

HOUSE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

April 16, 2003 Hearing Room D
1:00 PM Tapes 45 - 46

MEMBERS PRESENT: Rep. Patti Smith, Chair
 Rep. Vicki Berger, Vice-Chair
 Rep. Mary Gallegos, Vice-Chair
 Rep. Mark Hass
 Rep. Dave Hunt
 Rep. Steve March
 Rep. Dennis Richardson

STAFF PRESENT: Kimberly A. Medford, Committee Administrator
 Linda K. Gatto, Committee Assistant

MEASURE HEARD: HB 2296 Work Session
 HB 3613 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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<u>TAPE 45, A</u>		
003	Chair Smith	Calls the meeting to order at 1:05 p.m. and opens a work session on HB 2296.
<u>HB 2296 WORK SESSION</u>		
005	Rep. Gallegos	MOTION: Moves to ADOPT HB 2296-1 amendments dated 04/14/03, (EXHBIT A).
		VOTE: 6-0
009	Chair Smith Rep. Gallegos	Hearing no objection, declares the motion CARRIED. MOTION: Moves HB 2296 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue.
014	Rep. March	Reiterates the possibility of watering down the system.
018		VOTE: 6-0-1 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 1 – Hass
024	Chair Smith Chair Smith	The motion CARRIES. Closes the work session on HB 2296 and opens the public hearing on HB 3613.
<u>HB 3613 PUBLIC HEARING</u>		
026	Sen. Bruce Starr	Senate District 15. Testifies in support of HB 3613. States that currently the unemployment rate is 7.6% with 154,000 Oregonians unemployed. Adds that Oregon is also losing businesses.
047	Sen. B. Starr	Reviews the benefits of HB 3613 and acknowledges and responds to the Treasurer's opposition to the Legislature directing the practices of the Oregon Investment Council, (OIC). Urges passage of HB 3613.

089	Rep. Richardson	Expresses concern about “\$100 million must be invested” and explains that emerging growth businesses do not have a track record and this involves retirement trust money.
097	Sen. B. Starr	Acknowledges Rep. Richardson’s concern and states interest in finding the language that will provide full support of the bill.
104	Rep. Mitch Greenlick	House District 33. States that rational investment policy needs to consider not only the return on investment but also the social use of that capital. States the intention of this bill is for the OIC to look first at the ability to partner with venture capitalist in supporting emerging Oregon industries and define the risk calculation in a broader term considering the social benefit the investment makes.
148	Rep. Greenlick	Addresses the concern of forcing the OIC and Treasurer into investing in bad investments but rather to have up to 1% but not force the Treasurer into an uncomfortable investment.
173	Rep. March	Refers to his conceptual amendments, (EXHIBIT B) . Asks if he is comfortable with these proposed amendments.
180	Rep. Greenlick	Responds affirmatively.
181	Rep. Hunt	Comments on other states that have programs for investing state funds and ask are those programs similar.
191	Rep. Greenlick	Responds to his knowledge it is basically this type of model.
197	Rep. Hunt	Asks is it necessary for the Legislature to instruct the OIC.
208	Rep. Greenlick	Responds by detailing instances where social screen overlays have been used before.
235	Randall Edwards	State Treasurer. Submits (EXHIBIT C) . Supports the intent of the bill. Refers to the investments in bio-science at Oregon Health Sciences University and a seed capital fund for early stage investing. Explains that his concern with this bill is that it changes how the Treasurer and OIC manage trusts and other moneys not owned by the state.
287	Edwards	Expresses conflicts with the prudent investors’ standard. Examples the PERS fund and the Common School Fund.
307	Edwards	Reads from the OIC policy statement. Assures that Oregon opportunities are looked at. Refers to the creation of the Oregon Growth Account which is funded by the lottery.
339	Edwards	Concludes that the bill is good but forces money into Oregon. Refers to the letter from the OIC, (EXHIBIT D)
400	Ron Schmitz	Director, Investment Division of the Treasurer’s Office. Clarifies that the OIC has an open door policy for investment options. Provides perspective on the venture capital industry.
TAPE 46, A		
024	Linda Hagland	Deputy State Treasurer. Comments on Olympic Venture Partners and quality transactions. Comments on the Smart Forest investment. Concludes there is money in the marketplace but good transactions are not present.
052	Rep. Hunt	Asks for clarification regarding the difference between Oregon Growth Account money being okay as a goal to raise revenue for the Education Stability Fund but not okay to use Common School Fund dollars.
069	Edwards	Responds that lottery moneys funded the Education Endowment Fund and a percentage is taken to invest; the Common School Fund is a trust that was established when the state was created.
076	Rep. Hunt	Asks what the concerns are.
090	Edwards	Responds that the fundamental concern is mandating investment

		policy for the OIC.
100	Rep. Richardson	Asks are funds invested directly or transferred to limited partnerships.
110	Drummond	Responds through partnership arrangements.
127	Rep. Richardson	Suggests the possibility of a vehicle that allows for smaller investment blocks.
130	Drummond	Responds that the scale is difficult relative to the size of opportunities available in Oregon. The Oregon Growth Account is a scale that is practical for the purposes being discussed.
143	Rep. Richardson	Offers that if the parameters are too large emerging businesses would not benefit from the program.
153	Edwards	Acknowledges and shares concern about growing technology and making sure research and development stay in Oregon. Further expresses concern if there will be any money for the next two years.
182	Pat West	President Oregon State Firefighters Council. States concern relative to PERS noting that the -1 amendments allow discretion. Comments on prudent decisions.
221	Wayne Embree	Managing Partner of Cascadia Partners. Submits (EXHIBIT E) and provides a background on his qualifications.
282	Embree	Refers to page three, and states that seed and early stage investing consistently deliver the highest returns to its investors.
283	Embree	Reviews page four, notes the name recognition of the companies and states this is the time to invest in emerging companies. Favors the principal of the bill and acknowledges the concerns of the Treasurer.
350	Embree	Comments on the resistance of out-of-state venture capitalist to explore opportunities outside of the Portland area. Comments on the lack of emerging headquarter companies in Oregon. Supports passage of the bill.
363	Rep. Berger	Asks was the money that British Columbia allocated for investment mandated or voluntary.
410	Embree	Answers the money was from the sale of public assets, it was the investment manager's decision, not parliamentary.
430	Keith Barnes	Former Chairman and CEO Integrated Measurement Systems. States that in 1995 a study was commissioned that looked at the venture capital requirement for Oregon. Notes that during 1983 to 1988 over \$500 million invested in Oregon spawned companies; Integrated Measurements Systems, Mentor Graphics Corp., Sequent Computer, In Focus Systems and others. Adds that investment in venture capital dropped to under \$50 million in 1988-1993. States that currently there is a requirement in excess of \$100 million a year.
TAPE 45, B		
065	Barnes	Discusses the Oregon Growth Account.
126	Rep. Hunt	Asks if he is suggesting more resources in the Oregon Growth Account and utilize the additional capacity of investments.
128	Barnes	Responds that the issue is how much needs to be put in and what kind of return can be expected. Adds that \$100 million is a valid number.
150	Rep. Richardson	Asks about shortfalls in investment.
159	Barnes	Answers that the valuations go down but the return will be at a higher rate. Notes there is a relation between the capital available and the quality of the deal.

192	Rep. Berger	Asks where the \$500 million came from.
196	Barnes	Answers from a variety of venture partners. Explains in the following five year period the amount of venture capitol for local funds dropped to almost nothing.
210	Scott Gibson	Chairman of Radysis Corp., Co-founder and Former President of Sequent; Capitol Formation Chair of Oregon Council for Knowledge and Economic Development, (OCKED). States only those with a tract record will be able to raise money in this environment. Stresses that Oregon does not have bioscience venture capitalist. Stresses that capitalist are interested in top tier returns. Recommends removing the mandate and replacing it with "best efforts".
341	Gibson	Concludes testimony and urges support of the bill.
373	Melissa Unger	Legislative Director for Oregon Student Association. Submits and reads (EXHIBIT F) in support of HB 3613.
390	Tricia Smith	Oregon School Employees Association. Expresses concerns about Section 2 that appears to add language of what the OIC should consider to the prudent person rule. Comments on language regarding the investment being good for the state as a whole.
TAPE 46, B		
026	Harvey Mathews	Submits correspondence, (EXHIBIT G) on behalf of Joseph Cortright, former advisor to the legislature on economic issues. Submits that HB 3613 is good, needed, and prudent.
084	Harvey Mathews	For Association of Oregon Industries. Reviews points made from the previous testimony.
120	Mathews	Notes the \$100 million stated in the bill is 4/10ths of one-percent of the entire OIC funds. Recognizes that this is a political directive for public policy and fiscal policy.
156	Rep. Richardson	Asks how to accomplish this when the investments are \$25 million and up.
168	Harvey	Responds that the Oregon Growth Account would be an avenue to manage these funds.
204	Rep. Richardson	Reiterates it requires a comfort level and interest and the head of the Oregon Growth Account does not appear interested. Asks how would this be accomplished.
210	Matthews	Responds that both Keith Barnes and Scott Gibson sit on the Oregon Growth Account and are supportive of the bill.
226	Chair Smith	Momentarily recesses the meeting. Adjourns the public hearing at 2:35 p.m.

EXHIBIT SUMMARY

- A. HB 2296-1 amendments dated 4/14/03, staff, 4 pp**
- B. HB 3613, HB 3613 conceptual amendment, Rep. March, 1 p**
- C. HB 3613, prepared testimony, Randall Edwards, 2 pp**
- D. HB 3613, prepared testimony, Gerald K. Drummond, 1 p**
- E. HB 3613, prepared testimony, Wayne Embree, 5 pp**
- F. HB 3613, prepared testimony, Melissa Unger, 1 p**
- G. HB 3613, correspondence, Harvey Matthews, 2 pp**