

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

April 13, 2005 Hearing Room 343

8:30 A.M. Tapes 59 - 60

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

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Donna Nelson

Rep. Chuck Riley

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

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

HB 3123 – Public Hearing

HB 3144 – Public Hearing

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 59, A

016 Chair Lim Opens the meeting at 8:38 a.m. Opens the public hearing on HB 3123.

HB 3123 – PUBLIC HEARING

025 Jim Stembridge Explains HB 3123, which requires Oregon Economic and Community Development Commission to adopt criteria for providing financial assistance to business incubator centers from Oregon Community Development Fund.

034 David Blum Representative, Peninsula Community Development Corporation. Submits and summarizes written testimony in support of HB 3123 **(EXHIBIT A)**.

085 Rep. Nelson Requests clarification on the definition of a business incubator project.

091 Blum Cites an example of a successful business incubator in Tacoma, Washington.

115 Rep. Nelson Asks how much capitol is necessary to start a business incubator.

118 Blum Explains the financing of business incubator projects and how business tenants administer the debt-service incurred during the start-up.

125 Rep. Merkley Asks what type of business or capitol venture is most successful in an incubator model.

140 Blum Explains how business incubators are utilized successfully by start-ups in the construction and restaurant industry.

166 Rep. Dallum Asks how much of the start-up capitol for a business incubator is public funds.

170 Blum States how public funds comprise less than 20 percent of the start-up capitol because grants are the primary source of capitalization funds for business incubator projects.

184	Rep. Dallum	Verifies that Portland State University (PSU) and University of Oregon (UO) are primary administrators for business incubator programs.
193	Rep. Nelson	Questions why PSU and UO were chosen to administrate the program.
197	Blum	Explains why business incubator programs are administered through PSU and UO.
225	Chair Lim	Questions whether business incubator programs “overlap” the work of Small Business Development Centers.
232	Blum	Explains the difference between Small Business Development Centers and business incubator projects, noting the obligations businesses are required to meet as a condition for continued participation.
277	Chair Lim	Asks how much financial support incubator projects in Washington receive from the state.
280	Blum	Explains that the program is allocated a total sum to be divided proportionately among the seven business incubators.
285	Chair Lim	Asks if business incubator program will be run as a non-profit organization.
287	Blum	Affirms that program will continue to operate as a 501(c) 3 non-profit organization.
291	Chair Lim	Question whether the program should be able to except tax dollars if it is a 501(c) 3 non-profit organization.
294	Blum	Comments that discussions have not progressed to the point of discussing issues of tax law.
312	Chair Lim	Asks how successful the seven business incubators have been in Washington.
315	Blum	

States the business incubator program in Washington has been “very successful.”

- 318 Rep. Nelson Asks what challenges most an incubator project overcome to be successful.
- 328 Blum Explains what the most significant challenges have been for start-up incubator projects.
- 370 Rep. Greg Smith House District 57. Testifies in support of HB 3123.

TAPE 60, A

- 018 Rep. G. Smith Submits and summarizes Grow Oregon Model chart (**EXHIBIT B**).
- 053 Rep. G. Smith Explains the relationship between the Grow Oregon Model Community Development Program and the business incubator program (**EXHIBIT B, Page 1**).
- 081 Rep. Dallum Asks how many business incubators in Washington are located in rural areas.
- 084 Blum States that more than half are located in rural areas.
- 101 Rep. Nelson Asks if state funding for business incubators would come from Oregon Economic and Community Development Department (OECD).
- 104 Rep. G. Smith Explains why the financing source for incubator projects is not defined.
- 112 Rep. Nelson Asks if transportation can be included as an economic development piece of HB 3123.
- 122 Rep. G. Smith Agrees that transportation is an important part of economic development and business development, but adding transportation is beyond the purview of the bill.
- 128 Rep. Merkley

Questions why the bill is not going directly to the floor since it only establishes the funding criteria for business incubator projects.

- 147 Rep. G. Smith Explains why HB 3123 has a subsequent referral to Ways and Means.
- 155 Rep. G. Smith Speaks to the importance of working in bipartisan manner to achieve economic development through out Oregon.
- 166 Ron Fox Business Development Division Manager, OECDD. Testifies in support of HB 3123.
- 213 Fox Cites examples of successful business incubators in Portland and Beaverton.
- 272 Rep. Nelson Asks if OECDD has funds available for business incubator projects.
- 277 Fox Addresses why financing business incubators would place an “unrealistic funding expectation” on OECDD, recommending that Rural Development Centers and Small Business Development Centers are better funding sources.
- 330 Rep. Dallum Asks if Small Business Development Centers located at community colleges would qualify as “incubators without walls.”
- 333 Fox Explains that Small Business Development Centers are “incubators without walls” because the type of client Small Business Development Centers serve.
- 369 Chair Lim Inquires as to the funding, operation, and oversight of business incubators in Washington.
- 377 Fox Explains that HB 3123 directs OECDD to draft funding criteria, not actually fund projects.

TAPE 59, B

- 010 Chair Lim Affirms that Grow Oregon program is compatible with business incubator program.

- 021 Chair Lim Asks if the language of HB 3123 is sufficient or if amendments are necessary.
- 022 Fox Verifies that OECDD does have significant direction for drafting funding criteria, but cautions that it does place a funding expectation on OECDD.
- 035 Chair Lim Closes the public hearing on HB 3123. Opens the public hearing on HB 3144.

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HB 3144 – PUBLIC HEARING

- 041 Jim Stenbridge Committee Administrator. Explains HB 3144, which permits corporations operating emerging businesses to defer corporate excise ad income taxes. Submits -1 amendments **(EXHIBIT C)**.
- 046 Rep. Scott Bruun House District 37. Submits and summarizes written testimony in support of HB 3144 **(EXHIBIT D)**.
- 112 Rep. Buckley Questions the fiscal repercussions for the state if a business goes out of business or leaves the state after the tax deferral period expires.
- 122 Rep. Bruun Acknowledges that small business ventures are “a high risk” and identifies qualifying criteria intended to minimize the risk of granting tax exemptions to unstable businesses.
- 148 Rep. Nelson Asks why qualifying criteria limit revenue earnings to \$3.5 million dollars.
- 156 Rep. Bruun Explains why \$3.5 million dollars is the maximum revenue a small business can net to qualify for tax incentive.
- 170 Rep. Nelson Questions whether “operating profitably” would be more appropriate language.
- 184 Rep. Bruun

		Clarifies that tax incentive program is designed to be utilized by a new small business.
192	Rep. Dallum	Questions if the targeted businesses are already leverage through a lending institution.
196	Rep. Bruun	Explains why this type of business is the intended target for the tax exemption.
227	Rep. Riley	Remarks how tax exemption seems to be intended for established and profitable businesses and “it seems they have the collateral to get private business loans.”
245	Rep. Bruun	Cites difficulties that small businesses have getting financing from private banks as the necessity for tax exemption.
251	Rep. Riley	Verifies that the target is not a company with “an idea, but one that already has profits.”
257	Rep. Bruun	Explains how this bill addresses the difference between profitability and available cash flow.
278	Rep. Greg Smith	House District 57. Testifies in support of HB 3144.
316	Rep. G. Smith	Speaks to the authority of the state to place liens against those businesses that violate the provisions of tax exemption agreement.
344	Rep. Riley	Points out that, as written in the bill, the state can attach a “lien against corporate property, not personal property.”
351	Rep. G. Smith	States that the Internal Revenue Service does not distinguish between corporate and personal property.
367	Rep. Dallum	Asks what is the estimated amount of new revenue participating businesses will generate.
370	Rep. G. Smith	States uncertainty as to how much revenue will be generated, but if the state can help a business manage cash flow then “it will be in business for a long time.”

399 Harvey Matthews Legislative Representative, Associated Oregon Industries. Testifies in support of HB 3144 and -1 amendments.

TAPE 60, B

052 Tim Martinez Lobbyist, Oregon Bankers Associations. Testifies in support of HB 3144.

065 Rep. Riley Speaks in support of HB 3144.

071 Rep. Buckley Asks if credit unions have been consulted about HB 3144.

074 Rep. Bruun Speaks to the need to consult with the credit unions.

089 Rep. Buckley Asks for a rough estimate on the number of Oregon businesses that are eligible for tax deferment.

091 Rep. Bruun States that the number of businesses currently is not known.

101 Chair Lim Questions how equitable the tax deferment is too established, but struggling small businesses.

103 Rep. Bruun Speaks to the concern of equity between new and established small businesses.

119 Chair Lim Verifies that there are not other states that have developed similar small business incentives.

126 Pam Leavitt Senior Vice-President Governmental Affairs/Public Relations, Credit Association of Oregon. Speaks to the role that small businesses have in economic development and support incentive programs that increase the ability of credits union to make loans to small businesses.

The following written testimony is submitted for the record without public testimony:

J.L. Wilson Director, National Federation of Independent Business. Submits written testimony in support of HB 3144 (**EXHIBIT E**).

EXHIBIT SUMMARY

- A. **HB 3123, written testimony, David Blum, 5 pp**
- B. **HB 3123, Grow Oregon Model Chart, Greg Smith, 1 p**
- C. **HB 3144, -1 amendments, staff, 1 p**
- D. **HB 3144, written testimony, Scott Bruun, 1 p**

The following written testimony is submitted for the record without public testimony:

- E. **HB 3144, written testimony, J.L Wilson, 1 p**