

Joint T&E Committee
January 23, 1991
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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

January 23, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 7-8
Workforce Presentation
State Economic Forecast

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER
 TAMIRA MILLER, POLICY ANALYST
 JERI CHASE, OFFICE MANAGER

WITNESSES:PAUL WARNER, STATE ECONOMIST, EXECUTIVE 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 7, SIDE A

000 CHAIR FAWBUSH: Calls the meeting to order at 3:05 p.m.

WORKFORCE PRESENTATION

015 MILLER: Submits Executive Summary of the report "America's Choice: high skills or low wages!" by the National Center on Education and the Economy. Distributes to members (EXHIBIT A).

018 Taped presentation of IRA MAGAZINER from conference in Portland on November 8, 1990 begins.

Verbatim comments submitted as EXHIBIT B. MILLER explains that transparencies pertaining to taped presentation - are submitted as EXHIBIT C.

TAPE 8, SIDE A

030 Presentation of EXHIBITS B & C continues.

125 (Presentation tape turned over)

126 Presentations (EXHIBITS B & C) continues.

368 (Presentation tape concludes)

STATE ECONOMIC FORECAST PRESENTATION

397 PAUL WARNER: Begins presentation of Economic Forecast and Methodology (EXHIBIT D). He first describes the effects that a non-peaceful solution to middle east conflict has had and will have. He suggests that a short-term war will lead to short recession; conversely a long term war, will create a longer, deeper recession. The economic stimulative effect that occurred in other wars will probably not occur since most military equipment etc. is already in existence. Larger federal deficit, higher long term interest rates.

TAPE 7, SIDE B

030 WARNER: Continues testimony on the effects of war on the economy.

045 WARNER: Begins overview of EXHIBIT D (graphs on overheads).

100 SEN. HAMBY: This was projected pre-desert shield?

WARNER: Yes.

MILLER: What accounts for this growth in personal income in your analysis?

WARNER: The national numbers are too high where as Oregon is tracking very closely. The transition of our timber industry will make the 1991-92 period a difficult period for our state economy and we will lose 54,000 jobs in the timber industry. Overall the Oregon economy is well positioned to grow and will grow over the decade faster than the U.S. economy.

123 SEN. J. HILL: What effect does Oregon's lower per capita income have on this personal income growth?

WARNER: A lot of the growth has been the result of an expanding population so our per capita has risen only slightly to 90% of the average.

SEN. HILL: This is discouraging to people who do not feel they are doing well even if the state revenues have increased.

149 WARNER: Continues presentation.

211 SEN. TIMMS: Do lower interest rates have a direct effect on the housing industry that affects the

Oregon economy?

240 WARNER: The weakness in the housing market is a major factor in decreasing demand for the products. There has been a noticeable shift in regulators and therefore bankers since the crisis in S&L's (Continued discussion of this effect).

269 WARNER: Continues presentation.

300 SEN. TIMMS: Do you find an increase in income levels in high tech?

WARNER: There is more rapid income growth in that industry.

SEN. TIMMS: The per capita income is going up in the high tech industry.

315 WARNER: Continues presentation of EXHIBIT D.

410 SEN. J. HILL: What direction is the lower per capita income moving in? Is it improving?

WARNER: There has been some modest recovery but small compared to how fast our income has grown. If increased growth continues, per capita will continue to improve, but we will not achieve national average by the end of this decade. Particularly with resource-industry transitions which have been an important source of income for our rural areas.

SEN. J. HILL: What industries are your higher-paying jobs increasing in?

WARNER: There is predominately high-tech growth in Portland (some Bend, some Eugene). Some other manufacturing industries - metals, aerospace, professional business, legal, and health services, also growth in producer services.

TAPE 8, SIDE B

030 CORTRIGHT: Aren't the high-paying service industries also concentrated in urban areas?

WARNER: Yes, that is correct. Rural areas have not done well in the last ten years.

049 SEN. J. HILL: For government employment, Measure 5 will have a large impact on Salem area; is that factored in?

WARNER: We are preparing the December forecast which did not include Measure 5 information. For the April forecast we have reduced state and local employment by 10,000 and that is the estimated impact. This sector had previously been projected for strong growth. With measure 5 most of that growth is now out. State and local employment is projected as rising slowly, but well below population growth rate and employment. We anticipate a transition from public to private employment over a considerable period of time. The key issue with Measure 5 is that it

severely impacts long-term growth.

074 SEN. HAMBY: The tax burden changes in the last graph are interesting.

100 WARNER: Concludes presentation.

103 CHAIR FAWBUSH: Comments on division of workload between House and Senate.

123 SEN. J. HILL: We need to communicate with the House committee so that they know how we arrived at our opinions and we know how they arrived at theirs.

SEN. J. HAMBY: Maybe we could meet together and critique both before the work product is completed.

143 CHAIR FAWBUSH: Adjourned the meeting at 4:45 P.M.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Executive Summary of the report "America's Choice: high skills or low wages!", submitted by Tami Miller, pgs. 9.

EXHIBIT B - Verbatim Transcription of Ira Magaziner's taped presentation, submitted by Tami Miller, pgs. 15.

EXHIBIT C - Transparencies shown during presentation of EXHIBIT A, submitted by Tami Miller, pgs. 48.

EXHIBIT D - "Economic Forecast and Methodology", submitted by Paul Warner, pgs. 23.