

SENATE LEGISLATIVE COMMITTEE  
ON TRADE AND ECONOMIC DEVELOPMENT

April 03, 1991                      Hearing Room 343  
3:00 P.M.                              State Capitol  
   Salem, OR

Tapes 60 - 61

Film and Video Board  
Key Industries Program

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR

SEN. SCOTT DUFF  
SEN. JEANNETTE H'AMBY  
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  
HOLLY BROWN, COMM 1 1 EE ASSISTANT

WITNESSES: LYNN YOUNGBAR, LEGISLATIVE LIAISON, ECONOMIC  
DEVELOPMENT DEPARTMENT

DAVID LOHMAN, SENIOR DEPUTY DIRECTOR, ECONOMIC  
DEVELOPMENT DEPARTMENT

KEN MADDOX, EXECUTIVE DIRECTOR, SOFTWARE ASSOCIATION  
OF OREGON

MICHAEL MITTON, PRESIDENT, OREGON BIOTECHNOLOGY  
ASSOCIATION

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.

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TAPE 60, SIDE  
A

000 CHAIR FAWBUSH convenes the meeting at 3:17 p.m.

SB 336 (Film and Video Board) - Work  
Session

006 MILLER: We need to rescind the referral to Ways and Means.

014 MOTION: The CHAIR moves to reconsider SB 336.

VOTE: Being no objection SB 336 is reconsidered.

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MOTION: The CHAIR moves SB 336 to the Boor with a Do Pass recommendation,  
rescinding Ways and Means.

VOTE: By roll call vote (3-1) SB 336 Does not pass to the floor rescinding  
Ways and Means. Voting AYE: SENATORS DUFF, TIMMS and FAWBUSH. Voting NAY:  
SENATOR JOLIN. EXCUSED: SENATORS HAMBY and HILL.

032 SEN. JOLIN: We are going to have to fund it somehow so it should go to  
Ways and Means.

038 CHAIR FAWBUSH: There is an agreement for a little funding for this to  
get them started.

044 LYNN YOUNGBAR: We are talking about a maximum of \$70,000. That is a commitment from the Key Industry Fund.

054 MOTION: SEN. JOLIN moves SB 336 to the floor with a Do Pass recommendation, rescinding Ways and Means.  
VOTE: By roll call vote (4-0) SB 336 passes to the floor with a Do Pass recommendation, rescinding Ways and Means. Voting AYE: SENATORS DUFF, JOLIN, TIMMS and FAWBUSH. EXCUSED: SENATORS HAMBY and HILL.

SB 997 (Key industries) - Public Hearing

065 JOE CORTRIGHT: Presents Staff Measure Summary on SB 997 (EXHIBIT A).

108 CHAIR FAWBUSH: Why do we need this bill?

110 YOUNGBAR: I am not sure that we do need this bill except that it provide some definition and some structure to a program that to date has simply been a line item in the lottery budget with no legislative intent or really much discussion. This gives us some policy direction on the Icinds of activities we should be engaged in.

118 CORTRIGHT: Submits "Twelve Innovative Ideas for Economic Development 199 0" (EXHIBIT B).

The first idea that was recommended was to budget economic development funds by industry sector.

The general idea is that rather than focusing on specific programs or activities, you should think of economic development activities as trying to improve the competitiveness of particular sectors of the state's economy.

145 DAVID LOHMAN: The general thrust of the bill is to require, in statute, a focus on working with industries in ways that this department didn't do 4 or 5 years ago. We are doing a significant amount of that already and this bill fits with that.

171 KEN MADDOX: The major recommendation made by EDD was that there was a major need for a trade association. EDD challenged us and said they would put up state money if it could be matched by industry money. Since that time we have had a number of actions with the economic development department. There is an opportunity for this industry to be competitive in an international market but because it is made up of smaller businesses there is a need for an intermediate resource to assist the small business. That is what is being suggested here. It is difficult for businesses to select focal points for efforts, key industries attempts to do that. The activities of the association involve improving communications among companies in the industry, the concept being that the industry in our state is

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approaching critical mass. Submits Newsletter from the Software Association of Oregon (EXHIBIT C).

290 CHAIR FAWBUSH: What would you like to achieve in the next 2 years?

297 MADDOX: One of the biggest issues facing us right now is in the area of quality and productivity. We

have just begun to work on that dual issue.

405 CHAIR FAWBUSH: Is there any opportunity for your managers to associate with each other to meet

a market demand?

428 MADDUX: There are opportunities for cooperation. Right now we are looking at joint marketing

overseas.

TAPE 61, SIDE A

028 MADDUX: Remote communications and connection among the software community need to be

changed because there is a lot to be learned from each other.

051 SEN. DUFF: I see this legislation identifies key industries, but is there something we need to do to

facilitate a mark of quality?

060 MADDUX: We are just getting started ourselves. We are looking at 2 types of activities, certification

and recognition, which is probably easier and faster to implement. There is a way though, by utilizing resources that already exist. However, additional resources may be necessary.

074 SEN. DUFF: Is there some legislation we can propose that will enable you to start this process?

076 MADDUX: Let me think about that and share this with others and come back to you with an idea.

078 CHAIR FAWBUSH: You are not developing a new technology you are applying existing knowledge.

088 MADDUX: For the most part yes, but there are some that are creating software.

098 SEN. TIMMS: Have we put money into this program?

100 LOHMAN: \$70,000 from the Strategic Resene Fund.

166 CHAIR FAWBUSH: The questions I am interested in is what is the next step? What would be a major move forward for you in meeting the challenge of this global competition that you are going to

be facing? We would like you key industries to answer these questions for us.

204 MICHAEL MITTON: Submits Newsletter of the Oregon Biotechnology Association (EXHIBIT D).

The association was formed by merging 2 predecessor groups. Many of the things that we have done

and our very existence to some extent was brought about through interaction with the Economic

Development Department. We have a big education effort ahead of us. It is our job to show people the benefits of biotechnology. The allied industries are primary beneficiaries of biotechnology and part

of our job is to create an information flow to those industries. Another aspect of our mission is

supporting the universities. Biotechnology is very knowledge driven and you have to start with an

investment in universities to get this industry going. The OBA is starting on the development of strategic plan. We are surveying the Biotechnology base in this state and we have divided that into four

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categories; the companies, the universities and the government labs, allied industries and support organizations we are bringing that together in a

strategic plan.

390 CHAIR FAWBUSH: What would you like to achieve in 2 years?

395 MITTON: We have a five year goal to make Oregon one of the top ten biotech centers in the United

States. The first step is the strategic plan, which will focus our energies in specific areas. As a 2 year

goal we would be happy if we could develop the strategic plan and have an action plan that falls out of

that so we can achieve our long term goal. And perhaps the education of the people of Oregon as to

the potential of biotechnology and what it is going to take to achieve that potential.

TAPE 60, SIDE B

025 CHAIR FAWBUSH: It might be interesting to look at the association we have got within these industries and try and figure out what the next step is and what you want to do with your key industries.

What could we be looking at that might facilitate that kind of growth?  
031 LOHMAN: These associations are not typical and they do a lot more than your typical association.

Volunteer time has been invested to get these associations together.

044 CHAIR FAWBUSH: Do you have any full time staff?

045 MADDOX: I am it. Gratification has come through the volunteer efforts.

059 MITTON: We have an enormous amount of volunteer support. The biotech industry is very small.

We have had no permanent staff until this year and now I am the only one. Our mission is economic development.

104 SEN. DUFF: I am concerned with pesticide control. Does the regulatory atmosphere here put you at

a disadvantage to other countries?

120 MITTON: The big markets are here so we are not in to much competition with other countries.

The U.S. does lead the world in biotechnology so that is an opportunity for us to capitalize. The federal

government is looking at ways to keep us going.

140 LOHMAN: In the last 4 years we have seen the development of a number of associations and we have

played a role in many of them. Each of these associations are very different because the needs of each

industry are very different. Submits "Oregon Advanced Computing Institute" (EXHIBIT E) and

Newsletter for OACIS (EXHIBIT F).

181 SEN. DUFF: I would like to see something drafted that would create a person who could deal with

regulatory issues.

220 LOHMAN: Presents comments regarding SB 997 (EXHIBIT G) and submits "Key Industry Program 1989-91 Initiatives" (EXHIBIT H).

360 LOHMAN: Continues EXHIBIT G.

420 CHAIR FAWBUSH recesses the meeting at 4:40 pm.

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Submitted by,  
Jeri Chase  
Office Manager  
Senate T&E Committee  
April 03, 1991

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EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on SB 997, submitted by Joe Cortright, pgs. 2.

EXHIBIT B - "Twelve Innovative Ideas for Economic Development," submitted by Joe Cortright, pgs. 33.

EXHIBIT C - Newsletter of the Software Association of Oregon, submitted by Ken Maddox, pgs. 12.

EXHIBIT D - Newsletter of the Oregon Biotechnology Association submitted by Michael Mitton, pgs. 6.

EXHIBIT E - "Oregon Advanced Computing Institute," submitted by David Lohman, pgs. 1.

EXHIBIT F - Newsletter from OACIS, submitted by David Lohman, pgs.16.

EXHIBIT G - Comments on SB 997, submitted by David Lohman, pgs. 4.

EXHIBIT H - "Key Industries Program 1989-91 Initiatives," submitted by David Lohman, pgs. 2.

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SB 562 - PH

SENATE LEGISLATIVE COMMITTEE  
ON TRADE AND ECONOMIC DEVELOPMENT

April 3, 1991Hearing Room 343  
4:30 P.M.State Capitol  
Salem, OR

Tapes 62 - 63  
Lottery Allocation

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

MEMBERS EXCUSED:

HOUSE MEMBERS PRESENT:REP. RAY BAUM, CHAIR  
                                  REP. JERRY BARNES  
                                  REP. MARGARET CARTER, VICE CHAIR  
                                  REP. VERA KATZ  
                                  REP. DAVE MC TEAGUE  
                                  REP. BOB PICKARD

HOUSE MEMBERS EXCUSED:REP. CEDRIC HAYDEN

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

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 62, SIDE A

000 CO-CHAIR BAUM reconvenes the meeting at 4:45 p.m.

012 CO-CHAIR BAUM: We are going to be considering allocating lottery funds  
to various agencies. We  
have some procedural issues to deal with. We have several bills that have

been introduced in the Senate and several that have been introduced in the House and because of the fact that we do not meet jointly most of those bills that do have money have referrals to Ways and Means. It has been proposed by the co-chairs that we have an agreement between the 2 committees that out of all the program bills, we go ahead and work those bill on the merit of the program. We will strip out the lottery allocation and send the House bills to the House floor to be referred to the Senate committee and the Senate will send the bills to the Senate floor and then they will be referred to the House committee. We will do this with the agreement that none of those bill should be moved to Ways and Means until we consider the full allocation bill.

045 CO-CHAIR FAWBUSH: The co-chairs met with leadership and there has been agreement to remove the lottery funding and cross them over to the other committee. We will have opportunities jointly to make recommendations as to how the funding works in the lottery in relation to what both committees have been working on independently. Submits "1991-93 Lottery Allocation Worksheet" (EXHIBIT A).

078 CORTRIGHT: We have been trying to develop, with the Economic Development Department, a consistent framework for laying out and describing all of the state's activity with regard to economic development. We have laid out 4 major areas of economic activity. They are: 1) Regional and community development, 2) Workforce development, 3) Industry development, and 4) Business assistance. Presents EXHIBIT A.

141 STEVE PETERSEN: Presents EDD Proposed Lottery Allocations 1991-93 (EXHIBIT B).

TAPE 63, SIDE A

020 CO-CHAIR FAWBUSH: Recommendations to the Governor have indicated that they consider light rail in the lottery and the trade off would be to pull the \$10 million for Head Start out and find that in General Fund dollars.

033 SEN. J. HILL: We asked Legislative Counsel if Head Start was economic development. I am not sure that it qualifies under the definition of economic development.

036 CO-CHAIR BAUM: The Attorney General's opinion was yes it is economic development.

047 SEN. J. HILL: The Attorney General's opinion concerning prisons revolved around the issue of construction. If we're talking about constructing or building something we may as well forget about the definition for economic development because it is anything.

058 PETERSEN: Continues presentation of EXHIBITS A and B.

075 CO-CHAIR BAUM: We need to enter into a discussion as a matter of policy on what we want to spend lottery for on a broad basis. We would like to see the money spent on programs that need funding one time, that are capital intensive, project oriented and that finish up their purpose within the 2 year time period we have before we meet again. We want to generate programs that have a broad application that members of this body, on both sides, can apply to for needs in their communities and have the same chance as anybody else of qualifying for the dollars. We have a rough cut or starting point. We have a lot of things that we have funded in the past. The question is, what do we do from here as a joint committee? Do we focus back on capital projects and do general programs or do we go to the line item where individual projects by maybe more influential folks seem to find their way into the program. The purpose tonight is to lay out the whole gambit of programs and review. So how do you want to proceed from here? What should our general policy be?

117 CO-CHAIR FAWBUSH: As you look over the list and try to organize it into something that makes sense. This gives you the opportunity to make comparisons to establish priorities. We have discussed the importance of funding one-time efforts, but some of these are not one time efforts. We are seeing some trends develop in the programs that survive on lottery money that you could call ongoing efforts but within those they provide one-time shots at funds throughout the state (i.e., SPWF, PRLF, Capital Access Program, Regional Strategies, etc.). Another issue is how much administration you want to fund out of lottery? The Tourism department is at \$6 million. Traditionally, administration for the Tourism Department has been out of General Fund and they have done promotion with lottery money. The Governor recommended, this time, that all of Tourism be funded out of lottery, which is a major shift of administration onto lottery dollars. There is a lot of discussion to potentially use Video Poker to set up a "super capital construction fund" to deal with projects of statewide significance.

198 CO-CHAIR BAUM: We have a bottom line figure of \$95 million and we would like to target that as the limit to keep within. We also have back outs, which the Governor took from general fund and moved to the lottery.

208 REP. PICKARD: I think we should begin with Human Investment.

230 REP. KATZ: I am troubled, that we are beginning to make these decision, when we have no idea what the General Fund allocations are going to be on some programs that have a higher priority than everything on this list. I also have a problem with video poker. I



understand that the bills on the House side are not in our committee. If Leadership wants to proceed with video poker allocation, that changes the whole complexion of this discussion.

273 CO-CHAIR FAWBUSH: Your problem with General Fund is a valid issue. Historically, the lottery funds have been kept separate in order for an opportunity for economic development. Should these revenues be put on the table to meet budget needs and set these programs aside? We may want to do that. Regarding video poker, there is an existing law allowing it to take place. There is a bill in House State and Federal Affairs to outlaw the grey games. Before we move the lottery allocation bill, adjustments would have to be made as to how those revenues would be dealt with. If that were to happen, what would be your priority in spending those funds and how do you back fill existing programs. Also we have no idea how much video poker would raise.

340 SEN. J. HILL: I think this is a good first cut. I agree with your formal policy motion. As a procedural note, I would like to have some ideal of how much was allocated last session for comparison. Regarding REP. KATZ's concern about the General Fund, we are getting to the point that a lot of economic development doesn't seem to have much of a meaningful definition anymore. The idea was that we would always have some money dedicated to keeping our economy going. Economic development is what the funds have been dedicated to and I think we should keep that in mind and dedicate these funds to that. I think we could be moving toward using this money for any number of things that are not economic development and I would resist that.

396 SEN. TIMMS: I agree with SEN. HILL. I think one of the big policy problems we have is visibility. The more visibility we get, the better perception we will get from the citizens of this state. If we continue to be deficient in letting the public know where lottery dollars have gone, we will lose them. I think we have done some good things. We have provided some viable programs for local people.

427 REP. CARTER: Economic development was designed to keep economies strong and viable. If it is a one time kind of creative financing, if we want to encourage new programs for economic viability then if this committee can't support it, who can. We need to go back to the original philosophy, not to be expanding, not to be nervous about what the dollars are for, but get back to the philosophy ourselves so that we can keep these programs strong. This is the most important of times to keep businesses viable.

037 SEN. JOLIN: I agree with REP. CARTER and I appreciate her comments. I would request that we have even more information regarding each of these programs. I want to know more about them than how much money is involved.

054 REP. BARNES: In my mind economic development means bettering the economic well being of our citizens. We are talking about job creation, job maintenance, and we are talking about one shot affairs. I don't care what the Attorney General said because he will probably sign anything you put in front of him.

075 SEN. DUFF: I agree that lottery funds should be used for economic development and we should resist those funds being used to back fill General Fund programs.

100 CO-CHAIR FAWBUSH: Some of us don't like the proposal of funding light rail with lottery funds. If we do act jointly, it is significant. If you feel strongly about some of the places we are going to put these dollars, you had better lock it up early. The later you go with this process, the greater the jeopardy everything on this list will be in. The competing demands toward the end of the session will be too much. Prior agreement is needed.

126 CO-CHAIR BAUM: My fear is that we will do something decent and it will go downstairs late and we will lose a lot of dollars for rural Oregon. If we languor until June 1, what we have done will be lost.

152 REP. MC TEAGUE: The number one problem the lottery process faces is that folks don't appreciate the investments that we have made. I think the lottery has been a way for the state to avoid having to set up other means of funding things like regional strategies and special works. I wonder how much the business or labor communities would be willing to contribute if there was no lottery. Constituency has not been vocal in support of these programs. If we are not going to fund light rail out of lottery we better decide where we are going to get the money. I have no problem with it, it is identifiable as a clear economic development project. We are skeptical that you could pass a 2 cent tax increase on the House side.

191 SEN. HAMBY: I would like to at least try to pass the 2 cent tax before it is rejected.

194 CO-CHAIR FAWBUSH: I agree.

199 REP. KATZ: I want to talk about the JTPA funds and to what extent we can direct those discretionary funds toward workforce and education issues. If that is viable, and it looks like it is, and we can get a commitment from the parties that will make that final decision, then we have a little bit more lee-way

in terms of doing what we want to do now.

221 SEN. JOLIN: I agree with SEN. HAMBY. I do not have a problem with light rail. I can recall in the past that cigarette taxes have always passed in the House with both parties approval. It ought to be attempted.

240 SEN. HAMBY: I shared the idea of a cigarette tax because light rail is a 30 year commitment to the lottery.

248 MOTION: SEN. J. HILL moves to accept the general principles, to focus on programs that have general applicability, that fund projects that are completed within the 2 year cycle and are capital intensive.

258 CO-CHAIR BAUM: Any objection to these principals?

265 SEN. J. HILL: We have tried to live by this principle since we first had the lottery money to deal with. I think it is a good principle to guide ourselves on how to use the money.

287 VOTE: Being no objection the principles above are adopted.

298 SEN. J. HILL: How much was the decline of lottery funds that we have to work with?

310 CORTRIGHT: The best estimate of revenue that we will actually get this biennium is \$103 million.

319 CO-CHAIR FAWBUSH: There are a number of major issues that we are going to have to walk through. In addition to each of the line items, there are some major policy issues. They tend to be grouped within these 4 main areas. There are issue within Regional Strategies and Special Public Works as to how we want those to work, that seem to me to be best handled as a joint committee. I suggest that staff gives us a working list of the major issues, one being how you deal with the ending balance. We also need to decide how the committee wants to deal with other requests not on this sheet. Do you want to hold public hearings for input?

371 SEN. HAMBY: I would like some real critical critiques of the past expenditures.

382 REP. KATZ: I want to be sure we schedule the JTPA people and resolve the issue of our ability to direct funds.

392 REP. BARNES: I would like us not to drop the issue of a cigarette tax.

403 SEN. DUFF: I agree with REP. BARNES. I think we should send a strong message that we support light rail with a cigarette tax.

408 CO-CHAIR FAWBUSH: Let's find out how many people in the committee are

interested in seriously considering the light rail for a cigarette tax and not the lottery. Then we could write a letter to the Leadership expressing the committees feelings on this. How many are interested?

425 Expressing interest: REPRESENTATIVES CARTER, BARNES and PICKARD, SENATORS FAWBUSH, JOLIN, HAMBY, HILL and DUFF.

430 Those opposed: REPRESENTATIVES BAUM and KATZ.

431 Those that are indifferent: REPRESENTATIVE MC TEAGUE.

432 Those excused: REPRESENTATIVE HAYDEN and SENATOR TIMMS.

471 CO-CHAIR FAWBUSH: Next meeting we will get some rules in front of you to decide how this committee should operate jointly. There are 2 options, the requirement of a double majority or a simple majority of the joint committee.

TAPE 63, SIDE B

027 CO-CHAIR BAUM: There is also the video poker option. I want to hold this process up until next week when we have the opportunity to talk about other options for funding light rail.

047 CO-CHAIR BAUM adjourns the meeting at 6:15 p.m.

Submitted by,

Jeri Chase  
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - "1991-93 Lottery Fund Allocation Worksheet," submitted by Co-Chair Wayne Fawbush, pgs. 1.

EXHIBIT B - ODD Proposed lottery allocation 1991-93, submitted by Steve Petersen.