

Senate T&E Committee
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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

January 25, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 9 - 10

CAPITAL ACCESS PROGRAM
ECONOMIC DEVELOPMENT DEPARTMENT BRIEFING

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
SEN. JEANNETTE HAMBY
SEN. JIM HILL
SEN. EUGENE TIMMS

MEMBERS EXCUSED:SEN. PEG JOLIN

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

JILL COPELAND, COMMITTEE ASSISTANT

WITNESSES: MARK HUSTON, MANAGER, BUSINESS FINANCE SECTION,
ECONOMIC DEVELOPMENT DEPARTMENT
FRANK BRAWNER, OREGON BANKERS ASSOCIATION
STEVE PETERSEN, ACTING DIRECTOR, ECONOMIC DEVELOPMENT
DEPARTMENT

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 9, SIDE A

000 CHAIR FAWBUSH calls the meeting to order at 3:12 p.m.

SB 171 and 331 (Capital Access Program) - Public Hearing

008 JOE CORTRIGHT: Overviews the staff measure summaries on SB 171 (EXHIBIT A) and SB 331 (EXHIBIT B). He clarifies the difference between the two bills.

019 CHAIR FAWBUSH: Are they duplicate?

021 CORTRIGHT: They are duplicate in regard to one provision and the two bills each have one other provision that does something different. SB 171 and SB 331 change the

definition of financial institution

because as drafted the bills did not allow nationally chartered banks to participate in the program.

> SB 171 does three things in addition: it allows the department to require information of program

participants, it changes the a reference in the capital access fund to expand the sources of money that

can go into the fund, it changes some references from SB 314.

>SB 331 makes it clear that state statutes on confidentiality of information from banks don't restrict

the ability of banks to provide information to the department.

049 CHAIR FAWBUSH: Eliminating the restriction against providing information doesn't necessarily follow

that commercial institutions would be required to provide it upon request?

052 CORTRIGHT: There is some question as to whether confidentiality restrictions in law right now protect

the confidentiality of bank customers would preclude banks from providing information about their

customers and who they've loaned to and how much they've loaned in order to participate in this

program. He submits a letter from Legislative Council (EXHIBIT C).

064 FRANK BRAWNER: Begins testimony in support of SB 171 and SB 331

097 MARK HUSTON: Begins presentation of written testimony on SB 171 and 331 (EXHIBIT D).

121 CHAIR FAWBUSH: Once this is passed out when can we start with actual loans?

123 HUSTON: We are ready to go. We have signed up five banks and are working with other state

chartered banks to enlist them in the program. We would immediately send out information to

nationally chartered banks to inform them of the legislatures actions. As soon as their ready we can

start with the loans.

135 BRAWNER: The national banks have attended the training sessions and are gearing up with the

assumption that they will be allowed to participate and the fact that they were denied was an error.

139 CHAIR FAWBUSH: Do you get a sense that there is some interest in this and that it is going to be

used?

140 BRAWNER: These rules were adopted in October and to have five banks signed up at this time is good.

146 CHAIR FAWBUSH: Was there some reason that we didn't get administrative rules until October?

148 HUSTON: Were there ways to administer the program and include the national banks within the

framework of the programs, in particular the strategic reserve fund. None of those were workable. We

were put in the position of starting the program with only state charter banks.

161 BRAWNER: Key Bank and Security Pacific Bank are state chartered banks so we are not talking about just the smaller institutions. Key Bank is in the program and Security Pacific will soon be. All of the banks are anxious to get started.

188 CHAIR FAWBUSH: Since we have that many state chartered banks why we didn't we make a decision to go ahead and write rules and work with those banks during the interim?

191 HUSTON: There was discussion with the Oregon Bankers Association, they wanted to be able to offer it to all of their constituents and to reduce the amount of confusion

201 CHAIR FAWBUSH: The law said do it and you didn't do it.

Economic Development Department Briefing

224 STEVE PETERSEN: Begins briefing presentation (EXHIBIT E).

250 PETERSEN: Began presentation of transparencies (EXHIBIT F).

417 SEN. HILL: Do you plan to do any type of analysis of Measure 5 and what impact it will have on the economic development of the state?

420 PETERSEN: We have not done an overall analyses.

442 SEN HILL: Do you plan to?

443 PETERSEN: We don't have any plans to do that right now.

445 SEN. HILL: If Measure 5 is going to have a dramatic impact on economic development then someone is responsible to say what that is and it seems that it would be EDD.

451 CHAIR FAWBUSH: Paul Warner's office is probably keeping actual data.

463 SEN. HILL: Under Measure 5 you become a low service state and that has an impact on economic development. It would be nice for somebody to give us an idea of what that means for us because it's part of our future.

473 CHAIR FAWBUSH: EDD should look at this, what a low service state means both positively and negatively.

482 PETERSEN: That is a good idea. We'll do that and get back to you.

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050 PETERSEN: There have been some national studies on what a low service state provides and what they consider their economic future. We'll pull that information together also and come back to you with a report.

057 PETERSEN: Continues with presentation of EXHIBITS E and F.

128 CHAIR FAWBUSH: Sounds like a catch 22. In Washington/Clackamas Counties

the quality of life is
threatened by rapid growth and in other areas the quality of life is
threatened by lack of growth.

135 PETERSEN: There will have to be different strategies in different areas.

147 SEN. HILL: There are also a lot of cuts in federal funds and some of
those pertain to economic
development. With cuts in federal funds the state has tried to pick up
those costs and the people are
spending more and don't feel like they are getting the services. Is that
something that comes as a
challenge for us to deal with?

150 PETERSEN: We definitely see it as a challenge. As far as federal money
coming into the state for
economic development there is very little money that comes into the state
any longer. HUD is going
down every year.

175 SEN. HILL: It would be nice to know what Federal money are we not
getting that we used to and that
we have to make up for, in terms of economic development.

185 PETERSEN: As far as Federal money coming into the state we are 50th.
The League of Cities says
that in 1975 %16 of the local budgets were Federal money and in 1990 it was
%6.5.

196 PETERSEN: Continues presentation of EXHIBIT F (Four Strategies).

245 PETERSEN: Continues presentation of EXHIBIT F (Industry Development).

273 PETERSEN: Continues presentation of EXHIBIT F (Community Development).

317 PETERSEN: Continues presentation of EXHIBIT F (Business Assistance).

349 PETERSEN: Continues presentation of EXHIBIT F (Human Investment).

385 PETERSEN: Continues presentation of EXHIBIT E) (page 12, Legislatively
approved budget).

441 SEN. HILL: Is that looked upon as being a permanent change in funding
for the TouriSMDivision?
What is the long term outlook? Is that just for this biennium?

457 PETERSEN: Prior to Measure 5 we recommended that more be funded through
General Fund because
it is longer-term.

470 SEN. HILL: What type of things are that \$2 million going to be used for?

473 PETERSEN: The total budget for the TouriSMDivision would be \$5 million.
There is already \$3
million in lottery funds and we'd add \$2 million more into lottery and that
is for some administration
and to do all of the promotions.

481 SEN. HILL: How much for administration?

486 PETERSEN: About \$1.5 million of that would be for administration.

TAPE 9, SIDE B

030 PETERSEN: Continued presentation of EXHIBIT E (pages 13, 14, & 15).

045 CHAIR FAWBUSH: Is it a fair assumption to make that the Head Start money is going to be a permanent tap as will the Housing Agency? What is the long term consideration of those two?

050 PETERSEN: I can't address the Department of Education, I don't know what the thinking is long term. I think the intent of the Housing Agency is if you build a trust fund it is going to need more than one shot of money. But I would have to ask the Housing Agency specifically about that.

054 CHAIR FAWBUSH: We'll need to take a look at that.

058 SEN. HILL: Does Head Start meet the definition of economic development?

062 CHAIR FAWBUSH: The Attorney General said economic development is whatever the Legislature calls it.

065 SEN. HILL: What it said was that there was construction involved and it produced jobs and we could not use the money for administration. It's not just absolutely anything even though it is broad.

072 SEN. HAMBY: It might be welcome for the department to review the AG's opinion.

074 PETERSEN: It is something that we are working with in the Governors office and with the Department of Education and that was a question that came up.

080 PETERSEN: Continues presentation of EXHIBIT E.

094 PETERSEN: We've seen some reductions in the department. Oregonians expectations will not be lessened because of Measure 5.

111 SEN. HAMBY: It is criminal that 200 million lottery dollars are going for high school teachers to be able to sit down with community college teachers to make sure that their curriculum is in sync.

132 SEN. HILL: How many jobs were cut in the department?

133 PETERSEN: Eight.

137 SEN. HILL: Where will the eight come from?

138 PETERSEN: A variety of places; some mid-management, a couple of clerical, one in Business Development and one in Business Finance.

150 CHAIR FAWBUSH: That is a good start. We will have to make a few tough decisions about lottery funds.

170 Discussion on further agendas.

216 CHAIR FAWBUSH adjourns the meeting at 4:25 p.m.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Staff Measure Summary on SB 171, submitted by Joseph Cortright,
2 pages.

EXHIBIT B - Staff Measure Summary on SB 331, submitted by Joseph Cortright,
1 page.

EXHIBIT C - Letter from Legislative Counsel, submitted by Joseph Cortright,
3 pages.

EXHIBIT D - Testimony on SB 171 and SB 331, submitted by Mark Huston, 3
pages.

EXHIBIT E -"Presentation to the Joint Legislative Committee on Trade and
Economic Development"
submitted by Steven Petersen, 43 pages

EXHIBIT F -Transparencies, submitted by Steve Petersen, 11 pages.