

HB 2323
Oregon Growth Board

House Bill 2323 abolishes the sunset of the Oregon Growth Board, and allows a number of provisions relating to the Board to become operative. These provisions establish the Oregon Growth Fund, establish authority for the Oregon Growth Board to manage the Oregon Growth Fund, and transfer the management of the Oregon Growth Account from the State Treasurer to the Oregon Growth Board. The Oregon Growth Fund will be used to encourage investment in, and the availability of capital to, instate businesses; and will increase the resources available to further economic development. The Board is authorized to contract with management companies and with state agencies to address capital shortages and to promote economic development.

The Oregon Growth Board will manage approximately \$26 million of uncommitted funds in the Oregon Growth Account in the 2013-15 biennium. House Bill 2323 further provides \$1.9 million of Lottery Funds for the new Oregon Growth Fund, also to be managed by the Board.

The Transportation and Economic Development Subcommittee recommends House Bill 2323 be amended and reported out do pass, as amended.

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 2323-B

**Carrier – House: Rep. Read
Carrier – Senate: Sen. Shields**

Action: Do Pass the A-Engrossed Measure as Amended and be Printed B-Engrossed

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 28, 2013

Agency

Oregon Business Development Department

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
<u>Oregon Business Development Department</u>					
Lottery Funds	\$ 0	\$ 0	\$ 100,000	\$ 100,000	100.0%
Total	\$ 0	\$ 0	\$ 100,000	\$ 100,000	100.0%

Position Summary

<u>Oregon Business Development Department</u>					
Authorized Positions	0	0	1	1	
Full-time Equivalent (FTE) positions	0.00	0.00	0.50	0.50	

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Transportation and Economic Development Subcommittee Action

During the 2012 session the Legislature passed HB 4040, which established the Oregon Growth Board with a June 30, 2013 sunset date. HB 2323-A abolishes the sunset, which allows a number of provisions approved in HB 4040 to become operative. These provisions establish the Oregon Growth Fund (OGF), establish authority for the Oregon Growth Board to manage the Oregon Growth Fund, and transfer the management of the Oregon Growth Account (OGA) from the State Treasurer to the Oregon Growth Board. The provisions authorize the Board to use the Oregon Growth Fund to: (1) encourage investment in and availability of capital to instate businesses, and increase resources available to further economic development; and (2) use OGF monies to make investments in, and provide loans or grants to, businesses to promote economic development. The allowable use of OGA funds are expanded to include the allowable uses for Oregon Growth Fund monies, excluding the making of grants.

The Subcommittee adopted amendments to: (1) allocate \$1,900,000 in Lottery Funds to the Oregon Growth Fund; (2) allow the Oregon Growth Board to contract with either state agencies or management companies to manage the funds in the OGF and OGA by repealing a requirement that the Board contract with management companies to manage all of the funds; (3) correct operative dates of certain sections of the bill; and (4) add language to prevent the lapse of provisions before they become operative (to permit the sunset repeal to come into effect without complications).

The allocation of Lottery Funds to the Oregon Growth Fund is approved on a one-biennium basis, and will be phased out in the development of the 2015-17 biennium budget. Any request for an allocation of money to the Fund as part of the 2015-17 biennium budget must be included in a policy option package.

The Subcommittee approved the following budget note to establish reporting requirements for the Oregon Growth Board:

Budget Note:

The Oregon Growth Board shall adopt investment policy statements for management of the Oregon Growth Account and the Oregon Growth Fund. The Board shall report on these statements and include information on how the Board will measure the performance of investments and allocations approved by the Board, and the performance targets proposed by the Board. The report shall be submitted to the Joint Committee on Ways and Means, and to the committees of the Legislative Assembly with authority over the subject area of economic development, for their consideration during the 2014 regular session.

The Subcommittee allocated \$100,000 in Lottery Funds and provided an equivalent amount of Lottery Funds expenditure limitation to the Oregon Business Development Department, and established one half-time Operations and Policy Analyst 4 position (0.50 FTE), for the Department to provide administrative support to the Oregon Growth Board.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 2323-B

**Oregon Business Development Department
Tamara Brickman - 503-378-4709**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
<u>Oregon Business Development Department</u>									
<u>SCR 210 - Business, Innovation, Trade</u>									
Personal Services	\$ 0	\$ 90,511	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,511	1	0.50
Services and Supplies	\$ 0	\$ 9,489	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,489		
<u>SUBCOMMITTEE RECOMMENDATION</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>1</u>	<u>0.50</u>

**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 2323**

1 On page 1 of the printed A-engrossed bill, line 3, after “5” insert “, 6”.

2 In line 4, after “2012;” insert “limiting expenditures;”.

3 Delete lines 7 through 12 and insert:

4 **“SECTION 1.** Section 26, chapter 90, Oregon Laws 2012, is amended to
5 read:

6 **“Sec. 26.** Sections 5, 6, 7 and 12 to 18, **chapter 90, Oregon Laws 2012**
7 *[of this 2012 Act]*, the amendments to ORS *[192.502,]* 284.701, *[284.706,]* 293.731,
8 293.733, 293.761, 293.796 and 348.702 by sections *[7a and 19 to 25 of this 2012*
9 *Act]* **20, 23 and 25, chapter 90, Oregon Laws 2012, and sections 8 to 10**
10 **of this 2013 Act** and the repeal of ORS 348.701, 348.703, 348.704, 348.706,
11 348.707 and 348.710 by section 10, **chapter 90, Oregon Laws 2012,** *[of this*
12 *2012 Act]* become operative on January [2] 1, 2014.”.

13 On page 15, line 13, delete the first comma and insert “and” and delete
14 “, 293.731, 293.761 and 348.702”.

15 In line 14, delete “to 10”.

16 After line 15, insert:

17 **“SECTION 12.** Section 6, chapter 90, Oregon Laws 2012, is amended to
18 read:

19 **“Sec. 6.** (1) The Oregon Growth Board *[shall]* **may** contract with one or
20 more management companies **or state agencies** to manage and invest the
21 moneys in the Oregon Growth Account established under ORS 348.702 and
22 the Oregon Growth Fund established under section 7, **chapter 90, Oregon**

1 **Laws 2012** [*of this 2012 Act*]. For purposes of this subsection, a contract with
2 a management company **or state agency** may consist of:

3 “(a) A partnership agreement under which the Oregon Growth Board is
4 the limited partner and the management company **or state agency** is the
5 general partner; or

6 “(b) Another form of payment or profit-sharing arrangement under which
7 the Oregon Growth Board may receive payment or another form of return in
8 exchange for its investment.

9 “(2) A management company **or state agency** selected to manage the
10 Oregon Growth Fund or the Oregon Growth Account shall manage the
11 moneys in the fund or account, subject to the policies and procedures and
12 investment directives and strategies of the Oregon Growth Board, with the
13 care, skill and diligence that a prudent investor acting in a similar capacity
14 and familiar with such investments would use in managing and investing a
15 similar fund.

16 “(3) The management company **or state agency** shall invest in Oregon
17 an amount that is at least equal to the amount of the principal transferred
18 from the Oregon Growth Account or the Oregon Growth Fund to the man-
19 agement company **or state agency** for investment.

20 “(4) [*The*] **A** contract between the board and a management company to
21 manage the Oregon Growth Account or the Oregon Growth Fund, and the
22 functions performed under the contract, are not subject to the State Per-
23 sonnel Relations Law or ORS 279.835 to 279.855 or ORS chapter 279A or
24 279B.

25 “(5) The Oregon Growth Board shall provide to local governments and
26 state agencies any reports on the investment of moneys in the Oregon
27 Growth Account that are necessary to fulfill audit, financial, investment or
28 other reporting requirements to which the Education Stability Fund is sub-
29 ject by law or standard accounting principles.

30 **SECTION 13. There is allocated for the biennium beginning July**

1 1, 2013, from the Administrative Services Economic Development
2 Fund, to the Oregon Business Development Department, the amount
3 of \$100,000 for the Oregon Growth Board.

4 **“SECTION 14. Notwithstanding any other law limiting expenditures,**
5 **the amount of \$100,000 is established for the biennium beginning July**
6 **1, 2013, as the maximum limit for payment of expenses from lottery**
7 **moneys allocated from the Administrative Services Economic Devel-**
8 **opment Fund to the Oregon Business Development Department for the**
9 **Oregon Growth Board.**

10 **“SECTION 15. There is allocated for the biennium beginning July**
11 **1, 2013, from the Administrative Services Economic Development**
12 **Fund, to the Oregon Growth Fund, the amount of \$1,900,000 for the**
13 **expenses of administering and implementing sections 1 to 7, chapter**
14 **90, Oregon Laws 2012. No funds may be allocated under this section**
15 **prior to January 1, 2014.**

16 **“SECTION 16. If this 2013 Act does not become effective until after**
17 **June 30, 2013, the repeal of sections 27, 28, 34, 35 and 36, chapter 90,**
18 **Oregon Laws 2012, by section 4 of this 2013 Act revives sections 5, 6,**
19 **7, 10, 12 to 18 and 26, chapter 90, Oregon Laws 2012. If this 2013 Act does**
20 **not become effective until after June 30, 2013, section 4 of this 2013**
21 **Act shall be operative retroactively to that date, and the operation and**
22 **effect of sections 5, 6, 7, 10, 12 to 18 and 26, chapter 90, Oregon Laws**
23 **2012, shall continue unaffected from June 30, 2013, to the effective date**
24 **of this 2013 Act and thereafter. Any otherwise lawful action taken or**
25 **otherwise lawful obligation incurred under the authority of sections**
26 **5, 6, 7, 10, 12 to 18 and 26, chapter 90, Oregon Laws 2012, after June 30,**
27 **2013, and before the effective date of this 2013 Act, is ratified and ap-**
28 **proved.”.**

29 In line 16, delete “12” and insert “17”.

30 Delete line 18 and insert “June 30, 2013.”.

