Wildlife," submitted by Jim Martin, pgs. 4.

EXHIBIT D - "Fish Restoration and Enhancement Program: Summary Report No. 2.," submitted by Jim Martin, pgs. 31.

EXHIBIT E - Draft of LC 3514, submitted by Tami Miller, pgs. 7.