



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 120, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:27 p.m.

SB 273 (Covered Bridges) - Public Hearing and Work Session

010 SEN. MAE YIH: Testifies in favor of SB 273.

022 MOTION: SEN. HAMBY MOVES the adoption of the Proposed -A4 Amendments to SB 273.

026 VOTE: There being no objection the -A4 Amendments are adopted.

027 MOTION: CHAIR FAWBUSH MOVES SB 273, as amended above, to the Committee on Ways and Means.

VOTE: Passes, 4-0. Voting AYE: SENATORS DUFF, HAMBY, JOLIN, and FAWBUSH.

EXCUSED: SENATORS J. HILL and TIMMS.

SB 729 (Enterprise Zones) - Public Hearing

040 SEN. YIH: Presents testimony in support of SB 729 (EXHIBIT A). Submits Proposed -2 Amendments to SB 729 (EXHIBIT B) and hand-engrossed version of SB 729 (EXHIBIT C).

100 GENE JOHNSTON: Presents testimony in support of SB 729 (EXHIBIT D).

175 SEN. JOLIN: Was your example a hypothetical situation or do you know of real situations like you described?

183 JOHNSTON: The precertification example described in page 2 of EXHIBIT D was an actual situation where the project was started.

194 DAVID SWARTZLENDER: I support SB 729.

199 SEN. HAMBY: In the current law, an employee who works more than 32 hours per week is considered full-time. Do you know of any employers who worked their employees less than 40 hours per week in an attempt to sidestep the statute?

208 SWARTZLENDER: The law intends actual employee (person) count. Not an addition of total hours worked by all and then divided by 32.

215 SEN. HAMBY: But, it does not allow you to count seasonal or temporary employees.

230 CHAIR FAWBUSH: How many firms have qualified under the enterprise zone

in Albany?

233 SWARTZLENDER: Twelve; ten existing businesses and two new ones.

235 CHAIR FAWBUSH: How long have they been in - are they about out of exemption status?

237 JOHNSTON: It is varied.

240 CHAIR FAWBUSH: How do you track how many employees businesses currently have now so you know whether or not they qualify?

244 JOHNSTON: There is not currently any good way to do that. That is why we want this bill passed - so we can get employment status reports in case of abuse. We have had to disqualify two on the basis of employment. We have requested employment information on a voluntary basis - we asked ten firms and nine responded.

257 CHAIR FAWBUSH: You have disqualified two businesses?

258 JOHNSTON: Yes.

259 CHAIR FAWBUSH: Did they appeal that?

261 JOHNSTON: Not yet. They still have that right.

262 SEN. DUFF: I am concerned about a food processing facility in an Enterprise Zone that hires seasonal labor and contributes to the employment in an area. In this case that employment would not be counted, right?

270 JOHNSTON: If they work four months, they could be counted as 1/3 of a full time employee.

282 SEN. DUFF: Is this on a fiscal year basis?

285 JOHNSTON: Yes.

286 SEN. YIH: We are asking for annual average employees. If we have a month-by-month report that exceeds 10 percent of the base after being annually averaged, this would still qualify.

291 SWARTZLENDER: It is more difficult for food processing firms to qualify because of the qualifications of seasonal and they do hire a lot of people that do not work 32 hours per week on average throughout a whole month. It is possible though. We have two food processing firms in our county that both qualify because they have enough permanent full-time employees.

309 MILLER: Isn't there a penalty for firms that have not met the employment requirements at the end of the three-year period?

318 SWARTZLENDER: There is. They have to pay back the taxes for a given

year and a 20% penalty.

332 MILLER: Does the law allow you to collect all the taxes that haven't been paid plus the penalty?

335 SWARTZLENDER: Yes.

337 MILLER: There were provisions written into the statute last session to add flexibility for firms who were expanding or for firms suffering an employment loss. Does your bill address that?

348 SWARTZLENDER: Our proposed amendments do not affect that.

354 SEN. DUFF: How do you establish the base employment level - currently?

356 JOHNSTON: A new firm only needs to hire one person. For existing firms it isn't spelled out in the law and is interpreted differently all over. That is what we are proposing with this bill so that when a business firm pre-certifies they will figure out their base and then would need to increase it 10 percent and maintain that level. We are just asking that be maintained.

420 TOM NEILSEN: Presents written testimony against SB 729 (EXHIBIT E).

TAPE 121, SIDE A

030 TOM NEILSEN: Continues to present EXHIBIT E.

077 CHAIR FAWBUSH: You are precertified now? Have you built yet? What was your projected employment base and what are your current levels?

080 NEILSEN: We were precertified in April 1990. We have completed our expansion - as of January of this year. Our projected employment was 110 - our average was 100 on the precertified yearly average base and our current employment is 99.

084 CHAIR FAWBUSH: What is your perception of how employment is now reviewed - under the existing program?

086 NEILSEN: We have submitted a precertified number and they will assess that number on March of 1992. If we are 10 percent higher then, we qualify; if we are not 10 percent higher, don't. That is how we read it.

091 CHAIR FAWBUSH: ORS 280-285 (sub 6) states that "the assessor shall at all times be authorized to demand and receive reports by registered or certified mail from owners or leasees of the use of the qualified property. If the owner or lessee shall fail, after 90 days notice in writing by certified mail, to comply with such demand, the assessor may immediately remove the exemption, give written notice of such removal to the department and the owners or leasees of the qualified, and apply the penalties provided in the section." How much leeway do we have?

102 NEILSEN: Currently, at the reassessment period, we have to be at 110 percent; during the period the requirement is to remain at 100 percent.

106 CHAIR FAWBUSH: What happens if you do not meet those?

108 NEILSEN: Under current provision, you would not qualify.

109 SEN. HAMBY: What is your property tax exemption?

110 NEILSEN: The incremental increased value we have added in the project.

116 SEN. TIMMS: We remodeled the program so that more could participate.

122 NEILSEN: The most restricted thing that changed was the people that you could hire. Now 50% of the people you hire have to be within the urban growth boundary of the community that the business is in. This program, as revised in 1989, does seem to be working.

140 VICKI GOODMAN: Presents written testimony in opposition to SB 729 (EXHIBIT F). Tillamook County has not had to disqualify a firm.

198 MILLER: How often do you check the employment levels of the firms? Do you have any trouble verifying that information?

202 GOODMAN: We have one business that began construction under old rules - before precertification necessary - and it has been a challenge to identify when to start the counting. It isn't a problem, we are just working on it.

216 MILLER; How often do you get reports from the firms? Do you get employment information in those reports?

218 GOODMAN: I don't get reports from the firms. Once the project qualifies I just make sure the forms are filed and the businesses report back to me. These forms - application and precertification - include space to fill in "numbers of employees" information. This form is filled in the first year. It is the assessor's responsibility to check on them. To start the exemption process, a form is filed. Once that is filed, unless the assessor has a reason to believe employment has dropped, there will be no future check. Our program has worked very well since 1987.

292 SEN. DUFF: How many new employees have the ten firms in your area added since enterprise zone inception?

293 GOODMAN: They have increased their required employment by 10 percent or more. One firm started out with 20 employees and now has over 100.

300 MILLER: At the end of three years, is a report filed or any check made that over the three-year period

the firm kept employment levels as required?

306 GOODMAN: We are just approaching the end of the third year for the very first business. I cannot answer that.

317 CHAIR FAWBUSH: The question for the Employment Division is if the information, such as unemployment filings, can be shared or if it is confidential.

320 TOM LYNCH: The provisions of SB 729 would require employers to supply (to county tax assessors) copies of quarterly employment and tax report that is submitted to the Employment Division. This would not cause problems under our laws. If it is sent by the employer, it does not create a problem. If the Employment Division was requested to supply the information, current Oregon statute would not allow for that. Our recommendation to this bill is that the reference to the quarterly tax report be changed to the actual title, "The Oregon Quarterly Combined Tax Report".

341 SEN. DUFF: Have you detected an increase in employment due to enterprise zones?

348 LYNCH: We do supply the monthly employment levels to EDD if it is used for program follow-up - the problem in statute has to do with acting in an enforcement function.

358 SEN. DUFF: Have you seen an increase in employment because of enterprise zones?

359 LYNCH: I cannot answer that. You would have to ask EDD.

368 ALAN HOMER: Testifies in opposition of SB 729. We were in the program before precertification requirements (prior to 1989). We invested \$30 million and have increased our employment by over 300 persons. This enterprise zone exemption was a significant factor in our decision to expand. I have questions about these revisions to the program for several reasons. They are asking for a quarterly tax report which we don't always get in a timely manner. We have not yet received one for this quarter of 1991. The summary data report wouldn't help the county assessor answer employment increase questions. If the Marion County Assessor wants to request it, he can review our records at any time.

427 SEN. TIMMS: When did you start participation?

448 HOMER: In 1988 with a \$30 million expansion. We have participated since then, and we could comply with this bill but it would be very difficult and probably not within the timeframe stipulated.

454 SEN. DUFF: At a minimum you would need to set your own flexible fiscal year.

462 MILLER: What is also included in the quarterly unemployment insurance report?

465 HOMER: Mostly total wages and salaries, tax, interest/penalties, the timeframe, and a 50-page report of employee names, social security numbers, and taxes withheld. I do not believe that this would answer all of the assessors' questions.

490 CHAIR FAWBUSH: How would you respond to an assessors' question about this under the current program?

TAPE 120, SIDE B

030 HOMER: We would not use the quarterly tax report. In our company, we have a weekly print-out of employees from our payroll company plus personnel department records.

036 JOHNSTON: The reports we are requesting are for cross referencing purposes for a month-by-month count. We would not disqualify anyone by using just the report. It is to see if there is any basis for checking.

049 SWARTZLENDER: Every business keeps different records. Using this common report serves as a starting point for us to use.

058 CHAIR FAWBUSH: On what basis did you disqualify the businesses that you have disqualified so far?

059 JOHNSTON: One firm just told us they should not have been qualified - they have never employed a single additional person. For the other firm, we started out with employment information but disqualification came about because they sold the business which is automatic disqualification. We would never have had any idea about that one if we hadn't asked for their employment information. Currently, with businesses applying only once in three years, our enterprise zone is running perfectly because no one ever checks to see if it is not.

073 CHAIR FAWBUSH: So there is a one-year automatic check, but any other verification is up to the county assessor and is totally discretionary? Under the statutes you have the authority to request any information you need and they can be automatically disqualified if they do not supply that information?

079 SWARTZLENDER: We have received a legal opinion that states that does not carry over to employment information - it is only in terms of the use of the property. We can only obtain information on the actual use of the property, not employment information.

082 CHAIR FAWBUSH: Where is this legal opinion from?

087 HOMER: In Section 284.275 it states that they could ask for employment data and use that in the first year.

095 JOHNSTON: That only refers to the first year and that the Department of Revenue could request it; we could not. The 1989 legislation changed duties from the Department of Revenue to the Assessor's Offices, but the authority was not correspondingly changed.

106 CHAIR FAWBUSH: I don't understand; the language reads: "The Assessor shall at all times be authorized to demand and receive reports of the use of the qualified property." That limits you to where you cannot get employment data?

108 JOHNSTON: That is what we have been told.

124 CHAIR FAWBUSH: This may be a legitimate concern. We need to try to allow for the job to be done in the least offensive way possible. One suggestion may be to add the ability to ask for employment data.

133 SEN. TIMMS: This program could have trouble in the Legislature. We need proper accountability.

146 SWARTZLENDER: This isn't a case of government intervention, this is the business asking the government for thousands of dollars off of their taxes.

158 HOMER: In Linn County there are 12 companies certified. I would think they could cover these quickly. We have tried to work with the Revenue Department and the County Assessor's Office.

174 SEN. TIMMS: We had very few people applying for it until last year. This program is starting to escalate.

196 LYNN YOUNGBAR: EDD is neutral on the bill. It does raise some legitimate issues that we are not assured this bill contains the right way to address. The main concern is the requirement to submit UI forms monthly to verify employment and we don't think that will accomplish the job either. UI forms report number of employees - the definition of that is different than that of enterprize zone requirements. Another concern is that the unemployment insurance reports are very confidential. Additionally, we have concern is that this is the third change in the program. We keep changing the rules in the middle of the game. We are not sure this is a widespread abuse problem. There are 84 companies participating in the Enterprize Zone Programs. In their precertification agreements, they have created 3,281 jobs.

242 CHAIR FAWBUSH: How many of those jobs do we know for certain were created?

243 JANET HILLOCK: The Department of Revenue prepares a report that they have worked on with the County Assessors. I am unclear where those actual jobs created numbers are from.



250 JIM KINNEY: I don't have the information with me. We can get it.

258 CHAIR FAWBUSH: How do you collect that information? How frequently?

260 KINNEY: We collect the information annually from reports from the companies and zone managers.

268 HILLOCK: The Department of Revenue collects the information on employment numbers from the applications. The companies are required to file once to claim a three year exemption. To get the information during the second and third years, it would be the responsibility of the companies to notify their assessor if they experience employment curtailment.

288 LYNCH: The quarterly tax reports are sent to the Revenue Department first and then processed through there and they are sent to the Employment Division.

296 CHAIR FAWBUSH: So the Department of Revenue has the capability on a quarterly basis to monitor all firms in the enterprise zones for the number of employees?

299 LYNCH: Yes.

301 CHAIR FAWBUSH: If the Department of Revenue receives these, why can't they collect the data?

303 KINNEY: What is furnished to the Department of Revenue is not for the property tax program; it is for the corporate income tax programs.

306 CHAIR FAWBUSH: Is it an accurate count on the number of employees?

308 KINNEY: I don't know. It is not used for that purpose.

310 LYNCH: When MR. HOMER testified he referenced two different reports the company is required to fill out for the Revenue Department and the Employment Division. One is a summary report showing total payroll and monthly employment for the quarter. The second report is the individual payroll records of individual employees. That report is required to compute unemployment benefits.

324 CHAIR FAWBUSH: If you knew which enterprises were in an enterprise zone, would it be that difficult for you or Revenue to pick that information out?

328 LYNCH: That information could be provided to the Economic Development Department if they were in a monitoring and a planning mode. If the information was turned over to a property tax appraiser to use for an enforcement function, that would not be allowed.

334 CHAIR FAWBUSH: You couldn't do it as a data collection step and turn it over to the Department?

335 LYNCH: Yes, we could provide that. It is the intended use of the information that is the problem.

If it is going to be used in a negative manner, we would be in trouble. If it was simply a report, that would be allowed.

354 SEN. TIMMS: Is that restriction in statute? Could the statute be changed?

356 CHAIR FAWBUSH: I think it could be a real problem to get involved in the use of these records for that purpose.

366 CHAIR FAWBUSH: Does this honor system raise any concerns? I am interested in arranging for a reporting process that is reasonable and with a minimum hassle.

383 KINNEY: In the existing statutes if the qualifying business firm is not using the property as intended or they curtail employment, they are subject to payment of back taxes.

390 CHAIR FAWBUSH: The problem is how to find that out.

391 KINNEY: If they do it without qualifying they are also subject to a 20 percent penalty. The way you would find it out is if the assessor believes the company is not qualified they can demand, under the section that was quoted, for the information to find out if the property still qualifies. I believe that information could be requested.

408 CHAIR FAWBUSH: Is there a legal opinion that is contrary to that?

410 KINNEY: Not that I know of. Prior to the 1989 session, the law required an annual filing with the number of employees each year. This was a very complicated program with a lot of administrative costs. We worked hard to simplify it. I believe the safeguards are included that are necessary. The assessors association opposes an annual filing and I believe that the current law is working.

426 CHAIR FAWBUSH: I want to assure that they have the flexibility to get at these records. That is my understanding and, if that is the case, that should be good enough. If that is not the case, we will review this again.

SB 701 (Partners for Human Investment Board) - Public Hearing and Work Session

465 MILLER: Overviews Staff Measure Summary on SB 701 (EXHIBIT G).

478 MILLER: Overviews Proposed -1 Amendments to SB 701 (EXHIBIT H) and hand-engrossed version of SB 701 as amended by the -1 Amendments (EXHIBIT I). These amendments would stipulate that the Human Investment Board would be created inside the Oregon Progress Board.

485 CHAIR FAWBUSH: And the Progress Board would absorb the costs of this Human Investment Board?

496 DUNCAN WYSE: We need to discuss that.

TAPE 121, SIDE B

030 REP. STEIN: We are unclear about the costs. This bill needs to go to the Committee on Ways and Means for that discussion.

036 SEN. DUFF: How does this relate to the Workforce Council?

038 REP. STEIN: There is no direct relationship.

046 MOTION: CHAIR FAWBUSH MOVES the adoption of the proposed -1 amendments to SB 701 .

050 SEN. TIMMS: I am nervous about including human investment in with the Oregon Progress Board. What you're asking we should all be interested in. I originally questioned the Progress Board, but they have done a good job. I don't believe we should add another board to that.

061 REP. STEIN: The Oregon Progress Board is involved in implementing three different sets of benchmarks - 1) diverse economy; 2) quality of life; 3) exceptional people.

These past two years, they have worked hard on the exceptional people area. The work that I did with the Social Services Planning Task Force in developing a human investment strategy is about to be adopted by the Progress Board as a method for implementing the exceptional people benchmarks. The Progress Board now will probably now invest most of its energy into quality of life and diverse economy. A mechanism is needed to continue the work of implementing the exceptional people strategy. The Partners for Human Investment is almost like a subcommittee to implement that strategy.

079 SEN. TIMMS: That is what I disagree with. Each legislator could come in with their own area and try to get a special board for that issue. I believe this is a fracturing the Progress Board into different areas.

086 WYSE: The Oregon Progress Board had two big projects last year - the creation of the benchmarks and a series of reviews on what we need to do differently to connect educational and social service system. We are drafting a document as a result of that work called the Human Investment Partnership. This is a broad strategy for linking these services together and the change in systems. This is a comprehensive strategy. We need a way to get out to Oregonians and discuss these proposed changes. The Progress Board could not do this. The Human Investment Board would perform these outreach functions.

125 MOTION: SEN DUFF MOVES the adoption of Proposed -1 Amendments to SB 701 .

VOTE: SEN. JOLIN and SEN. TIMMS object.

127 CHAIR FAWBUSH MOVES SB 701 to the Committee on Ways and Means (unamended).

VOTE: There being no objections, SB 701 is moved to the Committee on Ways and Means with a Do Pass recommendation.

SB 932 (Flexible Space Building Program) - Public Hearing and Work Session

150 SEN. SCOTT DUFF: I would like your support for SB 932. In Milton-Freewater there is a warehouse that has been empty for a long time. The community would like to develop that warehouse. Through Community Initiatives and Regional Strategies an association has formed in Umatilla County to promote value-added agricultural products. They are looking for a space within a facility that they could use cooperatively. The opportunity exists. It is estimated it would cost about \$500,000 for 36,000 s.f. The Federal EDA has put \$417,000 in for the project and there is a potential of \$100,000 from Regional Strategies. SB 932 would allow ports to lend money to develop flexible manufacturing spaces. That is what this project would do. Utilize a space that is currently unoccupied and allow the space to be developed and improved and business to flourish.

177 CHAIR FAWBUSH: Why can't we do this now?

176 PAGET ENGEN: This bill is one of OPPA's four priority bills for this session. It was developed jointly with the Ports Division and is part of the Oregon Port Planning and Development Advisory Committee recommendations in its 1989 report. The purpose of the bill is to allow ports to develop flexible manufacturing space in areas where space is not available. This would generally be the rural areas. It sets up a separate category of authorization to do projects in support of local business development. Ten ports operate industrial parks and have identified this as a deterrent to business siting. They need buildings ready for occupancy - serviced, zoned, modernized, properly located, and capable of modification to suit the space needs of small manufacturers. There is some risk involved in these buildings' development and it takes time to market them and that is the reason for the bill. The bill asks that the PRLF is modified so that the EDC is authorized to allow ports to borrow money that money will not begin to accrue on for up to three years or until the building is 25 percent occupied. Submits EXHIBIT J. Section 3 (dealing with lottery appropriation) will need to be deleted.

215 CHAIR FAWBUSH: If we delete Section 3, has there been discussion among the ports about using existing generated revenues to do this?

223 ENGEN: Yes. But we cannot guarantee we would do it this biennium, we want the opportunity in statute to do it. The PRLF will be tight this biennium and we will have to choose among projects. The EDC will have to make judgements about the value of a flex space project versus another proposed project.

232 ENGEN: Section 4 suggests a limit of \$500,000. Projects will be from 5,000 square feet and up. The average should be 6,000 - 7,000 square feet. Construction costs are \$20 - \$25 per square foot. We believe that most projects will be in the \$120,000 - \$150,000 range.

243 CHAIR FAWBUSH: Current statute is a delayed interest payment; you are asking for a waiver on interest payments until the building gets going or for three years. Plus the authorization within the PRLF to finance these kinds of things. How many of these are out there in different ports that might be eligible for this?

249 ENGEN: Probably three or four - eight or ten ports are interested in this.

252 CHAIR FAWBUSH: Are there any examples of flexible manufacturing space that has worked in this state? I don't know of any.

255 ENGEN: A lot depends of how it is defined. There are a lot of private ones in the Wilsonville area.

260 KEN ARMSTRONG: The best example would be a 136,000 square foot mill in Columbia City. That is where the Port of St. Helens has its offices. It was formerly a forest products mill. We have 93 total acres on that site. We have about 5 or 6 tenants there using covered space for manufacturing purposes. This has created some jobs. That is a flexible manufacturing space type of operation.

285 CHAIR FAWBUSH: What is EDD's position on this?

289 DAVID LOHMAN: We are in favor of this bill, but it is a close call. I have been convinced that there is a need for this type of space. A successful example of this is the Diamond Fruit Complex in Hood River. The only problem is that the funds in the PRLF will be short this year.

310 CHAIR FAWBUSH: We could delete the section with the allocation and send it to the Senate Floor. What does the committee want to do?

315 SEN DUFF: I would recommend that we delete Section 3 and insert \$500,000 in line 5 (on page 3) - the expenditure limitation.

330 CHAIR FAWBUSH: If we include an expenditure limitation, this bill will have to be referred to the Committee on Ways and Means. If were to delete Sections 3 and 4, and send

this directly to the Senate Floor, just amending the statutes governing the PRLF to give you the ability to do this and the cancellation of the first three years interest. The Department would then have the ability to consider the applications. It would be my recommendation.

344 LOHMAN: For the record, we probably aren't going to loan more than \$500,000 this biennium and maybe not even that - maybe only one or two projects. This may be appropriate for review next session.

349 MOTION: CHAIR FAWBUSH MOVES that Sections 3 and 4 be deleted.

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

356 MOTION: CHAIR FAWBUSH MOVES SB 932, as amended above, to the Senate Floor - recommends that the subsequent referral to the Committee on Ways and Means be rescinded.

362 VOTE: Passes 4-0. Voting AYE: SENATORS DUFF, JOLIN, TIMMS, and FAWBUSH.  
EXCUSED: SENATORS HAMBY and HILL

369 CHAIR FAWBUSH adjourns the meeting at 5:19 p.m.

Submitted by,

Jeri Chase  
Office Manager

#### EXHIBIT SUMMARY

EXHIBIT A -Written testimony on SB 729, submitted by Sen. Mae Yih, 2 pages

EXHIBIT B -Proposed -2 Amendments to SB 729, submitted by Sen. Mae Yih, 2 pages

EXHIBIT C -Hand-engrossed version of SB 729 including Proposed -2 Amendments, submitted by Sen. Mae Yih, 4 pages

EXHIBIT D -Written testimony on SB 729, submitted by Gene Johnston, 4 pages

EXHIBIT E -Written testimony on SB 729, submitted by Tom Neilsen, 3 pages

EXHIBIT F -Written testimony on SB 729, submitted by Vicki Goodman, 2 pages

EXHIBIT G -Staff Measure Summary on SB 701, submitted by Tami Miller, 1 page

EXHIBIT H -Proposed -1 Amendments to SB 701, submitted by Rep. Bev Stein, 1 page

EXHIBIT I -Hand-engrossed version of SB 701 included Proposed -1 Amendments, submitted by Rep. Bev Stein, 1 page

EXHIBIT J -OPPA testimony on SB 932, submitted by Paget Engen, 2 pages