

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

June 5, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 204-205

ORTDC Privatization Enterprize Zone Modifications

MEMBERS PRESENT: REP. RAY BAUM, CHAIR REP. MARGARET CARTER, VICE  
CHAIR REP. JERRY BARNES 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:SEN. MAE YIH, DISTRICT 19 GENE JOHNSTON, LINN COUNTY ASSESSORS  
OFFICE DAVID SWARTZLENDER, LINN COUNTY ASSESSORS OFFICE JOHN BEAULIEU,  
PRESIDENT, OREGON RESOURCE AND TECHNOLOGY DEVELOPMENT CORPORATION WAYNE  
EMBREE, DEPUTY DIRECTOR, OREGON RESOURCE AND TECHNOLOGY DEVELOPMENT  
CORPORATION

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 204, SIDE A

000 VICE-CHAIR CARTER convenes the meeting at 8:20 a.m.

SB 729 (Enterprize Zones) - Public Hearing

009 SEN. MAE YIH: Presents written testimony in support of SB 729  
(EXHIBIT A). This bill adds two improvements to the Enterprize Zone  
legislation: 1) Gives assessors authority to ask for information on the  
employment level of firms in the enterprize zone; 2) clarifies (defines)  
what baseline employment level is when the company applies.

060 GENE JOHNSTON: Testifies in support of SB 729.

077 VICE CHAIR CARTER: When REP. WHITTY and I introduced this  
legislation in 1985, we were concerned about the problem that other  
businesses might encounter when new businesses entered the area. That  
is an issue that always needs to be worked on.

087 VICE CHAIR CARTER recesses the meeting at 8:35 a.m.

090 CHAIR BAUM reconvenes the meeting at 11:00 a.m.

099 TAMI MILLER: Presents Staff Measure Summary on SB 729-A (EXHIBIT

B).

171 MILLER: Presents request for LC Amendments to SB 729-A (EXHIBIT C) and hand-engrossed version of SB 729A (EXHIBIT D). There is also an additional amendment that is not included in EXHIBIT C and EXHIBIT D that was just requested. EDD would like to add a new section, Section 3, that states that this change will not be retroactive. I will draft language to include that if the committee is interested.

210 REP. HAYDEN: The purpose of an enterprize zone is to create and maintain jobs. I am concerned about an existing firm that thinks it can do more, falls back because of a recession or other hardship, they are then hit with a big property tax assessment and have to go out of business. I think it could be discouraging to businesses.

233 MILLER: This bill does not address this concern.

SB 729 (Enterprize Zone Modifications) - Work Session

262 REP. PICKARD: Isn't this unmanageable already?

266 GENE JOHNSTON: We support the proposed amendments.

269 DAVID SWARTZLENDER: Responding to Rep. Hayden, these changes deal only with existing businesses.

279 REP. HAYDEN: What are the requirements for a new business?

281 JOHNSTON: The requirement for a new business is that they only have to hire one person and they can reduce their employment up to 85 percent and still qualify.

285 REP. HAYDEN: A new business could start up with ten people, and lay off eight of them.

288 JOHNSTON: Yes. We did not address new businesses in this bill.

292 REP. HAYDEN: What happens to an existing business that is just making it (without paying property taxes) and they cannot maintain the employment level? You then come in and assess them for back property levels and they then close and layoff all employees.

306 SWARTZLENDER: SB 729 does not address that issue. That is how it is under current law.

309 REP. HAYDEN: Has that happened?

310 SWARTZLENDER: Yes. I don't actually know if any business has closed, but there are cases where a portion/all exemption has been eliminated. To my knowledge, it has not forced anyone out of business.

316 CHAIR BAUM: This program sunsets in 2001.

320 REP. BARNES: How is this program currently monitored by the assessors' office?

321 JOHNSTON: The county asks for voluntary information by sending out letters requesting employment levels. This was fairly successful, but we would like a better handle on it.

328 REP. BARNES: Do you approve the application?

329 JOHNSTON: We administer the program after the area has been designated as an enterprise zone.

332 REP. BARNES: Will this require any specific procedures be set up? My concern is the extra work of the local government.

333 JOHNSTON: We have already been delegated these duties. Not having the ability to do this makes it harder.

363 REP. BARNES: This is not a very effective program.

376 REP. KATZ: Has the voluntarily-provided information been audited?

366 JOHNSTON: We audit it. Originally we ask for quarterly unemployment insurance report. If we feel that the employment levels are lowering, we would request the information we need to determine eligibility.

394 REP. KATZ: Does that happen in every county?

395 JOHNSTON: Not to my knowledge.

397 REP. KATZ: Has the information you received voluntarily been accurate?

398 JOHNSTON: Yes. One company voluntarily took themselves out of the program because they didn't hire like they were supposed to.

410 REP. KATZ: Has a staff analysis been done of this program?

415 CORTRIGHT: This program was established by the 1985 Legislature in T&E and Revenue Committees. It was substantially overhauled last session.

424 REP. KATZ: Different county assessors offices work differently. I would like a staff analysis of this program so we can determine if the information provided to the counties is accurate.

443 REP. KATZ: Have companies from other countries/states taken advantage of this zone in your county?

447 DAVID SWARTZLENDER: Most of the companies in this program are existing businesses that are already located within the zone. We have had a couple of small companies come from other locations in Oregon.

471 MOTION: CHAIR BAUM MOVES the adoption of the amendments as outlined in the LC request for amendments to SB 729-A (EXHIBIT C).

VOTE: There being no objection, the amendments are adopted.

492 MILLER: It has also been requested that a new Section 3 be added to not make the amendment retroactive to firms already in the zone with their exemption. The new base level of employment would only apply to firms newly participating in the program.

497 MOTION: CHAIR BAUM moves adoption of the conceptual amendment described by staff (above).

VOTE: There being no objection, the above conceptual amendment is adopted.

TAPE 205, SIDE A

028 MOTION: REP. PICKARD MOVES SB 729-A, as amended above, to the House Floor with Do Pass recommendation.

031 REP. BARNES: Should we change the sunset date on this program?

034 CHAIR BAUM: That could cause problems. For instance, in LaGrande, the benefits of this program are being included in a package of benefits to induce a company to locate there. The company heard of a bill introduced by AFSCME that would eliminate the program and they have put their entire location proposal on hold until after the Legislature adjourns and they are assured that will not happen.

058 REP. KATZ: I did introduce a bill that would allow local jurisdictions to decide on property tax exemptions for themselves so that counties could make their own decisions. That bill hasn't yet had a hearing. These are issues that will face the legislature.

078 VOTE: Passes, 5-0. Voting AYE: REP. BARNES, HAYDEN, KATZ, PICKARD, and BAUM. EXCUSED: REP. CARTER and MC TEAGUE.

SB 1172A (ORTDC Privatization) - Public Hearing and Work Session

088 CORTRIGHT: Presents Staff Measure Summary on SB 1172A (EXHIBIT E) and reviews the Senate's/Treasurer's Office work on the bill. The sponsors of the bill and the Treasury were not able to work out an arrangement to allow the Oregon Investment Council to serve as a fiduciary for the investments of the fund. Therefore, the Proposed -5 Amendments to SB 1172A (EXHIBIT F) would allow ORTDC to continue as a state agency.

110 JOHN BEAULIEU: I had initial meetings with the Treasurer's Office about what we were attempting to do. We could not reach consensus.

120 WAYNE EMBREE: The oversight of a separate fund was more than the Treasurer wanted to handle at this time. They felt it was unworkable to bring it under the State Treasury, contract out for private management, and go forward as SB 1172-A would have mandated.

130 REP. KATZ: What did the Treasurer's Office want?

132 EMBREE: The structure would have remained the same - a state agency - but it would have been a public board contracting out to an investment advisor to advise the board. Therefore, it made no sense to change it. SEN. COHEN then decided we should just leave it as it is.

137 BEAULIEU: We are still attempting to build a "sister fund" to also operate that will help to make up for the shortfalls in lottery revenues that we had expected to receive. This just makes it more difficult for us to do that. However, we will still go forward on that. We are getting more credibility as the businesses we have invested in mature and are beginning to become profitable.

155 EMBREE: Presents SB 1172-A5 Amendments (EXHIBIT F).

236 CHAIR BAUM: Will you have enough funds to continue operation

without additional funding from the legislature?

239 BEAULIEU: We are going to have to focus new investments in applied research with universities. Investments made will begin to turn profits in 1993, 1994, and 1995. The problem is having such reduced opportunity to make investments within the next eighteen months.

260 MOTION: REP. KATZ MOVES that the Proposed -5 Amendments to SB 1172A be adopted.

VOTE: There being no objection, the proposed -5 amendments are adopted.

265 MOTION: REP. KATZ MOVES SB 1172-A, as amended above, to the House Floor with a Do Pass recommendation.

268 VOTE: Passes, 4-0. Voting AYE; REP. BARNES, HAYDEN, KATZ, and BAUM. EXCUSED: REP. CARTER, MC TEAGUE, and PICKARD.

275 CHAIR BAUM adjourns the meeting at 11:40.

Submitted by,

Jeri Chase Office Manager

#### EXHIBIT SUMMARY

EXHIBIT A -Written testimony in support of SB 729, submitted by Sen. Mae Yih, 3 pages

EXHIBIT B - Staff Measure Summary on SB 729A, submitted by Tami Miller, 2 pages

EXHIBIT C - LC Request for Amendments to SB 729A, submitted by Tami Miller, 1 page

EXHIBIT D - Staff Engrossed SB 729A, submitted by Tami Miller, 2 pages

EXHIBIT E - Staff Measure Summary on SB 1172A, submitted by Joe Cortright, 2 pages

EXHIBIT F - Proposed -5 Amendments to SB 1172A, submitted by Joe Cortright, 7 pages