

SB 997A WKS - HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

May 20, 1991 Hearing Room 343 8:00 A.M. State Capitol
Salem, OR Tapes 196 197 Key Industries Program MEMBERS PRESENT: REP.
RAY BAUM, CHAIR REP. JERRY BARNES REP. MARGARET CARL REP. CEDRIC
HAYDEN REP. VERA KATZ REP. DAVE MC TILAGUE REP. BOB PICKARD MEMBERS
EXCUSED: STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA
MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER HOLLY BROWN, C
OMMITTEE ASSISTANT WITNESSES:

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 196, SIDE A

000 CHAIR BAUM convenes the meeting at 8:14 a.m.

SB 997A (Key Industries) - Work Session

004 CORTRIGHT: Presents Draft Amendments to SB 997 (EXHIBIT A).
043 DAVID LOHMAN: Presents Key Industry Activities (EXHIBIT B).
080 CHAIR BAUM: The 3.5 FTE cost \$330,000? 085 LOHMAN: Yes. That
is a two-year cost. It would be a Salary Range 26 with OPE benefits.
102 REP. BARNES: But that is total cost - travel supplies, etc.?
103 LOHMAN: Services and Supplies are not figured in. This is merely
staff costs plus OPE. Travel is not included. These are very, very rough
numbers. That might represent an additional ten percent. House T&E
Committee May 20, 1991 Page 2

112 LOHMAN: The original list (EXHIBIT C - discussed at previous
hearing) is not what EDD is proposing; they are merely items that I know
there is going to be some request from somewhere for funds. 127 REP.
KATZ: You know you will have a strong push for \$2 million in funding for
OACIS? 129 LOHMAN: There is only \$1.5 million allocated for this
entire program - we will not be able to provide \$2 million for OACIS.
The only other possible source of funding for OACIS is through the
Strategic Reserve Fund which is down to \$4 million. We are going to have
to tell OACIS it is unlikely they will get much, if anything.
134 REP. KATZ: You are saying that the Strategic Reserve Fund will be
a balancer for a lot of programs that the Governor might want?
135 LOHMAN: Yes and also for programs in the key industries. For the
past two biennia, a lot of money from the Strategic Reserve Fund has
gone into those programs. 144 CHAIR BAUM: How many times has OACIS
received funding? 145 LOHMAN: They have been funded over the last two
biennia. When they started in 1987-89, a commitment of \$5 million was
made - on the basis of a \$5 million federal contribution and promises of
industry contributions. The federal matching funds were received and the
money from industry has been mostly been in contributed hardware and is
now approximately \$1.5 million. Industry has indicated that they will be
contributing more - hard dollar and in-kind contributions. OACIS is
changing the way they have done the research so that for each research
project there is a contribution from a particular company, as well as a
contribution from these Strategic Reserve Fund. 169 CHAIR BAUM: OACIS
is requesting additional funding (on top of the \$5 million they have
already received in past biennia)? 172 LOHMAN: Yes. They actually

have enough money left from the \$5 million to operate during the 1991-93 biennium. They are concerned that they will run out of money at the end of the 91-93 biennium. They are requesting the funds so that they have some assurance of continued funding in order to avoid the institute deteriorating. Their concern isn't as much getting \$2 million in funding for this biennium as it is trying to ensure funding continuation beyond 1991-93. 188 REP. KATZ: Who benefits from OACIS? 190 LOHMAN: The companies involved in parallel processing - Sequent, Mentor Graphics, Intel, Floating Point Systems, etc.; five or six major companies that are very active in this area. That has been the primary focus to day. 201 REP. KATZ: Don't you think industry could fund this program? 203 LOHMAN: That was the intention from the beginning. 206 REP. BARNES: We should be very mindful of creating programs that are going to become dependent on the Lottery for money. House T&E Committee May 20, 1991 Page 3

223 REP. KATZ: The networking concept is one of the most creative ideas that I have seen and I am pleased to see we have included this in a piece of legislation; high-performance work organizations are critical. I don't want to see these things dumped without some creative ideas on how to make it work with very limited funds. 250 REP. MC TEAGUE: Do we expect the department to entertain some of these networking ideas for this program? 253 REP. KATZ: We have talked about that. They are going to train some people, hire some consultants; but they need to think about other programs - i.e., Oregon Marketplace - and how they can use the networking concept. 267 LOHMAN: We have discussed this and talked with Oregon Marketplace. This list (EXHIBITS B and C) is an attempt to show the various activities that SB 997 would expect us to engage in and did not (until EXHIBIT A was prepared) have anything in it for grants. 284 CHAIR BAUM: What would be your recommendation on where the grants be taken out of on EXHIBIT B? 290 LOHMAN: Numbers 7 and 8 are items that I don't yet fully understand. Numbers 1 and 2 are the only other proposals that have any real money. 298 CHAIR BAUM: Begins overview of amendment discussion (EXHIBIT A). 300 CHAIR BAUM MOVES that the definition change (first item in EXHIBIT A) be changed as stated in EXHIBIT A VOTE: There being no objection, the above amendment is adopted. 309 CORTRIGHT: Overviews the second item listed in EXHIBIT A - Authorize Network Feasibility Grants. 321 REP. KATZ: Is the Economic Development Department impressed with the networking program? 322 LOHMAN: Yes. I think it requires some population density for communication purposes and will work in some areas but not in others. I don't want us to get too excited about it. 344 REP. KATZ: In terms of traditional communications systems you're right, but with the future of communications, over a long period of time, I think this is doable. I think you should be able to get some federal grants. I hope you will enthusiastically try to do these new concepts. 360 LOHMAN: I believe we will. You are trying to get people together who are normally competitors; this will need to be done through direct contact, gaining trust, etc. 369 REP. BARNES: It seems ridiculous to force people to do something for their survival. If it is of value, you'd think the associations would do this. Whose idea was this? 380 LOHMAN: It has been an idea for four or five years. This bill wasn't our idea but we are interested in it and we want to advance the idea of networking concepts. It is, to some degree, a joint project. House T&E Committee May 20, 1991 Page 4

399 REP. PICKARD: Business has to change. There are new individuals entering the business world who see a global market, rather than just domestic. When they begin to see some of the potential business out

there they will open up to cooperating more. I think this program is suited to secondary wood products. The problem is that the small business owners are so busy running their business that they don't have time to get together. 423 REP. HAYDEN: Eye to eye contact is important. 466 MOTION: REP. MC TEAGUE MOVES to accept the amendment to Authorize Network Feasibility Grants (from EXHIBIT A). 468 VOTE There being no objection, the above amendment is adopted.

TAPE 197, SIDE A

046 CORTRIGHT: Overviews amendment that would Limit Expenditures for a Particular Industry (EXHIBIT A). 056 LOHMAN: If the intent is to limit the expenditure on the Strategic Reserve Fund, we would have a problem with this amendment. 065CHAIR BAUM: If we limit it (as the language reads) to the Act (SB 997), wouldn't that be okay? SRF is a different program. 067 LOHMAN: Section 7, Line 33 refers to the Strategic Reserve Fund though. If you make the existing Section 7 a subparagraph (1) and add the subparagraph (2) with the limiting language, I believe that could refer to the Strategic Reserve. 073 CORTRIGHT: I think this is a line number error. It should be in Section 6, rather than in Section 7. If you change "Line 33" to "Line 30", change "Section 4" to "Section 6", and change "After line 35" to "After line 32", then you have amended subsection (6) to say that they may contract and that they may use no more than a portion of the funds for any particular industry. 090CHAIR BAUM: Would that satisfy EDD's concerns? 091 LOHMAN: I believe so; I would like to know what the percentage is. 094 CHAIR BAUM: The first issue is do we want to limit the expenditure for certain industries (in SB 997)? 100REP. BARNES: There are twelve identified key industries - there may even actually be more. I think we should move for 10 or 15 percent. 103 CORTRIGHT: Most of these activities cut across industry. If you establish a limit of ten percent, EDD would be able to go up to \$150,000 identified for any particular industry. Fifteen percent would be \$225,000. 114 LOHMAN: I would be more comfortable with 15 percent, in case an extraordinary opportunity comes along. House T&E Committee May 20, 1991 Page 5

117 MOTION: REP. MC TEAGUE MOVES that 15 percent be adopted and that the amendment that limit Expenditures for a Particular Industry (from EXHIBIT A) be adopted. 120 LOHMAN: The numbers we come back with would be very rough division. It may be very complex and difficult to separate out. 133 VOTE: There being no objection, the above amendment is adopted. 134 REP. CARTER: His concern is a management decision and if they return with rough numbers, we will deal with it next time. 144 LOHMAN: This would not limit other expenditures in other legislation? 153CHAIR BAUM: The legislative intent is to only apply that provision to this bill - the amount is currently at \$1.5 million. 157 CORTRIGHT: Overviews amendment in EXHIBIT A - Set Priority for Networking Activities. Cross references will have to be amended: "After line 35" needs to change to "After line 32"; and "Section 5" needs to be changed to "Section 4". 165 REP. KATZ: What does "priority" mean? In terms of attention? Management time? What? 171 CHAIR BAUM: With the feasibility language added (from previous amendment) that requires a focus on networking grants and smaller businesses grouping together and organizing, etc. 176 CORTRIGHT: In reviewing Section 3, there is a long list of things that EDD is directed to do in their work with Key Industries. This is to give some indication that the Section 4 activities take some priority over the whole list of activities of Section 3. 194 MOTION: CHAIR BAUM MOVES that the amendment (described above) in EXHIBIT A be adopted. 195 VOTE: There bang no objection,

the amendment is adopted. 196 LOHMAN: You may want to leave it to our discretion, but maybe you want to give us some direction. 198 CHAIR BAUM: We have a lot of things included in SB 997 and we would like you to focus on the networking programs. 214 LOHMAN: If we do put an emphasis on the networking then some of these things will drop off the list of funding or be radically reduced. We will have to make hard choices. 247 CORTRIGHT: Overviews amendment in EXHIBIT A that Clarifies the Use of the Term "Key Industries". 250 MOTION: REP. CARTER MOVES to adopt the amendment to Clarify the Use of the Term "Key Industries. in EXHIBIT" 262 LOHMAN: This would preclude our adding , nother industry to the list. House T&E Committee May 20, 1991 Page 6

263 CHAIR BAUM: The language is "including but not limited to". 270 LOHMAN: I was in error. 273 VOTE: There being no objection, the above amendment is adopted. 278 CHAIR BAUM: How does the Department feel about this bill and the amendments? 281 LOHMAN: With the caveat that the funds for these activities are not recommended in the Governor's budget, I would agree this is a good bill; the emphasis on working with key industries is something we have done, want to do more of, and makes good sense. 274 MOTION: REP. BARNES MOVES the adoption of the amendments (prepared by staff) as amended by previous Committee actions. VOTE: There being no objections, the amendments are adopted. 280 MOTION: REP BARNES MOVES SB 997A, as amended above, to the Committee on Ways and Means with a Do Pass recommendation. VOTE: Passes, 7-0. Voting AYE: REPS. BARNES, CARTER, HAYDEN, KATZ, MC TEAGUE, PICKARD, and BAUM.

Committee Discussion

301 CHAIR BAUM: The Ways and Means Committee has gotten our lottery allocation bill. There is still resistance to our action of returning Tourism and Small Business programs to General Fund dollars. I want members to understand that if there are things members want to assure remain funded in the lottery allocation bill the process is beginning and they need to involve themselves in that. 376 REP. KATZ: As the Chair of this Committee you have the responsibility to represent this whole committee as you negotiate with the Ways and Means Committee. 410 REP. BARNES: We spent a lot of time reviewing this bill and I do not want to see it messed up in Ways and Means. 406 CHAIR BAUM: I will not support the addition of any new line items - that were not part of our discussion. 424 REP. MC TEAGUE: How much can they change the bill without the consent of the Chair? 429 CHAIR BAUM: As far as I am concerned, as soon as they change one thing I am involved. We know what is going to be hit first. 447 REP. BARNES: As far as I am concerned those three programs are not the only line items; dredging and field burning research are also line items. 451 REP. KATZ: There were not the votes to move that bill out of Committee on the House side without the inclusion of those items. It would have been 4-2. You have the responsibility to maintain this. House T&E Committee May 20, 1991 Page 7

460 CHAIR BAUM: I need the Committee members to advise me on what is important to them. 462 REP. PICKARD: To begin with, I think you should allow no change and we should have several of us there at all times. 475 REP. CARTER: We are going to meet with the Co-Chairs of Ways and Means and the President and Speaker and discuss the Committee's intent about changing line items. There will be negotiation about the General Fund items. TAPE 196, SIDE B 030 REP. CARTER: Then there will be no changes until the Chair has met with the Committee again and discussed the results of these meetings and negotiations. 039 CHAIR BAUM: From the very beginning, when the budget was first being reviewed,

the Co- Chairs of Ways and Means have maintained that they would not take the full \$2.5 million back into General Fund. This Committee said that is what we wanted them to do and they agreed to take back \$1.2 million. Therefore, they are looking for \$1.3 million off the top and to restore some of the SmaD Business programs. They would also line to Ikeep the carryover dollars that we used where they are. These changes push the amoung of funds needed up a few million dollars. 063 REP. CARTER: You need to have a meeting with EDD to ask they to maintain their courses and not go and negotiate with the Ways and Means Committee. EDD has negotiated in good faith with both of the Trade Committees and our expectation is that you will not negotiate differently with the Ways and Means Committee. 077 CHAIR BAUM: There are also some other members of the Ways and Means Committee who are after the \$8 million for workforce development. 083 REP. KATZ: That was supposed to be this Committee's work - workforce development. I thought that was agreed to. 085 CHAIR BAUM: I feel confident that nothing will occur with this. I just want to let you know that there a lot of people who will be trying to influence these items. 100 REP. BARNES: Were we delegated to do what we did with lottery allocation? 101 CHAIR BAUM: Yes. But everything that is done with money is subject to review by Ways and Means. If we can keep the changes by that Committee to a minimum, we have accomplished our task. The suggested lottery allocation that I presented to the Joint Committee when we reviewed the lottery allocation was approved by the Co-Chairs of Ways and Means. This Committee voted to change that by about \$4.3 million. 122 REP. MC TEAGUE: I have spent a great deal of time watching budgets in that subcommittee this session. There have been some peculiar dynamics and a lot of dissension in that Committee. 150 REP. KATZ It will all get resolved. The question is how committed the Chair will be to communicating this committee's desires in order to reach agreement and sign-off? 173 CHAIR BAUM: There are many people in the process that could have had line items in lottery House T&E Committee May 20, 1991 Page 8

allocation. I wanted to see a focus on programs that would return dollars to rural Oregon and I think we accomplished that. 193 REP. KATZ: You have to represent the wishes of this Committee; that bill would never have been voted out of this Committee without those items included that are being questioned in Ways and Means. 194 CHAIR BAUM: This Committee needs to tell me what to trade off. We will do the best we can. I just want everyone to be informed. 233 REP. KATZ I assume that this Committee males the decision on video poker prize allocation, since we have the bill in this Committee (HB 2682). 239 CHAIR BAUM: I don't know of any other vehicle in the building to accomplish that (other than the lottery allocation bill - which I would have to consent to). I can only hold a public hearing with permission from the Speaker, because we have passed the deadlines. 249 REP. KATZ: We need to discuss how that should be structured. 258 CHAIR BAUM: No one has asked me how this is going to be done. 261 REP. KATZ: I will assist the passage of the video poker allocation bile even though I dislike video poker. A decision needs to be made and we have a responsibility to allocate that money. 279 CHAIR BAUM: I can male a case for hold ng a hearing on the video poker allocation if there is consensus to pass a bill. 295 REP. KATZ: You have votes; we need to liscuss the allocation procedure - cities, counties, law enforcmenet, owners/distributors, etc. 307 CORTRIGHT: You have six to eight Senate bills left to hear/work. 331 CHAIR BAUM adjourns the meeting at 9 34 a m.

Submitted by,

Jeri Chase Office Manager House T&E Committee May 20, 1991 Page 9
EXHIBIT SUMMARY EXHIBIT A - Draft Amendments to SB 997A, submitted by
Joe Cortright, 1 page EXHIBIT B - 1991-93 Key Industry Activities -
dated May 15, 1991, submitted by Dave Lohman, 1 page EXHIBIT C - 1991-93
Key Industry Activities - dated May 20, 1991, submitted by Dave Lohman,
2 pages -