

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

April 15, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 131 - 133 Lottery Themes Timber Response Plan

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: MARK HUEY, MULTNOMAH KENNEL CLUB DAVID LOHMAN, SENIOR DEPUTY DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT MARK HUSTON, MANAGER, BUSINESS AND FINANCE SECTION. ECONOMIC DEVELOPMENT DEPARTMENT YVONNE ADDINGTON, COMMUNITY DEVELOPMENT MANAGER, ECONOMIC DEVELOPMENT DEPARTMENT TOM LYNCH, ASSISTANT MANAGER, RESEARCH AND STATISTICS, EMPLOYMENT DIVISION BOB BAUGH, ADMINISTRATOR, PARTNERSHIP DIVISION, ECONOMIC DEVELOPMENT DEPARTMENT BILL BRALY, JOB TRAINING PARTNERSHIP DIVISION, 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 131, SIDE A

000 CHAIR BAUM convenes the meeting at 8:08 a.m.

HB 2069 (Lottery Themes) - Work Session

007 CORTRIGHT: Presents Staff Measure Summary on HB 2069 (EXHIBIT A). Presents -1 amendments to HB 2069 (EXHIBIT B).

042 REP. KATZ: What will happen if we pass this bill?

046 CORTRIGHT: Right now any dog or horse racing themes are prohibited. This would allow you to base games on these themes and would keep the money from going into the Intercollegiate Athletic Fund.

067 CHAIR BAUM: How could we use the lottery with dog racing?

071 MARK HUEY: You could have lottery tickets with three numbers on them and you would pay out an amount on that race if the ticket matched the outcome of the race.

109 CHAIR BAUM: The lottery testified in support of this bill.

114 REP. BARNES: The printed bill says the "Oregon State Lottery shall establish" it seems like in some of the others we give them a little bit more discretionary authority. Wwould "may" be better?

117 CORTRIGHT: That language is in existing statute.

121 REP. BARNES: This says they don't have any choice but to do this.

127 CORTRIGHT: We may run into a conflict amendment issue because the language is the same in HB 260 1. You have passed out one bill that reads the same.

152 CHAIR BAUM: We would be changing the bill we just passed out and putting everything to may.

169 MOTION: REP. PICKARD moves that the -1 amendments to HB 2069, dated 4/10/91, be adopted.

VOTE: By roll call vote (5-1) the -1 amendments to HB 2069, dated 4/10/91, are adopted. Voting AYE: REPRESENTATIVES BARNES, KATZ, MC TEAGUE, PICKARD and BAUM. Voting NAY: REPRESENTATIVE HAYDEN. EXCUSED: REPRESENTATIVE CARTER.

189 MOTION: REP. PICKARD moves HB 2069 to the floor, as amended by the -1 amendments, to the floor.

VOTE: By roll call vote (5-1) HB 2069 passes to the floor. Voting AYE: REPRESENTATIVES BARNES, KATZ, MC TEAGUE, PICKARD and BAUM. Voting NAY: REPRESENTATIVE HAYDEN. EXCUSED: REPRESENTATIVE CARTER.

HB 2251 (Timber Response Plan) - Work Session

220 CORTRIGHT: Presents -3 amendments to HB 2251 (EXHIBIT C).

328 DAVID LOHMAN: I would like to address Section 4. There are 2 issues. The first is that in Section 1 the 67% figure is not for rural areas and not for existing loans. We would prefer to designate that 67% of the loans that are made through the revolving part of the fund go to rural areas and additional money would go to timber dependent communities.

374 CHAIR BAUM: Historically, you have been at 67% for rural but we want an emphasis on any new money going to those communities that are timber dependent.

401 CORTRIGHT: I think you can just put rural areas on line 14. In the statues we don't have a definition of rural.

414 MARK HUSTON: No, there is not one in the existing statute.

423 LOHMAN: The definition we used when we came up with the 67% figure was "areas outside Standard Metropolitan Statistical areas."

433 REP. BARNES: I am not sure that is a good definition.

439 CORTRIGHT: The definition from the Special Public Works Fund of urban uses the urban growth boundaries as the definition.

457 LOHMAN: That would work well for us.

TAPE 132, SIDE A

040 CHAIR BAUM: We could restrict it to the severely affected communities, that would tie up the dollars but it would also focus the dollars in those areas.

052 REP. PICKARD: You don't think there would be sufficient focus from the needs in those areas to get the attention of the group?

054 CHAIR BAUM: I like to think there would be. Let's just take line 14 and add the words "in rural Oregon" and strike out the language "severely affected communities or businesses owned in whole or in part by dislocated timber workers."

058 MOTION: The CHAIR moves on page 2, line 14 of the -3 amendments to deletes "severely affected communities or businesses owned in whole or in part by dislocated timber workers" and insert "in rural Oregon".

VOTE: Being no objections the above amendment is adopted.

063 CORTRIGHT: We would tie that to the definition of the Special Public Works Fund.

068 LOHMAN: In Section 4, subsection 2 if you are talking about new monies being what you were intending to focus on the timber communities. You would probably want to address that in subsection 2 of Section 4.

078 CHAIR BAUM: That ties it to Section 8.

082 LOHMAN: Yes, but there is nothing to say it should go to timber communities.

090 CORTRIGHT: We could cross reference Section 8 and say "Of the monies allocated to the Business Development Fund by Section 8 of this Act are reserved for loans to businesses in severely affected communities or businesses owned in whole or in part by dislocated timber workers." This would be located in subsection 2.

103 REP. KATZ: There is no money allocated now in the Governor's budget so if we put in \$1-2 million that is the money you are referring to.

110 LOHMAN: Are these new monies to be targeted at both timber communities and workers even if the worker moves out of the community.

121 REP. MC TEAGUE: With this language you would cover all those workers wouldn't you.

123 CHAIR BAUM: I think we need to revisit that policy issue and decide if we want to focus on keeping people in the area where they live or do we want to allow them to take the money and go to Eugene or somewhere else and set up a business.

126 REP. BARNES: I think they should be able to go where the business opportunities are.

134 REP. KATZ: Do you want to allocate money in those communities to rebuild the economy in that area. I would limit it so that those funds

go to the community.

144 REP. MC TEAGUE: I don't see the wisdom of tying their hands, because a dislocated timber worker is a dislocated timber worker and giving them money to start a business in a community that is not going to allow the business to prosper is futile.

153 REP. BARNES: Could EDD find business opportunities within communities?

160 LOHMAN: That was part of what we have tried to do. I think in those communities we have surfaced some new ideas. There is money in our budget to do that.

174 CHAIR BAUM: Because of the competition for lottery funds that new money in this area may come but I would like to see it focused on encouraging businesses to stay in those communities if they can get the money.

205 CHAIR BAUM: We could change Section 4, line 15 and add "dislocated workers within the severely affected community".

212 MOTION: REP. KATZ moves to amend line 15 to read "The monies allocated to the Oregon Business Development Fund by Section 8 of this Act are reserved for loans to businesses in severely affected communities. The Department shall give preference to businesses owned in whole or in part by dislocated timber workers."

236 LOHMAN: We agree with that.

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

242 CORTRIGHT: You may want to make a change to subsection 3 on line 21 where it cross references subsection 1 and make that a cross reference instead to subsection 2, so that the commission is directed to waive the requirements for collateral and security for the loans to severely affected communities and dislocated workers.

248 MOTION: The CHAIR moves on page 2, line 21 to change "described in subsection 1" to "described in subsection 2".

VOTE: Being no objections the above amendment is adopted.

255 LOHMAN: In Section 5, subsection 1 there is a reference to the SPWF and allocates 33% of all the monies available for new grants and loans to severely affected communities. Our concern is the wording about all of the monies. We would prefer to see all of the lottery proceeds received by the Fund during the biennium.

280 CHAIR BAUM: If we target this money we are talking about 33% of whatever new money we put in at the very least. We would be talking about \$5 million, plus you say you have about \$10 million in uncommitted funds right now so potentially \$5 to \$8 million to target improvements in these communities for 2 years and if that is too much money then your hands are free to utilize the money in other ways that come to your attention.

297 LOHMAN: We are concerned about winding up in a situation where you have to make a community that has a business on the line wait.

311 REP. KATZ: Do you have the \$10 million left over committed?

317 YVONNE ADDINGTON: We have money committed but not drawn down. About 6 million would be set aside for these communities if we based it on new money. Many of those projects are going to be the same distressed communities. It just means we can rely on the percentage a little better than if we are talking about the interest on the fund.

364 CHAIR BAUM: The policy is whether we are going to apply 1/3 targeting to existing public works dollars. The mood of the committee seems to support the use of new dollars only.

386 LOHMAN: I would suggest language that said 33% of the lottery proceeds received by the fund during the biennium.

396 CORTRIGHT: For the biennium ending on June 30, 1993, 33% of the lottery proceeds received by the Special Public Works Fund are reserved for projects located in severely affected communities.

419 MOTION: The CHAIR moves to delete on line 25, page 2 "of all the moneys available for new grants and loan from" and insert "of the lottery proceeds received by the".

VOTE: Being no objection the above amendment is adopted.

TAPE 131, SIDE B

019 REP. BARNES: This says as many as 1,100 workers will be dislocated is that from your department?

025 CORTRIGHT: That is the long term decline that the state economist predicted.

044 TOM LYNCH: I don't remember the specific dates for putting this into effect so as to benefit the most people. SB 368 does have some dates as far as dislocated workers I think it was January of 1990 thru June of 1991.

050 REP. CARTER: Make sure that staff looks at those dates and makes them commiserate with this program.

055 MOTION: REP. CARTER moves that lines 20 and 21 on page 1 receive the same dates as in SB 368 regarding the date when the legislature would enact Section 2 of this bill.

060 CHAIR BAUM: How long can we have the unemployment benefits extending to us under present law?

062 LYNCH: Right now there are 2 extension programs. Currently Oregon went off of the additional benefits program and went into the extended benefit program which is a federal program. If you are in the state additional program you get an additional 6.2 weeks if you are in the federal program you get an extension of 2 weeks.

068 CORTRIGHT: You either get 32 weeks or 39 weeks.

071 CHAIR BAUM: If someone files July 1 of this year they would not be eligible for this program.

086 CORTRIGHT: I think you could reasonably make it through June 30,

1993. All you are establishing is some additional priority for Oregon Business Development Fund Loans, some priority in dislocated worker training programs and workforce programs and an opportunity to get involved in the Entrepreneurial Loan program.

104 CHAIR BAUM: How about we go back a year to June 1990 and extend it thorough June 1992.

106 MOTION: The CHAIR moves to fill the blanks on line 20 and 21 on page 1 with the dates June 01, 1990 and June 01, 1993.

VOTE: Being no objection the above amendment is adopted.

111 CHAIR BAUM: On page 2 in sub paragraph B we talk about unemployment rate. What is a target unemployment rate for those severely affected communities?

115 LYNCH: We use federal guidelines for Defense Manpower Policy 4. They have some percentages and using a 24 month time period, to declare an area a labor surplus area, they specify that the unemployment rate for the last 2 years has to exceed the state or the federal rate by at least 120%. I would recommend you look into that policy and see if that is relevant.

127 CORTRIGHT: We could look back over the last 5 years and see which counties would have been 20% above the state average. I think you will want to make that 20%.

134 MOTION: REP. CARTER moves to fill the blank on page 2, line 6 with "20%".

VOTE: Being no objection the above amendment is adopted.

150 BOB BAUGH: This does role back into HB 3133. This is a new item for a lot of people. Last time around 1/3 of the funds were dedicated to rural areas. Also we have been working on timber dependent communities. There was recently a \$2.3 million grant, in addition to JTPA funds, given to the state to work with dislocated timber workers. There is also a federal package which speaks in terms of hundreds of millions of dollars dedicated across agency lines to this issue for this region of the country. In terms of the resources devoted toward training dislocated workers this is rather insignificant in comparison to the broader resources that are brought to the table to address this issue.

193 REP. KATZ: This is in conflict to what we did on HB 3133 and all the discussion that we had on the Workforce training.

200 CHAIR BAUM: How much do we spend now for dislocated timber workers in the JTPA program?

205 BILL BRALY: I don't have dollar figures but percentages of our dislocated worker program that has been targeted toward dislocated timber workers. Of 2,127 individuals served, 1,386 were dislocated timber workers or 65%. The service delivery areas (SDA's) where there are dislocated timber workers, Southern Willamette Private Industry Council is showing a 97% rate of timber workers, Jackson/Josephine county is at 81%, in the Oregon Consortium it is 61%. The more urban areas are showing less percentages. The total funds for dislocated timber workers was between \$8-\$10 million.

228 CHAIR BAUM: It sounds like at least half of the dollars are going into the dislocated timber worker area.

232 REP. BARNES: The question is are we helping all those people or is there a waiting list for help?

238 BRALY: There is a waiting list today of dislocated workers in the vicinity of 500 people.

246 REP. CARTER: If the majority is being served then the targeting is right on.

270 CHAIR BAUM: What do you need to serve these people?

272 BRALY: We have the capacity to deliver if we had the money to deliver it with.

302 CHAIR BAUM: When you talk with the Governor how does she talk about funding this?

305 BRALY: The discussion has been around lottery dollars. That was triggered by SB 545 which anticipates \$20 million being given to JTPA dislocated worker programs.

326 CHAIR BAUM: What does that bill do?

328 BRALY: SB 545 says that \$20 million in lottery funding will be given to the JTPA program to serve dislocated workers.

341 LOHMAN: The Governor has been working with a congressional delegation to get more federal dollars into this as well.

345 CHAIR BAUM: We have this promised federal pie but when will we see it?

350 LOHMAN: All I know is that they are trying to get an appropriation to start this upcoming federal fiscal year, October 15, but I don't know if the Northwest delegation is going to be successful or not.

353 CHAIR BAUM: We may want to strike out lines 2-3 of Section 6 and put in "the amount of ____." That way we don't tie up HB 3133 until we make the determination of where the money will come from.

384 MOTION: REP. HAYDEN moves to delete the sentence on page 3, line 2 of the -3 amendments starting with "Of" and ending with "Bill 3133)," and to delete the word "the" and replace it with "The".

VOTE: Being no objection the above amendment is adopted.

424 MOTION: REP. CARTER moves to delete lines 7-10 on page 3 of the -3 amendments to HB 225 1.

VOTE: Being no objections the above amendment is adopted.

TAPE 132, SIDE B

013 BRALY: Regarding Section 7, the JTPA administration concurs with the providing priority to dislocated timber workers however, the language in Section 7 presents us with some technical problems. JTPA operates on a 2 year funding cycle, as does the state, but ours is off by 1 year. At this point we have already allocated the coming years dollars to the service delivery areas so, we would be getting into a bind by talking about changing the allocation formula by which we have given the money. If we were to do something like this based on the allocation formula it would need to take affect July 1, 1992.

029 CORTRIGHT: You can delete the word biennium and insert the word year.

040 BRALY: We would suggest, in order to accomplish your purpose, that you use language which focuses on priority on service to dislocated timber workers in those areas where those individuals exist. I would add the word "service" in there instead of "allocation of dislocated worker funds".

057 REP. BARNES: I have received complaints that you are not responsive enough to plant closures already. Do you have the ability to shift funds from SDA's to SDA's?

063 BRALY: Yes we do. Of the dislocated worker formula dollars that we receive from the federal government, 60% of those dollars are passed immediately to the SDA's. We hold 20% of the total at the state level for response to needs of those SDA's beyond what their own formula dollars will take care of. We set aside 40% for rapid response activities and for additional service dollars.

070 MOTION: REP. HAYDEN moves to delete "biennium" in line 11, page 3, and to insert "year".

084 BRALY: My concern with that strategy is that if from a statewide perspective we say that dollars allocated will be primarily for dislocated timber workers we are going to disadvantage those areas which do not serve a large number of dislocated timber workers.

102 REP. CARTER: I will not support that. 65% of the dollars in this state are already targeted for dislocated timber workers and we have other dislocated workers in this state.

105 REP. BARNES: I think he is saying they need flexibility between service areas. On line 13 could we add in after "shall give priority", "by service delivery area".

140 MOTION: REP. HAYDEN withdraws his previous motion.

145 LOHMAN: If you leave in the language that says allocation of dislocated worker funds, those are code words for dealing with the existing formula allocation and that is a very complex formula.

166 CHAIR BAUM: We would like to make sure that the limited funds that we have go to those who need them.

180 REP. BARNES: I hope that JTPA builds in an ability to deal with these problems and crisis.

187 BRALY: I think that the participant figures show that JTPA has been working affectively in these areas where there is a crisis. That is

reflected in the fact that many of these areas when they have spent the money they have available to them immediately come to us for help.

200 REP. HAYDEN: My general concept is that services follow dollars. We have a crisis, we are attempting to give the bureaucracy clear direction that we want dollars directed to a certain sector of our economy that is in crisis at this time and I don't want a whole lot of flexibility in that.

211 REP. CARTER: Of all the statewide dollars 65% of these dollars are focused on dislocated timber workers. That seems to me to be dealing with the crisis. There are many things that are structurally wrong in the state for them to even take 65% seems like priority plus.

233 LOHMAN: Regarding Section 7 and its reference to the State Job Coordinating Council. Some of the legislation now under consideration will change that to the Workforce Development Council.

241 CHAIR BAUM: We need to fill the blank in Section 8. What is Section 9?

250 CORTRIGHT: This is the latest version of the Small Business Enterprise program.

274 CORTRIGHT: Continues EXHIBIT C.

316 REP. CARTER: On line 27 in Section 17 we had a date of Dec. 31, 1992.

326 LOHMAN: With this respect to this program we haven't discussed how much of it you want to set aside.

353 REP. BARNES: I get a feeling we are not talking to the business that is just starting. I feel we are talking about the people who are already in business.

365 MOTION: REP. CARTER moves to fill the blank on line 23 of page 7 with "20%".

372 CHAIR BAUM: I think if we break it down that far with the competition for dollars we have that we will not get that much money for this. We will be lucky to get \$1 million for this program which would allow for only 100 potential candidates. If we don't focus it down to timber dependent communities then they won't really receive very much money for loans. I would like it all to go to dislocated workers and then loosen up the criteria for the businesses.

409 REP. BARNES: I would like to have time where we can look at this because \$10,000 doesn't even get your foot in the door to start a business.

TAPE 133, SIDE A

018 REP. HAYDEN: The language there excludes those that are in business and focuses on those that are not.

029 CHAIR BAUM: What does sub paragraph d on page 4 mean?

035 CORTRIGHT: That is to preclude a situation where one of the partners is not eligible has and someone be an applicant on their

behalf.

049 REP. CARTER: I know that we are having a problem with dislocated timber workers. But if you will recall the language regarding entrepreneurial loans is like this because we worked hard on it. But this was directed toward another group altogether then what we are looking at now.

073 CHAIR BAUM: I think we will have this focused on the timber dependent community and we need these exclusions so people don't come up from California and get a timber worker to front for them and make some easy money.

077 REP. HAYDEN: This amount of money is not going to bring in the big rollers and even if it did then we would start new communities.

089 LOHMAN: I think you don't need to change sub paragraph d, if you have a case where you've got a timber worker that wants to get together with an existing business we have OBDP to deal with existing companies.

099 REP. BARNES: Let's look at Section 9, it says any business firm. We need language that indicates individuals that are not yet in business. We could say any individual.

109 MOTION: REP. CARTER moves to replace the language in Section 9, line 1, "Any business firm" with "Any individual or business firm".

VOTE: Being no objection the above amendment is adopted.

136 CHAIR BAUM: Is everyone comfortable with Subsection d on page 4?

140 REP. BARNES: Could we put into that the applicant must own at least 51 %.

142 LOHMAN: I would suggest that you put in language that it is the intent of this bill that there not be a front organization. We can do this by rule and then allow some exemptions.

173 CORTRIGHT: We could say something like, "The department shall adopt rules to assure that the applicant is not effectively owned or controlled by another business entity or so related to another business entity that either by itself or when combined with the applicant it would not be eligible for a loan under Sections 9 or 15."

180 MOTION: The CHAIR moves to adopt in concept language with states " the department shall adopt rules to assure that the applicant is not effectively owned or controlled by another business entity or so related to another business entity that either by itself or when combined with the applicant it would not be eligible for the loan under Sections 9 and 15."

VOTE: Being no objection the above amendment is adopted.

191 CHAIR BAUM: Before we leave Section 10 we do have the ability for those areas that are not served by a small business development center to still have their plans approved by anyone that the department would certify to review the business plans.

192 REP. KATZ: What is an entity certified by the Economic Development

Department?

194 LOHMAN: It could be Central Oregon Investment Council, the Portland Development Commission and those types of entities. That does not preclude somebody from our own department.

215 BAUM: Concerning Section 11 we have some criteria there.

220 REP. BARNES: Is \$10,000 high enough?

224 LOHMAN: It depends on what you want to accomplish.

233 REP. BARNES: Would you feel more comfortable if you could loan more money?

240 LOHMAN: Yes.

270 MOTION: REP. BARNES moves to delete "10,000" on line 7 and insert "15,000".

VOTE: Being no objection the above amendment is adopted.

275 MOTION: The CHAIR moves to delete "15,000" from line 18 Section 12 and insert "25,000".

VOTE: Being no objection the above amendment is adopted.

294 CORTRIGHT: I think you have eliminated the barrier in giving the department enough flexibility to stack loans if they want.

345 CHAIR BAUM adjourns the meeting at 10:30 am.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on HB 2069, submitted by Joe Cortright, pgs. 1.

EXHIBIT B - -1 amendments to HB 2069, submitted by Joe Cortright, pgs. 1.

EXHIBIT C - -3 amendments to HB 2251, submitted by Joe Cortright, pgs. 8.