

HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

February 7, 2001
3:30 PM

Hearing Room 50
Tapes 22 - 24

MEMBERS PRESENT: Rep. Rep. Bill Witt, Chair
Rep. Elizabeth Johnson, Vice-Chair
Rep. Tim Knopp, Vice-Chair
Rep. Alan Bates
Rep. Alan Brown
Rep. Janet Carlson
Rep. Richard Devlin
Rep. Bill Garrard
Rep. Jerry Krummel
Rep. Laurie Monnes-Anderson
Rep. Vicki Walker

MEMBER EXCUSED:

STAFF PRESENT: Daniel Clem, Committee Administrator
Renee' Lunsford, Committee Assistant

MEASURE/ISSUES HEARD: HB 2270 Work Session
HB 2406 Public Hearing
HB 2104 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>
TAPE 22, A		
017	Chair Witt	Calls the meeting to order at 3:45 p.m. Opens a work session on HB 2270.
<u>HB 2270 WORK SESSION</u>		
019	Dan Clem	Committee Administrator. Reads staff preliminary summary of HB 2270.
034	Rep. Krummel	MOTION: Moves HB 2270 to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on School Funding and Tax Fairness/Revenue by prior reference.
		VOTE: 11-0
039	Chair Witt Chair Witt	Hearing no objection, declares the motion CARRIED. Closes the work session on HB 2270 and opens a public hearing on HB 2406.
<u>HB 2406 PUBLIC HEARING</u>		
043	Clem	Reads staff preliminary summary of HB 2406.
058	Representative Jeff Merkley	House District 16. Testifies in favor of HB 2406. States HB 2406 is aimed at assisting efforts to launch entrepreneurial enterprises

by the poor and disadvantaged. Explains history and basis of concept. Outlines:

- Amount of funding needed
- The structure of the bill.
- How the department would evaluate the application
- How grants can be used

Addresses how this program will fit into the rest of the assistance provided.

151	Rep. Johnson	States she understands and is supportive of the concept, but the bill seemed heavy on process. Asks how it doesn't replicate initiatives already underway. Asks why would someone qualify here and not qualify with a lending institution.
171	Rep. Merkley	States the process starts before they approach the bank and explains how it differs.
194	Rep. Johnson	Asks if there is a way this can be distributed through the Oregon Economic and Community Development Department (OECDD), so as to not provide parallel services.
212	Rep. Merkley	Says the process would be imbedded in OECDD, but that he is not sure whether it would be directly or indirectly.
251	Rep. Johnson	Says she has some reticence about creating more boards to give away money at the local level. Asks about how this program will be controlled.
265	Rep. Merkley	Addresses the structure. Refers to section 6.
286	Rep. Krummel	Asks what collateral an entrepreneur would need to qualify for a loan.
292	Rep. Merkley	Responds the requirements would be dependent upon the organization's plan.
304	Rep. Krummel	Quotes national statistics regarding business failure. Asks what happens if a business defaults.
314	Rep. Merkley	Responds this is a pilot. Refers to section 6 and the reporting structure.
330	Rep. Krummel	Asks what kind of help is available through the Microenterprise fund, with the Small Business Administration.
354	Rep. Merkley	States there is a variety of possibilities. Outlines options.
357	Rep. Brown	States it looks like there would be two funds established, one for direct loans and another for guaranteeing loans with a commercial institution. Asks for clarification.
382	Rep. Merkley	Says the key word here is "may". Explains why.
397	Rep. Carlson	Asks if there is a connection between the Individual Development Accounts (IDA) and what Rep. Merkley is talking about.
419	Rep. Merkley	Responds there is not a strong tie-in.
441	Chair Witt	Asks Rep. Merkley what he envisions as a microenterprise developer.
457	Rep. Merkley	Explains what he envisions as the potential microenterprise developer.
TAPE 23, A		
030	Chair Witt	Asks Rep. Merkley who he foresees developing these microenterprise organizations.
040	Rep. Merkley	Says it will come from a variety of areas. Defines what these might be.
054	Chair Witt	Asks Rep. Merkley if he envisions these being community non-

		profit organizations.
067	Rep. Merkley	Answers affirmatively.
079	Chair Witt	Refers to the matching dollars provision on page four. Asks Rep. Merkley where he thinks these matching dollars would come from.
083	Rep. Merkley	Responds it would come from a variety of sources.
085	Chair Witt	Asks Rep. Merkley what the status of the Individual Development Account bill is.
087	Rep. Merkley	Defines the account philosophy.
0090	Chair Witt	Asks Rep. Merkley if he sees this program as tailored to low-income individuals as a method to raise them up economically.
093	Rep. Merkley	Responds affirmatively.
	Elaine Phillips submitted written testimony from potential microenterprise developer, Debra Rose O'Neal	
	(EXHIBIT A).	
098	Bill Goldsmith	Executive Director of the Oregon Microenterprise Network. Submits verbal and written testimony in support of HB 2406
		(EXHIBIT B).
356	Rep. Krummel	Names specific funds and asks if they are going to be entrepreneur or support organizations.
370	Goldsmith	Specifies where money would be allocated.
386	Rep. Krummel	Asks at what point the funds will be available to recipients.
400	Goldsmith	States, historically, microenterprise programs don't offer grants and that local resources have provided the funds. Gives, as example, Lane County program.
437	Chair Witt	States that the bill does not contemplate grants to emerging businesses. Explains in more detail.
465	Rep. Krummel	Asks for clarification regarding the loan procedures and if the lending institutions will be supportive.
485	Goldsmith	Gives examples of how these programs typically interact with lending institutions.
496	Rep. Krummel	Asks if a chamber of commerce could be a potential local support organization.
TAPE 22, B		
070	Goldsmith	States the lending institutions view these entrepreneurs as potential substantial customers. Lists institutions that have been cooperative with the program.
080	Rep. Walker	Asks about an inconsistency in wording. Notes that the bill states loans are up to \$35,000, but the submitted materials indicate a \$25,000 cap.
085	Goldsmith	Explains the Small Business Administration has a microenterprise loan program and has the raised limit to \$35,000. States the language was in the bill to conform to the federal guidelines.
101	Rep. Monnes-Anderson	Expresses concern over using taxpayers money. Asks for statistics of success and failure rates on people entering into small business and how that compares to participants of this program.
130	Goldsmith	States one evaluation showed that 60% of the businesses started in those programs still existed, which compared favorably with an SBA statistic at 40%.
147	Rep. Monnes-Anderson	Asks if there is an increase of people entering into the small business development.
149	Goldsmith	Responds affirmatively.
155	Rep. Johnson	Asks if Oregon Microenterprise Network has developed a

		relationship with U.S. Bank that would make them receptive to their clients.
173	Goldsmith	Responds that U.S. Bank recognizes the importance of providing economic opportunity to low-income individuals and there is a receptiveness on their part, as well as other foundations.
180	Rep. Johnson	Asks if U.S. Bank has been generous to the organization in underwriting since they are not-for-profit and in what range.
196	Goldsmith	Responds affirmatively.
203	Rep. Johnson	Asks if they are discussing redirecting the issuance of OECD's money with legislative authorization.
210	Goldsmith	Responds affirmatively.
213	Rep. Carlson	States she thinks this is a valuable service. Asks how they approach outreach.
245	Goldsmith	Outlines outreach sources.
274	Rep. Carlson	Notes women comprise 78% of the projected client profile. Asks why that is.
283	Goldsmith	Responds this allows them to be with their families and avoid childcare expenses.
302	Rep. Bates	Asks if the matching funds of \$145,000 from OECD would be available without going through this program.
309	Goldsmith	Responds those funds are not available to OECD, they're only available to community-based programs.
327	Rep. Bates	Asks if the \$400,000 requested for training could be leveraged rather than obtained from General Funds.
358	Goldsmith	States the federal funds that he envisions as being part of that program would have to be developed as part of a work group.
336	Rep. Johnson	Asks Mr. Goldsmith to contrast what he is doing with any of the other small business development efforts.
353	Goldsmith	Explains the difference is that microenterprise development programs concentrate on low-income individuals and families.
383	John Blatt	Executive Director of the Association of Oregon Community Development Organization (AOCD). Testifies in favor of HB 2406.
		States he thinks this bill will create businesses located in low-income communities and alleviate economic isolation. Gives examples of projects that have been created. Mentions Individual Development Accounts (IDA's) and how this program could be used in conjunction with them.
453	Rep. Brown	Asks if these types of programs will have an impact on the unemployment in the coastal communities.
469	Blatt	Responds that it depends on where they are sited.
490	Chair Witt	Points out that there are -1 amendments on this bill. Says he would encourage members to give consideration to it. Closes public hearing on HB 2406 and opens a public hearing on HB 2104.

TAPE 23, B
HB 2104 PUBLIC HEARING

005	Michael Doyle	Manager, International Trade Division, Economic and Community Development Department. Gives verbal and written testimony in support of HB 2104 (EXHIBIT C).
136	Rep. Johnson	Asks Mr. Doyle if he has a report that shows how many leads these foreign offices generate.
145	Doyle	Responds affirmatively. Quotes statistics:

		<ul style="list-style-type: none"> • 290 companies have been visited by their staff in the last twelve months • 214 companies are actively involved in trade promotion programs • Generated over 700 trade leads • Participated in 46 seminars in 12 communities • Assisted in or participated in 31 trade shows in eleven countries
185	Rep. Johnson	States she would like an estimate of the cost of the contract relationships. Asks what are the real benefits to Oregonians that justify the expense of this program.
190	Doyle	Outlines benefits.
197	Rep. Johnson	Asks Mr. Doyle how they select the companies they choose to help.
198	Doyle	States the services they utilize.
204	Rep. Bates	Requests they include in the report any financial impact of this change.
207	Doyle	Responds there is no financial impact with this change.
196	Chair Witt	Asks if the department has the authority now to hire contractors in foreign trade offices.
200	Doyle	Responds affirmatively. States it is more implied rather than specified.
229	Chair Witt	Requests Mr. Doyle notify committee members where that implied authority comes from. Asks the purpose for changing wording.
235	Doyle	Explains the reason for the change.
240	Rep. Devlin	Asks if they have already contracted with some firms for services.
268	Doyle	Responds they are using three firms for those services.
273	Chair Witt	Closes public hearing on HB 2104.
275	Clem	Refers committee members to look at specific information included in packets.
290	Chair Witt	Adjourns meeting at 5:30 p.m.

Submitted By,

Reviewed By,

Renee' Lunsford,
Committee Assistant

Daniel Clem,
Committee Administrator

EXHIBIT SUMMARY

A – HB 2406, written testimony by Debra Rose O’Neal, Elaine Phillips, 1 p

B – HB 2406, written testimony, Bill Goldsmith, 20 pp.

C – HB 2104, written testimony, Michael Doyle, 6 pp.