

February 20, 1991Hearing Room 343 8:00 A.M.State Capitol Salem, OR

Tapes 61 - 63 Special Public Works Fund Modifications Oregon Marketplace
Small Business Programs

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 HOLLY BROWN, COMMITTEE
ASSISTANT

WITNESSES:YVONNE ADDINGTON, MANAGER, COMMUNITY DEVELOPMENT PROGRAM MARK
GARDNER, PUBLIC FINANCIAL MANAGEMENT INC. DAVID LOHMAN, DEPUTY DIRECTOR,
ECONOMIC DEVELOPMENT DEPARTMENT ROLLIE WISB ROCK, EXECUTIVE DIRECTOR,
THE OREGON MARKETPLACE PROGRAM

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 61, SIDE A

000 CHAIR BAUM convenes the meeting at 8:08 a.m.

HB 2248 (Special Public Works Fund Modifications) - Public Hearing

004 JOE CORTRIGHT: Presents Staff Measure Summary on HB 2248
(EXHIBIT A).

050 REP. CARTER: Is the bonding authority a relationship that is
developed between the Special Public Works Fund and the community and
they are aware of how they are taxing themselves to repay these loans?

053 CORTRIGHT: Yes.

060 REP. BARNES: Why do we need this money to back up the bonds
that we sold?

064 CORTRIGHT: Since 1985 you have operated directly a grant and loan
program in the Special Public Works Fund that has received probably \$50
million. The bonding authority has been added to allow you to take
those monies as assets, leverage them and use the financial where with
all in the fund to further secure the bonds and obtain a better rating
for those bonds then the municipalities would be able to achieve alone
based on their own financial standing.

077 REP. BARNES: Has the State Treasurer provided input into this?

079 CORTRIGHT: I don't know about this particular bill but with respect to the issuance of any bonds statute requires that issuance be coordinated through the state Treasurer.

085 YVONNE ADDINGTON: Presents "Amendments to ORS 284.310-530 Infrastructure Projects" (EXHIBIT B).

168 CHAIR BAUM: Most water projects are being funded through EPA. How will that effect this program?

170 ADDINGTON: The EPA did not send any funds to the state for water problems and that is the \$35 to \$40 million per year gap. EPA did send loan funds to the state of Oregon with the Clean Water Act which is the sewer and river act. There is a bond program in DEQ but it doesn't meet the need.

181 CHAIR BAUM: What if we have this great shortfall?

193 ADDINGTON: The amount of money we are offering is not much compared to the need. The direct loan and grant program will hopefully remain intact making the business loans and grants and then the Oregon Bond Bank will be loan only and we will sell bonds on their behalf and it will not be decreasing the direct loan and grant fund committed to business. We have about \$5 million to use in the Oregon Bond Bank program.

216 CHAIR BAUM: Does that figure include all of Oregon?

220 ADDINGTON: Yes.

250 MARK GARDNER: The Oregon Bond Banks purpose is to leverage the states resources in a way that allows the state to provide more financing overall than would have been possible with the existing programs. We have had very strong bond sales. The Oregon Bond Bank has a unique structure, other states have a direct state support for the bond. We have the unique feature of seed money. We had the ability to use the funds to pay issuance costs so the only money we are borrowing is for asset related loans.

296 CORTRIGHT: Is it a grant to the municipality for the debt service reserve or a loan?

300 GARDNER: A dept reserve is a standard part of a municipal revenue bond issue. It is a loan that comes back when the bonds are paid off.

343 GARDNER: The Economic Development Department has been making the loans so debt service payments have been paid to the state. By having those loans pledged we were able to demonstrate to the market that not only are we getting the money from the municipalities that are borrowing this money but we also have a stream of loans there that are already preforming. These loans are putting debt service into the picture. We also have a credit policy which shows the banks that we only have loans that will be paid off.

400 GARDNER: Presents Fitch newsletter (EXHIBIT C).

460 CHAIR BAUM: How far can you leverage these monies?

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020 GARDNER: The first thing we look for before funding a project is, is there a project or a component of the project that is capable of supporting debt service on a revenue bond. If so, then we use the Bond Bank which allows us to get the leverage. If that doesn't work then we look to a direct loan out of the \$15 million allocation of lottery revenues. If a project can't meet the criteria for that the you give a grant. By this process we have been able to reduce the potential draw on grants.

060 REP. KATZ: Why aren't we trying to structure some backing for all Bancroft bonds?

063 GARDNER: We are. Financially stable communities will be able to use the new assessment bonds easily. Smaller communities will not because they will not be able to achieve the credit worthiness on a revenue bond which will be required. There will be other opportunities for replacing Bancroft bonds but in the communities that most need the help it won't work.

092 CHAIR BAUM: How much more money is needed for this program?

100 GARDNER: A lot of these overlap so many are included in the figure Addington mentioned.

109 CHAIR BAUM: Does that include paving roads?

110 GARDNER: Yes.

119 GARDNER: The standards for the receiving waters have become much more stringent and also the Federal grants have disappeared. The result is that these projects will be funded with state and local funds.

134 REP. HAYDEN: These programs are essential and keep us from contracting diseases.

152 CHAIR BAUM: Ballot Measure 5 has taken away from the smaller communities in the state general obligations to them.

156 GARDNER: For Bancroft programs, yes. You can do general obligations bonds with a vote for other projects.

159 CHAIR BAUM: What can they build with these type of bonds?

162 GARDNER: They can build anything that the voters desire. Ballot Measure 5 will cause communities to make a lot of changes. Communities will be expected to raise sewer and water rates, to increase user charges for transportation, and government funds will stop going into roads. Gas tax and registration fees will have to fund roads. We think this kind of program can make differences in those small communities which can't fund these programs. Some basic improvements will not be made at all in some places.

238 REP. HAYDEN: Do we need a better technology to keep from dumping into streams?

240 GARDNER: Responsible agencies have been doing just that.

254 REP. BARNES: Do you have any way to draw upon the general fund

of the local government?

265 GARDNER: Yes.

285 GARDNER: The EDDs goals are to provide the capacity in those communities to foster economic growth and continue the vitality of the community.

327 CORTRIGHT: The bill proposes to move the bond limit cap to \$150 million, what about the \$115 million that are not in your current resources?

338 GARDNER: Two things: the leverage ratio should increase so the amount of money we will have to inject will go down, and the combination of the drinking water program and the potential Bancroft replacement activities there could be a significant issue in the revenue bond issuance that doesn't necessarily link to the amount we can invest out of that \$7 million.

364 REP. KATZ: Why is the ratio in the leveraging so high?

367 GARDNER: Because what we are using the state resources for is to fund the debt service reserve to provide the payment of issuance costs. We also use money for collateral loans in which gives us debt service coverage. We can foresee the potential of that declining in future programs to give us higher leverage.

394 REP. BARNES: To strengthen your portfolio is it possible to have a blend on the part of local government where say half of it would be by general obligation bond and the other half would be the revenue bond concept?

399 GARDNER: Yes. We also hope to blend the states resources. Local governments are pushing that state agencies are involved in this.

426 CHAIR BAUM: How much in resources would you have for this?

437 GARDNER: There are some pretty significant capabilities there.

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023 REP. KATZ: How much of the Industrial Revenue Bonds can be used for these projects?

024 GARDNER: Not very much.

026 REP. KATZ: Are there any other bonding programs that could be redirected to these types of projects?

028 GARDNER: I don't think so. Transportation's bond program is directed at major state wide facilities.

034 ADDINGTON: We are also working with the energy department because they offer an SELP program where if there are some energy conservation measures they will go in and build the project and use the savings from what was conserved to pay off their bonds.

043 CHAIR BAUM: Can we use those transportation bonds for light rail?

048 GARDNER: No.

057 CORTRIGHT: Do all or any portion of the bond programs you are talking about need an allocation of private activities bond cap or are they all exempt as public facilities?

061 ADDINGTON: Some of our Port projects are considered to be private. We are not going to issue a private activity bond right now but we could.

068 GARDNER: All of the projects are public facilities. There is the possibility that we will need a portion of the cap for the program.

070 CORTRIGHT: Can you say which parts of the loan that projects can service on their own?

077 GARDNER: Of the applications that come in , most of the projects are of the nature that they have already made the decision at the local level that they don't think that will work. We review those applications, but most of those who come in need help.

080 CORTRIGHT: Do you do any kind of cost analysis on them where you may be moving them from a lower rating to a better rating?

087 GARDNER: In a lot of these cases it is do you do it or not. There is a difference between an A rating and what would be unrated, there can be a significant difference in the interest rate.

114 REP. BARNES: Would you be funding law enforcement?

122 ADDINGTON: No.

125 CHAIR BAUM: Recesses at 9:16 am.

128 CHAIR BAUM: Reconvenes the meeting at 9:40 am

HB 2339 (Oregon Marketplace) - Work Session

135 CORTRIGHT: HB 2339 directs the Economic Development Department to contract for the operation of The Oregon Marketplace program.

159 DAVID LOHMAN: The EDD could take over the functions of The Marketplace Program and can take over those functions within the \$750,000 dollars being requested by The Marketplace Program.

201 REP. HAYDEN: Can they run on their 1987 budget?

202 LOHMAN: Yes.

217 ROLLIE WISB ROCK: Submits proposed change to HB 2339 (EXHIBIT D).

224 REP. HAYDEN: It is said this program should begin generating at least a portion of its own cost of doing business, has that happened?

230 WISB ROCK: We have made some attempt. We are having some problem collecting some fees. We have not succeeded in becoming even partially self sufficient.

244 REP. HAYDEN: Are we poised to get a piece of the restructuring

of Kuwait?

250 WISB ROCK: Yes.

271 REP. CARTER: When The Marketplace came in 1985, we did not make it very clear that they needed to be self sufficient.

319 REP. CARTER: How much money did you keep in this state in '87-'89?

320 WISB ROCK: \$70 million. We have an even greater potential.

373 REP. KATZ: I think you are an entrepreneurial enterprise and I would not like to see you become state employees. We do want to send you the message that we want you to be self sufficient.

399 REP. HAYDEN: If you are cutting deals in the global market how do you interface with our other programs that deal with foreign trade?

419 WISB ROCK: We have been in very close contact with the International Trade Department. We draw heavily on the references of the International Trade Department.

443 REP. HAYDEN: It is a cooperative relationship, and not overlapping programs?

450 WISB ROCK: Yes.

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035 REP. KATZ: Would you prefer to be completely independent with some sort of a guarantee?

047 WISB ROCK: I would prefer to be independent with the ability to work with the department. But we are concerned that if we do break up we would not work as well.

061 CHAIR BAUM: How much have you raised in fees in the last two years?

064 WISB ROCK: About \$25,000.

066 CHAIR BAUM: It would be helpful if you could become self sufficient in a period of four to six years.

069 WISB ROCK: I don't know if we could ever be totally self sufficient.

078 REP. CARTER: There is no sense in us not capturing some of the federal dollars. But it is ambiguous for us to say that The Oregon Marketplace will not exist with our help if they don't generate more money. We need to give a consistent message.

108 REP. BARNES: Do you have certain goals and objectives within certain milestones that the contractor is supposed to perform?

113 LOHMAN: To the extent that we can we make that contract performance based. This is an opportunity driven program and you can't really set up a performance criteria.

121 REP. BARNES: We want to know if we are getting a good return on the state funds.

129 LOHMAN: We would set out measurements.

133 REP. KATZ: Not activity measurement, we use those all the time. We should still be able to measure outcomes.

170 LOHMAN: The contract is fairly general based primarily on the statute which sets out certain things that The Oregon Marketplace is to do. The budget is tight. The set up we have now, providing funds on contract, works and it could continue this way.

226 REP. BARNES: I am not in favor of putting The Oregon Marketplace in your department, but what do you see as benefits in doing this?

240 LOHMAN: The benefits include the network which gets us out to many businesses. Our joint capabilities are greater than either of us working alone. We are not constrained by being public employees.

295 REP. KATZ: Would you be part of collective bargaining?

296 LOHMAN: The EDD is unrepresented.

300 REP. KATZ: Would you be located with the EDD if you were part of their program?

307 WISB ROCK: We would need to keep the offices out where the business is located. Nothing is going to focus into Salem with the department. We feel there is no criteria for judging the program and so every program must perform at a 5 to 1 ratio.

356 REP. KATZ: How did you get the 5 to 1 ratio?

363 WISB ROCK: The economist said that this was a standard that was comparative to national standards. It is a performance criteria.

368 REP. HAYDEN: 5 to 1 seems low. How do we know you aren't matching deals that aren't about to explode anyway?

380 WISB ROCK: We look for high risk deals, we do not involve ourselves in things people are doing as a course of business.

402 CHAIR BAUM: The fee is paid by the seller not the person looking for the product. The problem is that sometimes if you ask a seller to pay a fee they will no longer be competitive with the other competitors in the world so you waive the fee sometimes to be sure they get the job.

420 WISB ROCK: Yes.

433 CHAIR BAUM: How many employees do you have now?

435 WISB ROCK: 4 brokers, 1 executive director, and 1 data analyst.

TAPE 63, SIDE A

Small Business Programs

050 LOHMAN: Presents Small Business Services Chart (EXHIBIT E).

087 REP. BARNES: Who do small business development centers and international trade centers report to?

090 LOHMAN: There are three funding parents for this program. EDD, the community colleges, and the Federal Small Business Administration.

115 REP. BARNES: Do these advisory committees have any authority to look at what is being duplicated?

120 LOHMAN: Yes, they have authority to make recommendations to each of the funding partners.

127 REP. BARNES: The federal money does not come through you then, it goes to the community colleges?

130 LOHMAN: Correct.

139 LOHMAN: Continues presentation of EXHIBIT E.

186 REP. CARTER: There has been a lack of confidence in the EDD among the minority community. The Executive Department cannot display the kind of responsibility it needs to display in front of these organizations that are associated with EDD because that is not their job. The EDD needs to deal with this social issue.

224 REP. KATZ: I agree with Rep. Carter.

244 REP. CARTER: The EDD could focus on opportunity.

258 LOHMAN: There is a large portion of the Office of Minority Women and Emerging Business that is regulatory in nature now. We are currently not a regulatory agency and we have tried to keep out of that business. We would like to be a promotional agency. Continues EXHIBIT E.

293 CHAIR BAUM adjourns the meeting at 11:49 pm.

Submitted by,

Jeri Chase Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary for HB 2248, submitted by Joe Cortright, pgs. 2.

EXHIBIT B - Letter Regarding Amendments to ORS 284.310-530 Infrastructure Projects, submitted by Yvonne Addington, pgs. 3.

EXHIBIT C - Fitch Newsletter, submitted by Mark Gardner, pgs. 4.

EXHIBIT D - Proposed Amendments to HB 2339, submitted by Rollie WiSB rock, pgs. 4.

EXHIBIT E - Small Business Services chart, submitted by David Lohman, pgs. 1.