

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

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

Tapes 83 - 86 Special Public Works Fund Modifications EDD Budget Oregon
Marketplace

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 HOLLY BROWN, COMMITTEE
ASSISTANT

WITNESSES:YVONNE ADDINGTON, MANAGER COMMUNITY DEVELOPMENT PROGRAM DAVID
LOHMAN, DEPUTY DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT ROLLIE WISB
ROCK, EXECUTIVE DIRECTOR, THE OREGON MARKETPLACE PROGRAM

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 83, SIDE A

000 CHAIR BAUM convenes the meeting at 8:04 a.m.

HB 2248 (Special Public Works Fund Modifications) - Public Hearing and
Work Session

023 CORTRIGHT: Presents Staff Measure Summary for HB 2248 (EXHIBIT
A).

041 YVONNE ADDINGTON: Presentation of "Infrastructure Projects: Loan
and Grant Program" (EXHIBIT B). We need to have this program to help
communities bring some of their basic systems up to standards. Bay City
is an example of a community that couldn't come up with \$10,000 to meet
DEQ requirements. We gave them \$10,000 as a grant towards the \$40,000
they needed to meet these requirements.

158 REP. PICKARD: Where did they come up with the rest of the money?

170 ADDINGTON: They borrowed it from another fund which they will have
to repay with their monthly revenues.

174 REP. PICKARD: What is the worst thing that would have happened in
this case?

176 ADDINGTON: I think DEQ would put some mandates on them for compliance and they would have had to come up with the money somewhere. Maybe out of some other service they had in their community. Continues presentation of EXHIBIT B.

210 REP. BARNES: When you refer to municipalities what do you mean?

215 ADDINGTON: Under statute that refers to cities, counties, water districts, ports and transit districts. Continues presentation of EXHIBIT B.

248 ADDINGTON: Concludes presentation of EXHIBIT B. We have given \$232,000 since the start of the program in 1986.

252 REP. PICKARD: Is this a move from a fund that was specifically for small communities and fairly narrow goals to a freer spending of money?

255 ADDINGTON: No. The statutes have required us to spend at least 1/3 of the money in urban areas and 1/3 in non urban areas. The results have been that 70% of the money has been spent in the rural areas and 30% has been spent in the urban areas. We are not swaying away from firm business commitments.

274 REP. CARTER: How much bonded debt do you have?

278 ADDINGTON: We have revenue bond authority through this statute for \$100 million.

280 REP. CARTER: How much of that is outstanding?

285 ADDINGTON: We just sold our first issue for \$4,165,000.

287 REP. CARTER: It seems to me that we are growing to big if we support the things that you are requesting in this bill now.

296 ADDINGTON: We are going in three ways that the legislature set out for us to go in the bill. Direct loans and grants to municipalities that need the infrastructure to serve a firm business and create the jobs, the Oregon Bond Bank, and the Technical Assistance Grant of up to \$10,000.

312 REP. CARTER: It seems we would be letting the Oregon Economic Development Department be like a bank from one public entity to another. Why should we do that?

322 ADDINGTON: To get a lower interest rate for some municipalities and so they can finance their public works.

335 REP. CARTER: I am concerned with getting the state involved in cities debts.

340 ADDINGTON: We are backing the revenue bonds that we are selling for the state with debt reserves and their revenues from water or sewer. We are pretty sure the loans will be paid back.

355 REP. CARTER: We would be helping them with long range planning and I am not sure we want to do that.

366 ADDINGTON: The long range planning isn't land use planning. We are talking about development of a water system or a sewer system. Often

the city can't even serve an industry until it knows what its water source is and the size of the unit that will serve the industry.

384 REP. CARTER: I think that if we get into bonding we will be left holding the debt and I don't think that is a good idea.

405 DAVID LOHMAN: The Special Public Works Fund has had, since its inception, authority to provide assistance to communities for public works projects related to economic development whether they had a firm business commitment or not. In light of the fact that the needs were so great we had to figure out a way to ration the funds we had. We decided in 1987 that we would not provide Special Public Works funds unless there was a firm business commitment there. Now we are using interest on this fund, to back bonds so that we can go to communities that do not have a firm business commitment in hand and if they want to take a chance on an industrial park we will loan them the state bond rating.

TAPE 84, SIDE A

023 REP. CARTER: It appears to me that we are indebting the state to far in the distance and our capacity to do things we may want to do in the future may not be there.

035 REP. BARNES: In my area if it had not been for this fund some of our small cities would not have been able to do anything in terms of economic expansion. We are the parents of some cities and we do have an obligation. They do have the ability to go in and tap the general fund of a municipality if that municipality does not pay their part of that bond.

052 REP. CARTER: I don't want to disengage from this program I just don't think we should extend it.

058 REP. BARNES: I think we should have input from the State Treasurer to look at the viability of the program.

060 ADDINGTON: The State Treasurer is the only one who can authorize the sale of bonds and we worked closely with him on this program.

066 CHAIR BAUM: We need to decide whether this program should have a little more diversity.

070 CORTRIGHT: Presents Staff amendments to HB 2248 (EXHIBIT C).

112 CORTRIGHT: Continues presentation of EXHIBIT C.

177 REP. KATZ: What are the legal implications in ordinance versus resolution?

181 REP. BARNES: Resolutions are binding the same as an ordinance. The difference is that it take longer for the ordinance. Depending on the local charter resolutions can be referred to a vote.

190 CORTRIGHT: The statute as it is written now overrides any of the charter restrictions on indebting themselves.

197 REP. BARNES: If the people want to put restraints on their local government by charter the state has no business overriding that.

201 CORTRIGHT: You have already given municipalities the power to

indebt themselves. I think this would simplify the process of doing revenue bonds. Continues EXHIBIT C.

230 REP. KATZ: I want to discuss the expansion for the Safe Drinking Water Act and the difference between what SPWF is doing and what DEQ would be doing in that role.

235 ADDINGTON: The Safe Drinking Water Act is one arm of the EPA new requirements and the Clean Water Act is the sewer DEQ part of it. There are implications with both on this program. The Clean Water Act sent some loan monies with it so DEQ is able to make some loans and have a little bit of grant money left. However, they have to come to us to finance a project jointly because they are so expensive. On the Safe Drinking Water Act the EPA did not send any money with it and so there has been a task force that has been suggesting that the Water Resources Division, this division and the Health Department go together and finance those projects.

259 REP. KATZ: Do you want additional authority?

264 ADDINGTON: For the Safe Drinking Water Act I am not sure.

279 REP. CARTER: The \$50 million your asking for is an event that is going to take place down the line for the Safe Drinking Water Act.

280 LOHMAN: To do what this bill is purposing to do we don't need more than the \$100 million we currently have in bonding authority.

305 LOHMAN: Up until last fall the Special Public Works Program consisted of making direct loans and grants to communities for public works if the community had a business that had promised to go in once the infrastructure was in (a bird in hand). We have had authority to provide backing for bonds for communities for infrastructure projects related to economic development but this time we are proposing it not be for bird in hand but for firm commitment. This bill is aimed at this piece. The Safe Drinking Water Act would use the structure of the SPWF program to help back bonds to be issued for safe drinking water purposes that really have nothing to do with economic development.

376 CHAIR BAUM: The bonding authority we are after in this bill is going to reach water and sewer projects so there is overlap in this bill.

379 ADDINGTON: We have developed two parallel programs. One, direct loans and grants when they have a business to go in. And secondly the loan program for those who want to go forward and build their facilities in anticipation. We are paying the bond issuance cost in those programs. The third way is small technical assistance grants.

423 CORTRIGHT: You might want to address here the fact that now the statutory frame work is broad enough to do the bird in hand type of thing and the general capacity building. There is nothing in the statutory frame work that says what the priority is. The legislature has not articulated how the funds should be spent.

TAPE 83, SIDE B

023 LOHMAN: SPWF has been run so that a community gets no more than 50% grant if it has a bird in hand. We have authority to go to 85% based on financial need or hardship.

034 REP. BARNES: Where do these funds come from?

038 LOHMAN: Lottery funds. We have gotten between \$10-15 million each of the last 3 biennium.

048 ADDINGTON: We have a balance of \$10 million obligated with \$7 million of that in the bond bank interest reserve. And we have \$10 million in applications pending now.

051 CORTRIGHT: What is the balance of loans outstanding?

054 ADDINGTON: Between \$10 and \$20 million. We must maintain at least 50% of the fund in cash on hand or loans outstanding.

060 CHAIR BAUM: What is the departments intent under the proposed changes on how you will deal with the proportions that will be focused on the bird in the hand versus this new community focus?

064 LOHMAN: The standard award would be 50% loan and 50% grant if you have a bird in the hand. If you have a firm commitment we will give you a loan but no grant money.

078 CHAIR BAUM: If the project is not related to any kind of business possibilities but is to just bring their systems up to legal standards can they do that?

084 ADDINGTON: They can have the loan.

088 ADDINGTON: There will still have to be an economic benefit to use lottery money.

090 CHAIR BAUM: How will the percentages play out in regards to how much goes for each type of program?

095 ADDINGTON: \$15 million will be used from lottery for direct loans and grants when they have a business. The interest off of that will be used for capacity building which at the present time has \$7 million less \$2.5 million from our last bond sale. It will cost us \$200,000 to \$300,000 for each bond sale and the interest will cover that.

109 REP. CARTER: Addington has always run a good program but because you are asking for more money we want to be clear on what it means for us.

122 CHAIR BAUM: On the first amendment what is the implication of that?

129 ADDINGTON: We propose that a county can sign on in agreement with the district that comes forward so that there is land use coordination.

133 REP. CARTER: How can we make the regional strategies concept be used more often?

138 ADDINGTON: In the new bill that is being dropped there is a paragraph on coordination and consolidation of districts. No cities or counties have defaulted on loans in the past. These are revenue bonds and we must insist that they have an appropriate revenue stream to them and are backed with a bond reserve that we are providing in case of default.

162 REP. CARTER: Our general fund is not going to take care of the maintenance of these people.

173 CHAIR BAUM: What is the worst case scenario if local governments revenues fail?

178 ADDINGTON: If one goes into default we have set aside 10% of the total amount to cover that. There is no liability for the state on these just on the city monies.

191 REP. CARTER: I will drop my concern when staff comes back to us with, the total state indebtedness in terms of bonds.

203 REP. BARNES: State higher level government has put quite a lot of mandates on local governments. I think higher levels of government have a responsibility to help municipalities meet federal government standards.

220 REP. MC TEAGUE: This seems to be a good way to help these small communities meet priority needs.

262 REP. CARTER: If indeed there is a bonding commission, somewhere there should be a commission on top of how much money we have bonded.

294 CORTRIGHT: What is your authorization for bonded debt in the bond budget bill for this biennium and what have you asked for for next biennium?

305 ADDINGTON: In the past it has been \$40 million per year and I think that it is \$40 million this year as well.

314 CORTRIGHT: There is also a provision that each biennium the legislature must authorize the actual issuance of debt. The dollar amount of the biennial limitation in the bond budget bill is \$80 million.

323 CHAIR BAUM: We have two proposals from EDD. What is the feeling on the first amendment to expand the participants and the second one to expand the eligibility of the project costs.

330 REP. CARTER: I have no problem with number one but I suggest to the department that you might want to look at a better way of helping our small districts and maybe look at a regional kind of planning.

345 CHAIR BAUM: We are not going to adopt the amendment increasing the debt to \$150 million.

355 CORTRIGHT: Requested amendment #4 (EXHIBIT C) is in Section 3 on page 2 line 11, you would want to delete the bold face material on line 11 and restore the bracketed \$100 million.

360 MOTION: REP. KATZ moves that the bold faced material be deleted from Section 3, page 2, line 11 and the bracketed \$100 million be restored.

VOTE: Being no objection the amendment above is adopted.

366 CORTRIGHT: Requested amendment #1 (EXHIBIT C) would change the

references to water supply authority, delete the references to water corporations and changes the statutory reference to sanitary districts. In effect those amendments add water supply authority, water improvement district, water control districts, sanitary districts and county services.

389 REP. BARNES: Does a tribal council of an Indian tribe have taxing authority?

390 CHAIR BAUM: Yes.

450 MOTION: REP. CARTER moves to on page 1, line 10 to delete "450.675 to 450 .989" and insert "450.650 to 450.750", on line 11 to delete "A corpo", to delete on line 12 "ration for use and control of water organized under ORS chapter 554," and to add to line 13 after "450.245" "and 450.705 to 450.945".

TAPE 84, SIDE B

027 VOTE: Being no objections the amendments above are adopted.

028 CORTRIGHT: Regarding #2 (EXHIBIT C) the departments proposed amendment would delete the prohibition on eligible project costs whether it was a bond, a grant or a loan. You may want to addresses whether you want to do it for one part of the program or for the whole program.

038 REP. CARTER: I am a no on this issue but I will vote yes if we could specify in terms of the loan part.

062 ADDINGTON: We are saying that once a loan is approved they should be able to go and collect those costs that they have already incurred and put them in the loan as well.

066 REP. CARTER: If you see a worthy project and you don't see them with money to fund the project needs you would loan them that money. I want the technical assistance to be incorporated in part of the loan package.

071 REP. KATZ: She doesn't want you giving grants to the technical assistance, so you loan the technical assistance when you have a grant program.

079 ADDINGTON: You can get \$10,000 for a technical assistance grant to do preliminary engineering. For the projects that you do fund, they want to borrow the money for the costs they have incurred for preliminary engineering. That, by definition, is not allowed.

085 CORTRIGHT: One issue is reimbursement, this section doesn't deal with reimbursement. The second issue is can you borrow either for engineering and other costs, that is not now allowed. This language would allow you to do that but it also allows the department to do a grant as an infrastructure project of any of the planning costs of an infrastructure project.

094 REP. BARNES: Is this a step beyond the feasibility step? This is getting into the engineering aspects.

100 ADDINGTON: Only when we are going to make a loan.

110 CORTRIGHT: We are talking about changing the definition of the

entire Special Public Works Program of the word infrastructure project. You might want to change the definition of what can be financed under the bond bank provision. You might want to say that for the purposes of bonding you can also include other costs in addition to the costs of the infrastructure project and define what those costs are and make them the costs that the department is talking about. Also do the reimbursement piece so that you leave your existing definition for infrastructure project for the grant and loan and then supplement it and add other things you can finance for the bond program but do it just in the bond section.

128 ADDINGTON: That sounds fine.

130 MOTION: REP. CARTER moves, in concept, to take the definition that allows them to do preliminary engineering, and address that in ORS 284.490 and make it clear that the types of things that the department is talking about would be eligible to be financed but only in the bond section of the program.

150 ADDINGTON: These word are on page three of the proposed amendments (EXHIBIT B).

160 VOTE: Being no objection the above amendment is passed in concept with the understanding that it will come in front of the committee again before the bill is passed out.

163 LOHMAN: If this is in a community where they are receiving bonding this solves the problem. What we have done more traditionally, is a partial direct grant and partial loan, this doesn't help them with their preliminary engineering costs.

175 REP. CARTER: We want those small communities to get the money but know the money is borrowed and reimbursable.

186 REP.KATZ: I think the intent of Rep. Carter's policy statement is to permit the loans even if it is not a bond program to have that piece included.

213 CHAIR BAUM: We could make an amendment to what we just did that would try to get those funds reimbursable through the loan portion of any grant loan combination.

220 CORTRIGHT: To say you can loan the money for the engineering piece of the project, but not grant it is not an effective limitation.

236 REP. BARNES: I would imagine the department would look at need.

241 LOHMAN: When we get a request we examine the business and if they are able to take on more loan then we give variable percentages on grant and loan.

250 CORTRIGHT: If you have a needy municipality out there and the department feels that a particular projects needs an additional grant it doesn't really matter whether this technical assistance is financed as part of the project or not because it can adjust the grant level up or down accordingly.

283 LOHMAN: I think we can take care of the situation under direct loans without a statutory change.

310 CORTRIGHT: If you want the department to continue giving technical assistance grants you need to change their authority.

336 CHAIR BAUM: Where in the bill are we talking about this?

340 CORTRIGHT: It would be a new section to the bill dealing with ORS 284 .440 subsection 5. The department has changed the absolute dollar limitation from \$250,000 maximum to \$250,000 in any fiscal year.

360 ADDINGTON: We are up to the limit and we want to triple that because of the mandate of the Clean Water Act, the Safe Drinking Water Act and opening this up for facilities plans.

406 REP. KATZ: \$250,000 a biennium is fine with the department.

410 MOTION: REP. KATZ moves that the technical assistance grant program may make loans up to \$250,000 a biennium to municipalities with less than 5,000 and delete the language that relates to loans that is in the departments amendments.

434 REP. BARNES: It is the intent of this committee that they do it based on fiscal necessity.

440 VOTE: Being no objections the above amendment is adopted.

TAPE 85, SIDE A

024 CHAIR BAUM: Number 5 (EXHIBIT C) is something the committee doesn't wish to adopt.

033 ADDINGTON: This would allow the municipality to follow their usual procedure for notices.

040 CORTRIGHT: The amendment doesn't do that. Since the statute overrides the charter and the charters restrictions on debt issuance the only thing that would apply would be the public meeting notice law. It overrides those local procedures for authorizing debt.

050 REP. BARNES: The state should not interfere with local charters.

053 ADDINGTON: It is for the convenience of the local government.

057 CHAIR BAUM: What would happen if this isn't included?

058 ADDINGTON: Nothing. It would just make the process faster if you did adopt this amendment.

065 CORTRIGHT: Existing law does two things. It create and additional authority for all these eligible municipalities but only after giving 14 days notice and adopting it by ordinance. The department requests taking away the second part of that.

077 REP. BARNES: What if the local charter says it may be done by board order or resolution?

076 CORTRIGHT: The statute overrides any restriction on indebtedness in the charter.

084 CHAIR BAUM: Put that aside and go to #6 (EXHIBIT C). We have

discussed that in other provisions we have talked about.

089 CORTRIGHT: My assumption was, given your amendment to eligible bonding, that we would include that language for reimbursement in that amendment.

095 CHAIR BAUM: We are only talking about bonds on the reimbursement.

102 CORTRIGHT: The section on the statement of intent and purpose of the program which the department proposes to add language to. It substitutes municipalities for communities and changes from economic to financial the kind of need that the department is directed to look at. Right now the statute says the purpose is to provide the basic framework for economic activity and this adds an additional purpose of helping economic well being of municipalities in the state and the economic viability of municipalities in the state.

130 ADDINGTON: We don't need this amendment

137 MOTION: The REP. CARTER moves to delete section 2 and go back to the existing language.

VOTE: Being no objections the above motion is so ordered.

HB 5002 - Public Hearing and Work Session

191 CORTRIGHT: Presents -1 amendments to HB 5002 (EXHIBIT D).

220 CHAIR BAUM: What has the committee traditionally sent down in the form of recommendations?

224 CORTRIGHT: Typically the committee has accompanied its committee report on this bill with a letter to the co-chair of Ways and Means identifying particular programs or activities it thought of as priorities.

226 REP. BARNES: Can you explain why the Executive Department has an economic development fund?

229 CORTRIGHT: That fund is the repository of lottery money when it comes from the lottery. All the money is dispersed from that fund to the various programs.

233 REP. KATZ: Do we want to continue funding the Progress Board with lottery funds?

262 CHAIR BAUM: How much did we spend last biennium on tourism general budget out of this lottery committee?

264 CORTRIGHT: The allocation was \$3 million with the shortfall it was \$2.3 or \$2.4 million. So the total was close to that \$5 million general tourism figure of the Governor's budget.

277 REP. KATZ: What was the total budget for tourism?

280 LOHMAN: \$5.7 million. We spent \$5.1 million

284 REP. KATZ: What is the budget in general fund for tourism this biennium?

290 LOHMAN: Nothing in General Fund, \$5 million in lottery. \$1 million for Oregon Trail

349 REP. BARNES: For the `91 - `93 fiscal year we can assume that there is \$91,595,000 from lottery or is there a set side somewhere that we are not privy to?

355 CORTRIGHT: That amount is the amount the Governor has budgeted for those various activities. The total revenue is predicted to be about \$99.5 million.

420 CHAIR BAUM: In the letter of recommendation we are going to talk about pre-kindergarten, tourism budget operational costs and Oregon Progress Board operating costs.

434 MOTION: REP. BARNES moves to adopt the -1 amendments (EXHIBIT D) to HB 500 2.

VOTE: Being no objections the -1 amendments are adopted.

TAPE 86, SIDE A

MOTION: REP. BARNES moves HB 5002 as amended by the -1 amendments, dated 3/5/91, to Ways and Means with a Do Pass recommendation.

VOTE: By roll call vote (5-0) HB 5002 passes to Ways and Means with a Do Pass recommendation. Voting AYE: REPRESENTATIVES BARNES, KATZ, HAYDEN, MC TEAGUE and BAUM. EXCUSED: REPRESENTATIVES CARTER and PICKARD.

HB 2339 - Work Session

053 CORTRIGHT: Presents proposed amendments To HB 2339 (EXHIBIT E).

067 ROLLIE WISB ROCK: The department is satisfied with the amendments.

MOTION: REP. MC TEAGUE moves the proposed amendments to HB 2339 (EXHIBIT E).

VOTE: Being no objections the proposed amendments to HB 2339 are adopted.

055 WISB ROCK Submits "As War Winds Down, Battle for Contracts In Kuwait Heats Up", The Wall Street Journal (EXHIBIT F) and "Marketplace" (EXHIBIT G).

120 CHAIR BAUM adjourns the meeting at 10:38 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on HB 2248, submitted by Joe Cortright, pgs. 2.

EXHIBIT B - "Infrastructure Projects Loan and Grant Program," submitted by Yvonne Addington, pgs. 16.

EXHIBIT C - "HB 2248: Proposed EDD Amendments," submitted by Joe Cortright, pgs. 1.

EXHIBIT D - -1 amendments to HB 5002, submitted by Joe Cortright, pgs. 1.

EXHIBIT E - Proposed amendments to HB 2339, submitted by Joe Cortright, pgs. 2.

EXHIBIT F - "As War Winds Down, Battle for Contracts In Kuwait Heats Up" The Wall Street Journal, submitted by Rollie WiSB rock, pgs. 2.

EXHIBIT G - "Marketplace", submitted by Rollie WiSB rock, pgs 1.