

HOUSE LEGISLATIVE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 8, 1991 Hearing Room 343 8:00 A.M. State Capitol Salem, OR

Tapes 41-44 Oregon Progress Board Continuation EDD Briefing - Small Business Programs Oregon Marketplace Annual Small Business Report

MEMBERS PRESENT: REP. RAY BAUM REP. JERRY BARNES REP. MARGARET CARTER REP. CEDRIC HAYDEN REP. VERA KATZ REP. DAVE MC TEAGUE REP. BOB PICKARD

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER TAMIRA MILLER, POLICY ANALYST JERI CHASE, OFFICE MANAGER JILL COPELAND, COMMITTEE ASSISTANT

WITNESSES: DAVE LOHMAN, SENIOR DEPUTY DIRECTOR, ECONOMIC DEVELOPMENT DEPARTMENT SANDY CUTLER, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER NETWORK KRISTINE KREIGER, ASSISTANT DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER NETWORK JOHN OTIS, DIRECTOR, SMALL BUSINESS INTERNATIONAL TRADE PROGRAM, SB DC NETWORK TOM NYLAND, SPECIALIST, SB IT, SB DC NETWORK JEB BLADINE, CHAIRMAN, BOARD OF DIRECTORS, OREGON DOWNTOWN DEVELOPMENT ASSOCIATION BRIAN SCOTT, EXECUTIVE DIRECTOR, OREGON DOWNTOWN DEVELOPMENT ASSOCIATION RICK EVANS, GOVERNMENT CONTRACT ACQUISITION PROGRAM GIL LATZ, INTERNATIONAL TRADE INSTITUTE ROLLIE WISB ROCK, DIRECTOR, OREGON MARKETPLACE

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 41, SIDE A

000 CHAIR BAUM: Convenes the meeting at 8:13 a.m.

HB 2249 (Oregon Progress Board Continuation) - Work Session

006 CORTRIGHT: Overviews previous committee discussions on HB 2249. Describes Proposed -1 Amendments to HB 2249 (EXHIBIT A).

012 MOTION: REP. HAYDEN MOVES the adoption of the Proposed -1 Amendments to HB 2249.

017 VOTE: There being no objection, the -1 Amendments are adopted.

020 REP. KATZ: This bill does have a fiscal impact (EXHIBIT B). I believe it should go to Ways and Means.

MOTION: REP. KATZ MOVES that a subsequent referral to the Committee on Ways and Means be added by the Speaker and HB 2249 be moved with a Do

Pass recommendation.

032 CHAIR BAUM: I am meeting with leadership to establish a consistent pattern for lottery-funded program bills referrals to the Committee on Ways and Means.

055 REP. CARTER: I strongly support this bill and do not want it to go to the Committee on Ways and Means and die. I want to assure this Committee supports this bill.

062 REP. PICKARD: I support this bill and will be following its passage.

077 REP. BARNES: We should monitor this bill's progress while it is in the Ways and Means Committee.

082 CHAIR BAUM: Staff will follow this bill.

089 VOTE: Passed; 7-0. All members voting AYE.

HB 2339 (Oregon Marketplace) Public Hearing HB 2343 (Small Business Annual Report Requirements) - Public Hearing EDD Briefing on Small Business Programs

093 CORTRIGHT: Overviews HB 2339 and HB 2343.

125 DAVE LOHMAN: Begins presentation of written testimony on the state's small business programs. HB 2339 (EXHIBIT C). Also submitted EXHIBITS D and E.

160 CHAIR BAUM: Where did you get the statistic listed as item 7 on Page 2 (Oregon is number one in small businesses per capita)?

165 LOHMAN: That was obtained from JOHN GILMAN of the Small Business Administration.

170 CORTRIGHT: I have never been able to verify that statistic.

188 REP. PICKARD: What is the cut-off for the number of employees that a small business can have?

190 LOHMAN: There is set definition. The SB A defines a small business as having under 500 employees. For Oregon that would be a very large business. Various agencies use different numbers. That is why it is so elusive.

200 REP. KATZ: Economic Indicators doesn't calculate small businesses defined as those with 50 or under in terms of economic indicators. There needs to be a clarification on this because if 47 percent of the businesses in Oregon have employees of 50 or less, then our information is skewed.

210 CORTRIGHT: You are referring to the leading economic indicators; there are about twelve different indices of economic behavior that lead the business cycle. Most of them are tied to readily measurable items (stock market, unemployment rate, etc.) that are not direct measures of small business.

220 REP. KATZ: At the community college we were trying to justify increasing services for the manufacturing industry. The data shows this

is a declining industry because they do not count the firms with 50 employees or under. I reviewed the firms for Clackamas, Multnomah, and Washington Counties by SIC code and 90 percent of these had under 50 employees. We need to be careful because we could have flourishing industries that don't show up with that kind of measuring.

234 LOHMAN: That is a problem. There is no statewide registration of businesses in Oregon that allows for easy tracking. We don't have a good idea how many businesses there are in Oregon. We have a contract with the International Trade Institute to produce a new directory of manufacturers for Oregon and put that on a new database that is getting much more information than we have ever had and is organized differently. This should give us much better information than we have now.

268 LOHMAN: Continues presentation of EXHIBIT C.

450 CHAIR BAUM: Is this the best that you think can be done as far as streamlining the business assistance programs? Could you do better? Could you give us a proposal for streamlining?

455 LOHMAN: Yes.

482 REP. CARTER: They can develop any type of a proposal. The real issue is if the Legislature is ready to deal with the politics of the situation.

TAPE 42, SIDE A

033 REP. KATZ: It is a good idea. Have it done by a creative person.

038 REP. PICKARD: Start thinking about it by using only half of the money.

051 REP. KATZ: Think about it like a client. Walk a client through it once.

066 LOHMAN: We have been looking at ways to consolidate. Some of these cannot be consolidated any more.

143 LOHMAN: Continues presentation of EXHIBIT C. Discussion about various small business programs.

TAPE 41, SIDE B

020 LOHMAN: Continues presentation of EXHIBIT C.

043 CHAIR BAUM: Recesses meeting at 9:13 a.m.

045 CHAIR BAUM: Reconvenes meeting at 9:32 a.m.

053 SANDY CUTLER: Begins presentation on Small Business Development Centers (SB DC's). Presents EXHIBITS F-H. Discussion on SB DC's.

TAPE 42, SIDE B

040 JOHN OTIS: Begins presentation on International Trade Program (EXHIBIT I).

160 JEB BLADINE: Begins presentation on Oregon Downtown Development Association.

187 BRIAN SCOTT: Begins presentation on Oregon Downtown Development Association. Submits EXHIBITS J through L.

240 RICK EVANS: Begins presentation on the Government Contract Acquisition Program (EXHIBIT M).

323 GIL LATZ: Begin presentation on the International Trade Institute. Submits EXHIBITS N through P.

HB 2339 (Oregon Marketplace) - Public Hearing

445 ROLLIE WISB ROCK: Begins testimony on the Oregon Marketplace and in support of HB 2339. Submits folder of information on Oregon Marketplace (EXHIBIT R).

TAPE 43, SIDE A

030 WISB ROCK: Continues presentation of EXHIBIT R.

082 CHAIR BAUM: Why isn't Oregon Marketplace tied in directly with EDD?

086 WISB ROCK: We have worked closely with them. We see no roadblock to working even closer. One of the reasons for this program's success has been our autonomy, working on a business timetable.

130 REP. PICKARD: Your program was not recommended in the Governors budget?

136 WISB ROCK: No we are not.

138 REP. PICKARD: I do not believe that including the Oregon Marketplace within EDD would ensure its success; in fact, I believe it would jeopardize their survival. I think that one of the reasons for their success is because it is small and lean. These statistics about program operation are very impressive. Do they have to become part of something bigger just to survive or should we gamble on their success as is?

156 CHAIR BAUM: They haven't survived the Governor's budget. It could be a cost savings to have them on private contracts.

165 REP. BARNES: I agree with REP. PICKARD. Outside of the government framework, they are not faced with the constraints of agencies. That is positive.

178 REP. HAYDEN: This is an interesting policy question. There are advantages and disadvantages to both sides.

188 CHAIR BAUM: If Oregon Marketplace functions were mandated to be under EDD, how would it fit in your organizational structure?

191 LOHMAN: They would be included in the small business program. We could not absorb their functions within our current budget.

205 REP. MC TEAGUE: Do the employees of Oregon Marketplace have benefit packages similar to that of state employees?

213 WISB ROCK: We do not have the same coverage as the State. Our employees have only health insurance; there is no retirement plan.

224 CHAIR BAUM: If we did take \$750,000 and give to EDD for operation of the Oregon Marketplace program, would we truly be saving money?

228 LOHMAN: We don't have that information yet; we are working on that.

240 REP. HAYDEN: There are other small organizations operating within the state framework as private businesses that are able to offset costs with fees and charges. The governing factor as to the continuation of this program should be not what they cost but what they are able to produce. What the state is getting.

257 CHAIR BAUM: The question then becomes what is the best way to pay for that product. If we want to keep them, we are going to have to add them back into the budget because they are not included in that now. If we are going to make them part of a state agency, we are going to have to add additional funds for that. I want EDD to give us information on what these options are. What number of employees would be needed? What would the net savings/increase be? Would the same amount/quality of services still be delivered?

294 REP. MC TEAGUE: If the marketplace functions were transferred to EDD, how would personnel issues be handled? Would marketplace personnel be absorbed into the agency?

298 LOHMAN: Marketplace employees are not now part of the State, so we would have to go through the State's hiring processes. These employees could not be "grandfathered" in.

325 CHAIR BAUM: We want to move on this as soon as we have the options.

412 LOHMAN: There is one new program not included in our small business organizational structure - a new Ombudsperson for Small Business at the Department of Insurance and Finance.

422 CHAIR BAUM: Adjourns the meeting at 10:55 a.m.

Submitted by,

Jeri Chase Office Manager

NOTE: COMMITTEE RECORDS INDICATE THAT TAPE 44 WAS ALSO USED FOR THIS MEETING. A TAPE 44 WAS NOT USED. THIS MEETING CONCLUDES ON TAPE 43 (SIDE A). TAPE 44 IS THEREFORE MISSING FROM HOUSE T&E TAPE RECORDS BECAUSE THE NEXT MEETING (FEBRUARY 11, 1991) STARTS WITH TAPE 45.
EXHIBIT SUMMARY

EXHIBIT A -Proposed -1 Amendments to HB 2249, submitted by Joe Cortright, 1 page

EXHIBIT B -Fiscal Impact Statement on HB 2249, submitted by Joe Cortright, 1 page

EXHIBIT C -Written testimony, submitted by Dave Lohman, 7 pages

EXHIBIT D -Small Business Hotline Summary Report, submitted by Dave Lohman, 1 page

EXHIBIT E - Business Referral List, submitted by Dave Lohman, 75 pages

EXHIBIT F -Brochure - Helping Build the Best-Run Businesses in America, submitted by Sandy Cutler, 2 pages

EXHIBIT G -Letter of Support, submitted by Sandy Cutler, 2 pages

EXHIBIT H -OSB DCN Charts, submitted by Sandy Cutler, 21 pages

EXHIBIT I -Folder of Information, submitted by John Otis, 60 pages

EXHIBIT J - ODDA Information Sheet, submitted by Brian Scott, 1 page

EXHIBIT K - ODDA Newsletter for November 1989, submitted by Brian Scott, 6 pages

EXHIBIT L - ODDA Folder of Information for Astoria, submitted by Brian Scott, 18 pages

EXHIBIT M - GCAP Summary Information, submitted by Rick Evans, 14 pages

EXHIBIT N - Brochure - An Overview of the International Trade Institute, submitted by Gil Latz, 2 pages

EXHIBIT O - Brochure - Oregon Export Stats at a Glance, submitted by Gil Latz, 2 pages

EXHIBIT P - International Trade Institute Overview Information, submitted by Gil Latz, 3 pages

EXHIBIT Q -Article from February 1991 issue of Oregon Business magazine, submitted by Gil Latz, 4 pages

EXHIBIT R -Oregon Marketplace folder of information, submitted by Rollie WiSB rock, 60 pages