

Senate T&E Committee  
May 13, 1991  
Page  
HB 2249 - PH & WKS  
SB 636 - PH & WKS

SENATE LEGISLATIVE COMMITTEE  
ON TRADE AND ECONOMIC DEVELOPMENT

May 13, 1991Hearing Room 343  
3:00 P.M.State Capitol  
Salem, OR

Tapes 118 - 119  
Oregon Progress Board Continuation  
Benchmarks

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

MEMBERS EXCUSED:

GUEST MEMBERS:REP. RAY BAUM, CHAIR, HOUSE T&E COMMITTEE

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

WITNESSES:DUNCAN WYSE, EXECUTIVE DIRECTOR, OREGON PROGRESS  
                                  BOARD

TIM HOUCHEN, POLICY ANALYST, OREGON PROGRESS BOARD

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 118, SIDE A

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

HB 2249 (Oregon Progress Board Continuation) - Public Hearing and Work Session

007       DUNCAN WYSE: HB 2249 continues the Oregon Progress Board for four more years.

015 MOTION: SEN. JOLIN moves HB 2249 to the Committee on Ways and Means with a Do Pass recommendation.

031 VOTE: Passes, 4-0. Voting AYE: SENATORS DUFF, JOLIN TIMMS, and

FAWBUSH.

EXCUSED: SENATORS HAMBY AND HILL.

SB 636 (Benchmarks) - Public Hearing and Work Session

036 DUNCAN WYSE: As history, we introduced the Benchmarks bill in each House (HB 2813 on the House and SB 636 in the Senate). This bill broadly adopts the Oregon Benchmarks - the categories. The 1989 Legislature, when creating the Oregon Progress Board, directed the Progress Board to present the Benchmarks to the Legislature and also the responsibility for review and modification of the Benchmarks report. We have testified before substantive committees in the House and Senate this Session and requested they review Benchmarks that pertain to them. Their comments and suggestions are included in EXHIBIT A and staff-engrossed into SB 636 in EXHIBIT B. Benchmarks relating to economic development issues have not yet been reviewed; this Committee may want to do that today. Lead benchmarks - those that are particularly important to meet within the next five years - have also not yet been reviewed and I would like your guidance on those.

074 WYSE: Begins overview of SB 636, as recommended for amendment by the Senate substantive committees (EXHIBIT B).

078 CORTRIGHT: Do you have a recommended date for submission of updated reports (EXHIBIT B, Page 1, Line 15)?

080 WYSE: December 30. What we want to do is come to the Legislature every two years with a report card on benchmark accomplishment.

087 WYSE: Continues presentation of EXHIBIT B (Section 3). The change in Line 11 (Page 2) was suggested by the Senate Education Committee in order to discourage "tracking".

108 CHAIR FAWBUSH: What is the concern?

110 WYSE: The idea is to counsel teens that there are other opportunities besides college and encourage them to access those, rather than stating that, at a given age, they should be on either a college or vocational track. Freedom of choice is a value of our education system.

121 SEN. DUFF: Why isn't there a benchmark for increased college graduation rates?

122 WYSE: The Progress Board has concluded that, in terms of production, the average number of college graduates is about right. The course we are taking is that approximately 30 percent of the adult population will be college graduates by 2010. The U.S. has one of the highest rates of higher education graduates in the world. But we are weak in specialized technical training. We are trying to respond to a future trend.

170 SEN. DUFF: In my district there is a fifteen percent increase in students enrolled in college degree transfer programs at the Community College and no increase in vocational enrollment. Is this basically an urban response? This does not match what is happening in my district.

175 WYSE: I don't believe so; this response is to the economy at large.

180 TIM HOUGHEN: You may be seeing the traditional U.S. response - higher skills and training means college graduation. That has been the rule in the U.S., rather than specialized high skill education which is the rule in other countries. In looking at international statistics, the U.S. leads the world in college graduates with Oregon among the states leading the country. The other side is the growing disparity of wealth in the U.S. which matches with what we have seen in income performance of high school drop-outs, high school graduates vs. college graduates. In 20 years we have gone from an industrial nation with the most equitable income distribution to that with the least. We are failing with a whole group (70 percent of the population) and this is an attempt to remedy that by emulating successes in other industrialized countries that meet non-college bound needs.

208 SEN. DUFF: What I see needed in my district - more than technical skills - is entrepreneurship. I think there is a higher relationship between college graduates and entrepreneurship.

214 CHAIR FAWBUSH: You may be talking about different things. We do need entrepreneurship, but this state does not train to high-standard technical levels. This is different than the standard vocational training - which is not necessarily a technical skill. I see an increase in use of community colleges for college entry as a reflection of the high expense of four-year colleges.

233 SEN. DUFF: College level skills are more necessary for a small business owner.

243 WYSE: We could include language regarding entrepreneurial skills.

247 CORTRIGHT: Discussion in the House Trade Committee recognized that it was more traditional in other parts of the world professional-technical training also included training in managerial skills needed to own a business. Their employees are not merely craftspersons; the expectation is that they will start their own business. Managerial skills education in the U.S. currently restricted to four-year colleges.

260 SEN. DUFF: Can we insert a phrase regarding entrepreneurship?

260 WYSE: Yes. Industry groups developed during the Oregon Shines process consistently, sector after sector, told us that lack of specialized training was their biggest obstacle to growth.

270 SEN. TIMMS: We don't do a very good job of educating small business owners in managerial skills.

289 WYSE: Continues presentation of EXHIBIT B - Section 13 (Page 2, Line 26). This suggestion was from the Health/Bioethics Committee.

314 CHAIR FAWBUSH: In reference to the whole bill, how are we prioritizing all of these items?

319 WYSE: What we want to have is a report card that covers most major policy issues facing the state. These are being used by individual agencies for performance indicators and we ultimately plan to use these as a budget tool. That is why there are so broad. At the conclusion of the bill, the lead benchmarks are identified - those that deserve priority attention in the next five years as a way of achieving our strategy.

367 WYSE: Begins review of lead benchmarks on human investment (EXHIBIT B, Section 5).

423 SEN. DUFF: I think it is important to emphasize entrepreneurial skills.

427 WYSE: We will insert "entrepreneurial" after "technical" in Line 5.

435 SEN. HILL: I agree that this is an important issue. The more entrepreneurial we are the more we are going to be able to compete.

TAPE 119, SIDE A

010 WYSE: Begins overview of Quality of Life benchmarks (EXHIBIT B, Page 3, Section 4).

023 SEN. HILL: The new (7) is not just an urban issue. People in areas on the coast are commuting long distances to work because there is no place for them to live there.

062 WYSE: The new (10) should read "Reductions" instead of "Increases".

068 SEN. JOLIN: Returning to (7), I don't believe this language addresses the entire issue of housing availability close to workplace - which is what was proposed.

076 WYSE: I agree. The language about the automobile may need to be removed.

082 SEN. HILL: There are two issues: 1) housing being close to where mass transit operates in order to reduce automobile use to and from work; and 2) just having housing availability near work. This will cut down on the average person's commute time - which is now 45 minutes (one way) for the U.S.

093 WYSE: In the transportation section we do have a benchmark relating to time commuting to and from work, but there is the second issue of proximity of housing to work. I need to revise (7).

103 WYSE: Begins overview of Economy benchmarks included in SB 636 (EXHIBIT B, Page 3, Section 5, Line 31). Also submits Oregon Benchmarks Report (EXHIBIT C). In EXHIBIT B, Page 3, Line 40, (5), insert "manufactured" after "Oregon". The first seven goals are

indications of how we hope the economy will diversify in future. The remaining goals relate to the economic climate that promote that diversification.

147 SEN. DUFF: In EXHIBIT B, on Line 8, insert "and imaging" after "data".

150 WYSE: Continues presentation of Section 5 of EXHIBIT B.

155 WYSE: These benchmarks reflect initial work by the Economic Development Commission and a working group of industry leaders.

169 SEN. DUFF: Preliminary results of a survey in my district indicate that people are very confused about their taxing system. Is that an appropriate thing to put in the benchmarks? People understanding types of tax dollars and what they support?

175 WYSE: We could do that - put it in the public participation section in the economic benchmarks. Do you want a measure of how well citizens understand taxes in general or, on a broader level, government operations? Suggested language: "The percentage of Oregonians that understand fundamental public processes including the tax structure."

185 SEN. TIMMS: The apathy of people is amazing. If there is one thing that citizens should know, it is where their tax dollars go and how their money interfaces with government agencies. I am not sure if you are going to be successful in benchmarks that involves the apathy of people. We are already trying to cover so much. We need to be more concerned with the big picture. It may work to a degree and will be interesting to see how it continues.

216 SEN. HILL: It is a commendable goal. I think if people really understood how the system works that it might help.

225 WYSE: As a measurement it would not be difficult - through surveying. The question is what to do about it once we find out the percentage that do understand.

238 SEN. JOLIN: In doing my after-session legislative reports, I have had very positive comments on "pie charts" delineating where the money is spent and comparisons with those. There are the 33 percent of people who want government reductions that you are never going to change the minds of, but if you can achieve a level of understanding among the majority, their attitudes can change.

264 SEN. HILL: I would also like for citizens to understand that a large percentage of their income goes to the federal government also.

284 WYSE: Begins overview of lead benchmarks for quality of life and economy (Sections 7 and 8 of EXHIBIT B.)

310 SEN. TIMMS: There are tremendous federal restrictions on obtaining a

loan for housing in a rural area  
vs. an urban area.

327 SEN. HILL: It may be more of a problem in rural areas, but because of  
the problems the banking  
industry is suffering it is getting more than way everywhere.

335 WYSE: This was a very predominant theme through the entire state when  
we did regional workshops.

339 WYSE: Continues presentation of Section 7 of EXHIBIT B.

355 SEN. HILL: The language on line 35 (page 4 of EXHIBIT B) sounds like  
you are encouraging people  
to live where there is basic health care services.

356 WYSE: That is not the intent. This language needs revision.

360 SEN. DUFF: It should read: "Increasing the availability of basic  
health care to Oregonians living in  
all geographic areas."

380 WYSE: This is a good example of how these benchmarks are working:  
there were lottery funds to  
address this in the Governor's recommended budget that were identified  
because of its lead benchmark  
status; OHSU has developed an approach to address this issue; we are seeing  
measurable change for  
the positive.

393 SEN. DUFF: There used to be a policy of the federal government and both  
political parties that  
encouraged people to own their own homes. That policy does not seem to  
exist anymore. I think that  
is important. What about that as a goal?

406 CHAIR FAWBUSH: I agree with you, but I don't know how that would work.

412 SEN. HILL: We did have a policy about the importance of housing in this  
country that was very bi-  
partisan. In the last administration it was dropped. That is why it is  
such a big issue - housing was  
excluded from the list. I don't see anything wrong with having that as a  
goal, but the state is assuming  
these responsibilities because housing is not a priority of the federal  
government. There are some  
people who can't find any kind of housing. Until the federal government's  
policies reflect its  
importance, we may never solve this problem.

440 SEN. TIMMS: Housing is a prime example of the very inefficiencies of  
the federal government.

466 WYSE: There are three housing benchmarks in EXHIBIT C - 25 through 27 -  
that captures the  
importance of the housing issues. We chose 26 as the priority area.

487 SEN. HILL: Home ownership is important. Sometimes that is the only  
savings people have during  
their whole lives.

TAPE 118, SIDE B

035 CHAIR FAWBUSH: We need moderate and low income housing - whether it is rental or not. This is the most critical area.

045 WYSE: We will add a benchmark about the percentage of Oregonians who own their own home in with the regular benchmarks.

048 WYSE: Presents lead benchmarks for the economy (EXHIBIT B, Section 8).

058 CHAIR FAWBUSH: Why were workers' compensation rates chosen as a critical benchmarks?

064 WYSE: This is the number one priority of businesses. The Legislature has addressed it and it is more on track now, but the business community wants it to stay in the forefront of everyone's minds.

094 WYSE: Continues presentation of Section 8 of EXHIBIT B.

121 CHAIR FAWBUSH: In reviewing the economic benchmarks (in EXHIBIT C), there are good benchmarks. However, I don't know if I see these good benchmarks translated into Section 8 of EXHIBIT B - the section on economic benchmarks in the bill. I have expressed my bias on (1) and accepted your view on that; I like (2) and (3). I don't believe that (4) - total taxation per capita - is an economic indicator, I see that as a statement of values; very restrictive. Why do you see it as an economic indicator? I believe that the benchmark addressing small business start-ups is a much more key indicator.

143 WYSE: The benchmark on tax rate could be included somewhere else in this bill.

148 CHAIR FAWBUSH: You put it in the economy and left out some of the most valuable economic benchmarks. For example, the percentage of manufactured goods sold outside the U.S., value-added manufacturing. I think there are more positive economic indicators.

157 WYSE: The idea of the lead benchmarks is to define areas of concentrated attention over the next five years. The tax issue, is a big economic issue. If we are at the bottom - comparable to Mississippi's tax levels (the course we are on) - in five years, we are not going have the necessary funds for infrastructure which will be very detrimental to the economic growth of the state.

167 CORTRIGHT: You need a level of taxes to support a level of services; it is these services that are important.

180 WYSE: We could change the language to reflect total government services per capita at roughly the national average. Would that satisfy your concerns?

184 SEN. TIMMS: I like it.

191 SEN. HILL: If per capita refers to per individuals, I think you should be talking about per capita for

both businesses and individuals in order to relate it to services. It is important to know who is carrying the tax burden. It is important to know the level of taxes businesses are carrying also. There is a lot of national evidence of tax shifts in businesses and individuals. Taxes is still one of the considerations of a business location.

223 WYSE: That data is hard to gather because different types of taxes are important to different businesses.

232 CHAIR FAWBUSH: I still do not believe that this is an indicator of economic health.

235 SEN. DUFF: It may be an indicator of the attractiveness of our economy.

239 SEN. HILL: Maybe it should be addressed along the lines of "state national product" - goods and services produced by the state?

243 WYSE: We use per capita income as the key to state national product.

247 CHAIR FAWBUSH: Can't we use the one on per capita income rather than taxation?

248 WYSE: Section 9 (EXHIBIT B) defines long-term key benchmarks that indicate the enduring measures of Oregon's well-being. The earlier lists in Sections 3 through 8 are short-term things that could be resolved and no longer need to be done in five years. The list in Section 9 are the measures that define the long-term. This includes high level of income per capita, economic diversity, exports, etc.

268 CHAIR FAWBUSH: Can we take (4) out unless someone objects.

275 WYSE: The concern is that there is a need for tax overhaul. If we continue at the rate we are going (because of Measure #5), there will be problems in service delivery.

277 CHAIR FAWBUSH: Than you need to change the language to reflect that concern. The current language implies holding the tax rate down. You are trying to say that you want to maintain a taxing effort to keep Oregon growing - commensurate with the need, not below the need.

282 WYSE: I agree. We will change it to that.

285 SEN. JOLIN: I do not understand how these bills relate. We have SB 636 (EXHIBIT B) and HB 2813 (EXHIBIT D). How do these two bills work? When are we going to coordinate these?

298 CORTRIGHT: There are still options to work with these bills. You have the amendments that the House Committee's have made to HB 2813 (EXHIBIT D) so that you can review their suggestions. The House bill is still in the House.

306 CHAIR FAWBUSH: We need to agree on using just one.



310 REP. RAY BAUM: I was just presenting these benchmarks to my caucus.

323 CHAIR FAWBUSH: We need to make a decision on which bill to move.

336 WYSE: We can merge these bills.

340 SEN. TIMMS: I think we should leave the benchmark relating to taxation in SB 636.

376 SEN. HILL: I think we should be talking about maintaining a level of services and getting the most from tax dollars. There is no reason we cannot have a goal of lower taxation, as long as our services remain high. National average language is mediocre.

398 WYSE: We are setting goals in education and quality of life that are well above national average. If we can achieve those goals with a tax rate that is the national average, that will be an exceptional achievement.

410 SEN. DUFF: Dollar per capita is not always the only correct measurement.

418 CORTRIGHT: This benchmark is only important to achieve if the other benchmarks are being achieved.

427 WYSE: That is correct. Again, the reason this is included is because of the concern of the Progress Board about the tax rate we are moving toward and how that tax rate translates into service levels in other states. We cannot build an Oregon economy or quality of life on those tax levels. We may be able to use other language to accomplish this goal.

434 CORTRIGHT: The important point is services. You want to achieve the other objectives while not causing the tax levels to exceed the national average. It is not a free-standing benchmark.

448 SEN. HILL: This benchmark is important. We want people to know that we want a high level of services - quality of life, provide good education, etc. - but we also want to communicate that we are making the most efficient use of tax dollars. I don't know what the language would be, but I want it to include the words "services tied to an efficient use of tax dollars."

485 CORTRIGHT: "Meet other benchmarks and provide a high level of services while maintaining taxation per capita at roughly the national average."

492 CHAIR FAWBUSH: I don't like that either.

TAPE 119, SIDE B

029 SEN. HILL: Maybe we are just assuming that we have to be on the average. We may be able to do better - being more efficient and getting more from our tax dollars.

033 CHAIR FAWBUSH: The problem is you are trying to include two different concepts in one benchmark. You are either asking for a high enough tax level to maintain

services or you are asking  
for efficiency in tax dollars. You can't do both in the same benchmark.

053 WYSE: This benchmark was originally designed to address the problem of Measure #5 by keeping the tax level high enough to provide services. I would tend to agree that the efficiency issue would be a separate benchmark.

069 WYSE: Amend (4) to read: "Tax levels the are competitive and provide a high level of service."

073 CHAIR FAWBUSH: That's fine. Continue with the rest of EXHIBIT B.

076 WYSE: I recommend that you delete Sections 10 and 11. Those sections pertain to continuation of the Oregon Progress Board. That issue has just been addressed with HB 2249.

080 CHAIR FAWBUSH: Okay. We'll delete those sections.

079 CHAIR FAWBUSH: Now we need to review the House Committee's recommendations to this same bill - that was introduced as HB 2813 (EXHIBIT D). Maybe we can reconcile them right now.

087 WYSE: Begins presentation of hand-engrossed amendments to HB 2813 (EXHIBIT D).

096 WYSE: Begins review of Quality of Life benchmarks (Section 4, EXHIBIT D).

134 CHAIR FAWBUSH: The words "multi-use" suggested on Line 13, page 5 (Section 4 of EXHIBIT D) suggests an increase of areas that can all have more than one use. That is not the intent of this benchmark. Change the language on Line 13 as follows: Insert "recreational areas"; delete "multi-use parks and park facilities"; add the word "diverse" before the word "needs".

154 SEN. TIMMS: The suggested change to "multi-use" reflects the concern of many House members about increased lands only available for wilderness.

170 WYSE: Continues presentation of EXHIBIT D.

200 WYSE: Continues presentation of EXHIBIT D. Begins overview of Section 5 (Lead benchmarks for the economy).

205 WYSE: The House Committee wants to add "mining" to line 39 (of page 5). This would be another specific sector that we would report progress on.

226 CHAIR FAWBUSH: Why can't we just say "key industries"?

227 SEN. TIMMS: No one thinks of mining as a key industry.

230 CHAIR FAWBUSH: Let's just do key industries. Mining does not come to that level.

234 SEN. TIMMS: I disagree. This is a very important industry in Oregon.

245 CORTRIGHT: The definition of what constitutes a key industry is left to the discretion of the Economic Development Department. There is no statutory definition.

251 CHAIR FAWBUSH: Never mind the suggested change. Leave "mining" in.

253 WYSE: Continues presentation of EXHIBIT D.

261 SEN. DUFF: I would suggested adding "and public agencies" on the amended line after line 39, on page 5 (EXHIBIT D). The Department of Transportation is working on this.

265 WYSE: Continues presentation of EXHIBIT D.

270 SEN. DUFF: I am concerned that the language of line 40 (page 5 of EXHIBIT D) excludes the importance of raw materials that are being exported.

271 WYSE: It would exclude those as being measured.

277 SEN. TIMMS: Referring to the last amendment (line count 261) about adding "public agencies" to the line about high performance work organizations, I am not sure that we should include government in these benchmarks about economic performance.

278 CHAIR FAWBUSH: I agree. It does not belong there.

280 WYSE: If you think it should be included, we can find a different place for it.

281 SEN. TIMMS: I agree that it is important, but I don't think the economic measurement is appropriate.

283 CHAIR FAWBUSH: He has a good point.

285 SEN. HILL: There is no section in these bills on efficiency in government?

287 WYSE: No. We can add one if you like.

289 WYSE: The reason it has not previously been included is because we were originally determining the results we want from government as a state.

299 CHAIR FAWBUSH: This is not a document to look at how the state is run, but how we want the state to look like in 20 years.

306 SEN. HILL: I think that how the government provides services to the people is part of how life is. People are paying taxes and they don't know what they are getting. I just want a statement about having a more efficient government.

321 WYSE: Under Quality of Life (Section 4 of EXHIBIT D), we will insert one to the effect of "measures that relate to improving the efficiency of government.

338 CHAIR FAWBUSH: I don't believe that it fits, but go ahead and include it.

345 WYSE: Continues presentation of EXHIBIT C.

353 MOTION: CHAIR FAWBUSH MOVES to adopt all changes made/agreed upon by the Committee to SB 636 (including the suggested revisions, as amended, to HB 281 3) and that all of these amendments be incorporated into an amended version of SB 636.

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

390 CHAIR FAWBUSH adjourns the meeting at 5:08 p.m.

Submitted by,

Jeri Chase  
Office Manager

EXHIBIT SUMMARY

EXHIBIT A -Letters summarizing Senate Committee's suggestions to SB 636, submitted by Duncan Wyse, 12 pages

EXHIBIT B -Staff-engrossed version of SB 636, submitted by Duncan Wyse, 5 pages

EXHIBIT C - Oregon Benchmarks, submitted by Duncan Wyse, 74 pages

EXHIBIT D - Staff-engrossed version of HB 2813, submitted by Duncan Wyse, 5 pages