

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

June 07, 1991Hearing Room 343 9:00 A.M.State Capitol Salem, OR

Tape 206

Wood Products Competitiveness Corporation

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 HOLLY BROWN, COMMITTEE
ASSISTANT

WITNESSES:STEVE PETERSEN, DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT LYNN
YOUNGBAR, 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 206, SIDE A

000 CHAIR BAUM convenes the meeting at 9:12 a.m.

SB 364 (Wood Products Competitiveness Corporation) - Public Hearing

010 JOE CORTRIGHT: Presents SB 364B. This bill would create a Wood
Products Competitiveness Corporation, which would be a state agency with
a seven-member Board of Directors that are appointed by the Governor.
There are many powers written into the act, but the Board of Directors -
people in the wood products industry - would "develop and fashion the
elements of its own strategy for addressing the competitiveness of the
industry from among the authorities that it has." Major activities that
the Board could choose from include: the authority to "develop and
maintain information about the industry" (Section 5); "encourage
marketing and promote the products in the industry" (Section 6);
"develop industry organizations, including associations, commodity
commissions, and the like" (Section 7); networking (Section 8);
technology extension (Section 9); research and development (Section 10);
access to financing (Section 11); and, a service voucher program
(Section 12). Section 13 specifies how the corporation will operate -
it will either carry on its own activities or do so through contract.
Certain activities have to be done at "arms length" to avoid conflict of
interest, i.e., financing programs or programs that provide direct

benefits to firms. The House Agriculture Committee amendments to SB 364 A did two things: 1) deleted a provision that the corporation have its own fund. This puts the funds under the Economic Development Department; 2) placed administrative responsibility for the program substantially in hands of the Economic Development Department. They deleted the independent rule-making authority of the Corporation and said that the Corporation was a part of the Economic Development Department. They wanted their concern conveyed that they were not interested in creating another state agency.

047 REP. CARTER: They made it part of a state agency by giving it to the Economic Development Department. If this could have been an independent, competitive corporation, they could have leveraged funds.

048 REP. KATZ: This bill is in violation of House Rules. It cannot be referred to two committees, other than Ways and Means and Revenue. This means we have the choice to ignore anything they have done.

052 REP. PICKARD: The House Agriculture Committee's amendments put a whole new perspective on this bill.

053 CHAIR BAUM: That was the House Agriculture's Committee's view on this. We have had the opportunity to have a different perspective. They were concerned about giving money to another corporation outside of government.

059 REP. CARTER: We were thinking about making this a private corporation when it could get up and running and eventually be self-sufficient. We cannot do that if we put it in the Economic Development Department. I insist that it has to be an independent corporation.

069 CHAIR BAUM: An agreement has been made with the Economic Development Department that their involvement with this public corporation is going to be a matter of helping them get started. After that the public corporation can contract with whomever they want - their staff. But, to get them started, EDD will be given the money to help them do that.

076 CORTRIGHT: As this bill passed from the Senate it directed that EDD would help with the start-up of the corporation and then they would have the choice of who would be their staff from there on out. They could elect to retain EDD for provision of staff if they chose. The amendments that EDD will be presenting today, in consultation with the Chairs of the Trade Committees, would reinstate that particular provision.

083 REP. CARTER: I want there to be a close relationship with EDD, but I think it must be a competitive corporation.

087 STEVE PETERSEN: These amendments (EXHIBIT A) that we have worked on with staff and the co-chairs, would get back to where the Senate bill was. That there is a relationship, but the corporation is not within EDD. We would provide initial staff during start-up; the corporation maintains the ability to hire their own staff - or hire us; we would assist them and work with the corporation in development of their plan that would be submitted to the Governor. We don't want to be caught in the middle. This needs to be either a part of EDD or totally outside of EDD. We can live with either choice. The version of this bill that the House Agriculture Committee passed put us in the middle, which is not

what we want. If these amendments are adopted, the corporation will make the decision. We think that should be their option after their plan has been developed. These amendments assure that the Government makes the appointments, we would help get it started, the corporation would set its own rules, and then would involve us as little or as much as they desired. Their plan would come back to the Governor for approval at that point. Then they would make the decision as to whether they want to be a totally private corporation or be more closely tied to EDD.

111 REP. PICKARD: Your function would be to start them off. However, you will also have control of their funds. Would you act as a checking account or as a banker?

113 PETERSEN: It is our intent to act as a checking account. We want to be a part of this. This makes it our responsibility to work very closely with them, which I agree with. Our goal is to make it work together. We are committed to what this is trying to do and are trying to make it work. We see our role as a facilitator.

125 REP. PICKARD: I believe that the closer this is to total independence, the better it will be perceived by the users. We will lose enthusiasm that we hope to generate if this is perceived as being a government function. If you truly operate in a facilitator role, that could work.

130 PETERSEN: That is our intent. The other thing included in this is that once the corporation makes its decision, there is authority within the bill for the funds to be transferred directly to the corporation. If that is what they truly decide to do and their plan is a good one, we have no problem with that.

138 REP. BARNES: Your amendments will facilitate this corporation spinning off?

140 PETERSEN: That is our intent. We will facilitate their plan development and as soon as that is done, that could occur. As I understand, they would be a state agency until they decided to do something else.

156 REP. CARTER: If we keep the House Agriculture Committee's perspective, EDD would be adversely affected. If we truly want this to work, we need to adopt these amendments.

SB 364B (Wood Products Competitiveness Corporation) - Work Session

185 MOTION: REP. CARTER MOVES the adoption of EDD Draft Amendments to SB 364 (EXHIBIT A)

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

190 CORTRIGHT: With the passage of the above amendments, there is now one other provision that was deleted by the House Agriculture Committee that may need to be re-considered. That is the provision that the Executive Department approve contracts between the corporation and outside entities. If you decided to do that, that language would be included in Section 13 (4).

195 MOTION: REP. CARTER MOVES a conceptual amendment to add language in Section 13 that provides for the Executive Department to approve contracts between the corporation and outside entities.

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

198 PETERSEN: The discussion in the Senate about that issue centered around the fact that if the corporation had the funds, there should be some oversight authority in the Executive Department. If the funds are going to be in the Economic Development Department, I do not believe that amendment is necessary.

214 CORTRIGHT: Some of the contracts may involve the "arms length" issues, and EDD would be in the position of releasing funds for an approved program. But you want to assure that whomever the corporation contracts with is engaging in that type of transaction. You could make it explicit on the record today that EDD review those contracts for that purpose. I thought that EDD had testified before the Senate Committee that they did not want to be in that role, which is why it was changed to be the Executive Department.

229 LYNN YOUNGBAR: If the corporation is entirely independent of EDD, we don't want to be part of approving contracts. But if the funds remain with EDD, it would just be an unnecessary extra step for everybody to have the Executive Department approve contracts. Could we adapt the language so there is flexibility, depending on the way the corporation chooses to operate?

240 MOTION: REP. CARTER MOVES to adopt conceptual language to address issues discussed above pertaining to approval authority for contracts.

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

252 MOTION: REP. CARTER MOVES SB 364B, as amended, to the Committee on Ways and Means, with a Do Pass recommendation.

VOTE: Passes, 7-0. Voting AYE: REP. BARNES, CARTER, HAYDEN, KATZ, MC TEAGUE, PICKARD, and BAUM.

271 CHAIR BAUM adjourns the meeting at 9:32 a.m.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A -EDD Draft Amendments to SB 364, submitted by Steve Petersen, 2 pages