

HOUSE COMMITTEE ON

• **TRADE AND ECONOMIC DEVELOPMENT**

February 21, 2005 Hearing Room 343

8:30 A.M.am Tapes 28 - 29

MEMBERS PRESENT: Rep. John Lim, Chair

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Chuck Riley

MEMBERS EXCUSED: Rep. Donna Nelson

MEMBER EXCUSED:

STAFF PRESENT: Jim Stembridge, Committee Administrator

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

Business and Investment Issues – Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE	Speaker	Comments
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TAPE 28 Tape, A

001	Chair Lim	Opens the meeting at 8:32 a.m. OOpens an informational meeting on Business and Investment Issues.
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Business and Investment Issues – Informational Meeting

008	Gary Cardwell	Chair, Governor's Small Business Council (GSBC). Submits copies of the Small Business Issues PowerPoint presentation (EXHIBIT A).
010	Cardwell	Explains the creation and purpose of GSBC (EXHIBIT A, Pages 2 – 3).
045	Cardwell	Reviews membership criteria, including definition of a small business in the Oregon Revised Statutes and what small businesses are members of GSBC (EXHIBIT A, Pages 4 – 6).
070	Cardwell	Gives an overview of the GSBC 2004 Action Plan and identifies key issues of concern for the GSBC and small business owners throughout Oregon (EXHIBIT A, Pages 7 – 11).
085	Cardwell	States that the costs of health insurance and workers' compensation are "running away" and small businesses have to absorb the cost the increase costs of employee health insurance.
120	Cardwell	Speaks to the difficulties that small businesses are having accessing critical resources such as human resources and capital resources.
147	Ron Fox	

Business Development Division Manager, Oregon Economic and Community Development Department (OECDD). Explains effort to combat difficulties small businesses have in attaining access to capital.

180	Fox	Gives an overview of the 4 principle small business finance programs operated by OECDD.
222	Rep. Dallum	States interest in knowing the small business loan default rate after forbearance.
233	Rep. Bruun	Asks how many small businesses participate and how rigorous the qualifying process is for these financial plans.
243	Fox	States that there are hundreds and hundreds of businesses who have participated in the financial programs, but much more detailed information will be provided to the committee during a future meeting.
247	Cardwell	States that there has been a very minimal default rate of loans made by OECDD and that, based on 2004 calculations, for every dollar loaned there has been seven returned to the state.
251	Fox	Speaks to the amount of taxes that small businesses pay, particularly capital gains tax and suggests developing a tax incentive to encourage businesses to start-up and move or expand in Oregon.
272	Rep. Bruun	Verifies that a tax deferral is an idea that is being considered to help offset the initial costs associated with starting a small business.
280	Cardwell	Explains the difficulties that small businesses have gaining access to international and domestic markets because of the high costs of marketing plans.
293	Cardwell	Speaks to the need to develop and maintain multi-modal transportation infrastructure.
321	Cardwell	Discusses the GSBC Legislative agenda (EXHIBIT A, Page 12).
404	Rep. Dallum	

Asks what would be considered a reasonable amount of time to wait for a permit.

TAPE 29, A

001	Cardwell	Answers that thirty days is a reasonable amount of time for the permit process.
021	Cardwell	Submits and summarizes the Oregon Small Business Issues report to The Governor (EXHIBIT B) .
032	Rep. Dallum	Asks if community colleges could be of support to the small business community by teaching employees job specific skills such as a welding or computer or teaching sustainability.
038	Fox	Summarizes the various statewide programs that provide job specific training programs.
071	Rep. Dallum	Asks what the relationship is with community colleges, specifically whether or not the state provides an apparatus for the owner of a small business to go and find employees with a specific skill set.
079	Fox	Explains that there is a system built around WorkSource Oregon, which includes Oregon Employment Department, OECDD, community colleges, and other workforce assistance providers.
100	Chair Lim	Asks why Oregon has more small businesses and how many more in comparison to the rest of the nation.
104	Fox	Explains that on a per capita basis 74 percent of all Oregon businesses are small businesses.
138	Cardwell	Adds that the high number of small businesses can largely be attributed to Oregon's agricultural industry and high number of small family farms.
162	Chair Lim	Asks if it a prudent policy decision to encourage more large businesses because they pay higher wages and employ more people.
171	Fox	

Explains why there is a need to support both the large firms and small firms.

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| 188 | Cardwell | Adds that there is a lot of opportunity for large business in Oregon, particularly importer businesses such as Wal-Mart or Home Depot, but they must be strategically located with the exporters so as to maximize the economic value to Oregon. |
| 214 | Chair Lim | Asks how to build an economy in Oregon that is stronger, more stable, and sustainable, and would prevent Oregon from being one of the hardest hit during an economic downturn or recession. |
| 230 | Fox | Explains why “the key” to building a strong economy in Oregon is the manufacturing industry. |
| 268 | Victoria Pruitt | Marketing Development Manager, OECDD. Speaks to small business versus large business. |
| 310 | Wayne Embree | Managing Partner, Cascadia Partners, LCC. Submits copies of an Overview of Startup Financing PowerPoint presentation (EXHIBIT C). |
| 341 | Embree | Explains why Cascadia Partners, LLC invests in early stage startup companies in the Northwest, primarily research institutions and corporate labs (EXHIBIT C, Pages 3 – 4). |
| 373 | Embree | Explains where capital startups seek financing and what the most common form of financing is (EXHIBIT C, Pages 5 -7). |
| 411 | Rep. Buckley | Asks for explanation of why capital gains tax reduction is the best incentive for startup investment as opposed to another incentive tax that would go towards founders, families, and friends, who are responsible for majority of financing startups. |

TAPE 28, B

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| 004 | Embree | Explains how when businesses are structured correctly family, friends, and individuals will get the capital gains advantages. |
| 019 | Chair Lim | Asks whys so many small businesses fail. |

023	Embree	Explains the most reasons that businesses fail or close.
037	Embree	Explains the stages of development of new businesses and capital startups (EXHIBIT C, Pages 8 - 9).
061	Embree	Addresses what equity investors are seeking when then invest in a startup (EXHIBIT C, Pages 10 – 13).
077	Embree	States that Cascadia Partners, LLC consider “The Five M’s” when they are looking at a potential investment.
106	Embree	Compares the amount of Oregon capital venture investments with capital venture investments nationally (EXHIBIT C, Pages 14 -18).
121	Embree	Explains why institutional investors are putting more money into fewer funds, which prevents them from putting money into small companies or seed-stage investments.
160	Rep. Buckley	Asks for clarification that if a wholesale company wanted to start today, they would not have access to the same amount or kind of capital money that they would have in the mid-1980.
170	Embree	Explains why they would not have access to the same money.
180	Embree	Gives several suggestions as to how to increase small business investment in Oregon.
190	Chair Lim	Closes the informational meeting on Business and Investment Issues. Adjourns the meeting at 9:42 a.m.

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EXHIBIT SUMMARY

- A. **Business and Investment Issues, Small Business Issues PowerPoint Presentation , Gary Cardwell, 13 pp**
- B. **Business and Investment Issues, Oregon Small Business Issues Report, Gary Cardwell, 11 pp**

- C. Business and Investment Issues, Overview of Startup Financing PowerPoint presentation, Wayne Embree, 18 pp**