

**HOUSE COMMITTEE ON**  
**TRADE AND ECONOMIC DEVELOPMENT**

**March 7, 2005 Hearing Room 343**

**8:30 A.M. Tapes 37 - 38**

**MEMBERS PRESENT:**           **Rep. Rep. John Lim, Chair**

**Rep. Rep. Scott Bruun, Vice-Chair**

**Rep. Rep. Jeff Merkley, Vice-Chair**

**Rep. Peter Buckley**

**Rep. John Dallum**

**Rep. Donna Nelson**

**Rep. Chuck Riley**

**STAFF PRESENT:**           **Jim Stembridge, Committee Administrator**

**Erin Seiler, Committee Assistant**

**MEASURES/ISSUES HEARD:**

**Introduction of Legislative Drafts – Work Session**

**Business Finance – 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.**

<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
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## TAPE 37, A

002            Chair Lim            Opens the meeting at 8:34 a.m. Opens a work session for the introduction of legislative drafts.

### **INTRODUCTION OF LEGISLATIVE DRAFTS – WORK SESSION**

021            Jim Stembridge            Committee Administrator. Submits and summarizes Legislative Drafts for Consideration for Sponsoring as Committee Measure report **(EXHIBIT A)**.

030            Rep. Nelson            Asks which legislative drafts will have fiscal impacts.

034            Stembridge            Points out that fiscal impact statements have not been done, but LC 1575 and LC 1848 will have fiscal impacts **(EXHIBIT A, Page 1)**.

060            Rep. Nelson            In relation to LC 1848, asks if the one percent lottery allocation would apply to terrorism and fire-fighting activities **(EXHIBIT A, Page 1)**.

065            Chair Lim            States that there will be time for discussing each bill and the related fiscal concerns.

074            Stembridge            Confirms that LC 3032 and LC 3441 will also have fiscal impacts **(EXHIBIT A, Page 1)**.

103            Rep. Nelson            Asks why LC 3441 would be funded with state General Funds, not money from the Economic Development Department **(EXHIBIT A, Page 1)**.

121            Rep. Bruun            **MOTION: Moves the following list of LC drafts: BE INTRODUCED as committee bills.**

**LC 871 (EXHIBIT B)**

**LC 1575 (EXHIBIT C)**

**LC 1848 (EXHIBIT D)**

**LC 3032 (EXHIBIT E)**

**LC 3050 (EXHIBIT F)**

**LC 3441 (EXHIBIT G)**

137 Rep. Nelson States she will vote in favor of adopting all of the legislative drafts as committee bills, but that she does not support LC 3032 or LC 3441.

140 **VOTE: 7-0-0**

**Chair Lim Hearing no objection, declares the motion CARRIED.**

144 Chair Lim Closes the work session on the introduction of legislative drafts.  
Opens an informational meeting on Business Finance.

### **BUSINESS FINANCE – INFORMATIONAL MEETING**

155 Ron Fox Business Development Division Manager, Oregon Economic and Community Development Department (OECDD). Submits Business Finance Programs PowerPoint presentation (**EXHIBIT H**).

168 Victoria Pruett Market Development Manager, OECDD. Identifies OECDD business finance strategies.

192 Pruett Reviews the 3 types of business finance programs established by OECDD to assist in the start-up and growth of small businesses in Oregon (**EXHIBIT H, Page 3**).

205 Pruett Explains the Oregon Business Development Fund (OBDF) (**EXHIBIT H, Pages 4 - 5**).

232 Pruett Speaks to the performance results of the OBDF program from 1983 – 2004 (**EXHIBIT H, Page 6**). Explains that the current loss provision for OBDF loans is 4.8 percent and the return on investment is 2.7 percent, adding how OBDF is a “solid performer” and allows OECDD to fund other programs.

267 Pruett Explains the purpose and performance of the Entrepreneurial Development Loan Fund (EDLF) (**EXHIBIT H, Pages 7 - 8**).

295 Pruett Points out that in anticipation of the higher risk, EDLF recipients are required to put up 20 percent collateral to receive the loan.

310 Pruett Explains Oregon Credit Enhancement Fund (OCEF) (**EXHIBIT H, Page 9**). Submits OECDD Business Finance Programs Supplemental Reports (**EXHIBIT I**).

339	Pruett	Reviews the OCEF program results <b>(EXHIBIT H, Page 10)</b> .
364	Pruett	Explains the Oregon Capital Access Program (OCAP) and OCAP's performance results <b>(EXHIBIT H, Pages 11 - 13)</b> .

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004	Pruett	Explains the Industrial Development Bonds Program (IDBP) <b>(EXHIBIT H, Pages 15 -16)</b> .
031	Pruett	Explains the Oregon Express Bind Program (OEBP) <b>(EXHIBIT H, Pages 17 – 18)</b> .
055	Chair Lim	Asks for clarification as to the number of loan programs administered by OECDD and whether OECDD is losing money on any of the programs.
061	Pruett	Verifies that there are 2 revolving loan programs, OBDF and EDLF. Points out that EDLF and OBDF have both lost money, but since the purpose of EDLF is to invest in high-risk start-up businesses the loss is anticipated and that despites its loss OBDF is “not eating into capitalization funds.”
076	Pruett	Verifies the highest interest rate on EDLF loans is prime plus two, not to exceed 18 percent, for the EDLF and IDBP has the lowest interest rate.
082	Rep. Bruun	Asks if the prime rates are “truly fixed” or if they are floating, such that when prime raises, so do interest rates.
086	Pruett	Confirms that the prime rates are fixed and are not floating.
097	David Dahlin	Senior Business Loan Officer, OECDD. Clarifies that only the EDLF loan rates are tied to the prime interest rates and that the loans are relatively short-term, at only 5 years.
104	Pruett	Reviews fund capitalization for OBDF <b>(EXHIBIT H, Page 19)</b> .
126	Pruett	Reviews fund capitalization for EDLF <b>(EXHIBIT H, Page 20)</b> .

138	Rep. Riley	Asks what the success rate is for companies who have received EDLF loans from OECDD.
143	Dahlin	Explains why the success rate for companies has been relatively high.
155	Pruett	Cites examples of successful EDLF loan recipients.
161	Fox	Explains that the purpose of EDLF is to be a lending-option for those businesses not able to receive start-up funds through conventional banking opportunities.
184	Pruett	Explains the fund capitalization for to the OCEF and OCAP <b>(EXHIBIT H, Pages 21 - 22)</b> .
209	Pruett	Details the structure, administrative responsibilities, and composition of the OECDD Finance Committee <b>(EXHIBIT H, Page 23)</b> .
213	Chair Lim	Asks for explanation of the Port Revolving Loan Funds.
215	Dahlim	Explains that the Port Revolving Loan Fund is a program that loans money directly from the State of Oregon to ports throughout the state.
255	Rep. Bruun	Asks how, in general, OECDD is marketing its business finance programs.
267	Fox	States that the OECDD works directly with all of the small business centers in Oregon, Oregon Bankers Association, and each participating bank and employee twelve business development officers to work directly with local business and economic development organizations throughout the state.
309	Rep. Nelson	Asks for a definition of a “distressed area.”
314	Fox	Explains how a distressed community is defined and, in general, where these communities are located statewide.
356	Chair Lim	Closes the informational meeting on Business Finance. Adjourns the committee meeting at 9:25 a.m.

## **EXHIBIT SUMMARY**

- A. Introductions, Legislative Drafts for Consideration for Sponsoring as Committee Measure Report, staff, 1 p**
- B. Introductions, LC 871, staff, 1 p**
- C. Introductions, LC 1575, staff, 2 pp**
- D. Introductions, LC 1848, staff, 6 pp**
- E. Introductions, LC 3050, staff, 2 pp**
- F. Introductions, LC 3032, staff, 2 pp**
- G. Introductions, LC 3441, staff, 2 pp**
- H. Business Finance, Business Finance Programs PowerPoint Presentation, Ron Fox, 25 pp**
- I. Business Finance, OECDD Business Finance Programs Supplemental Reports, Victoria Pruett, 16 pp**