Scott Nelson

1. ***Oregon Investment Act (HB 4040) - $5.0 m (Lottery Fund)***

Purpose:
The Oregon Investment Act (HB 4040) created and directed the Oregon Growth Board to survey the economic development landscape and propose a targeted, yet flexible approach to public investments. The Oregon Growth Board's mission is to identify the capital needs and gaps that exist and invest in an effective set of State-sponsored and other capital resources for businesses in Oregon.

How achieved:
The Oregon Growth Board proposes the following:

1. Based on the capital gaps that have been identified and the need to improve the state's competitive standing, remove the sunset date associated with the Oregon Investment Act.

2. Adopt an umbrella strategy of targeting investments across the capital continuum, to include early stage, growth and debt capital and mentoring assistance to support the entrepreneurial ecosystem. The Board identified two initial priority areas, to include but not limited to:

    - The need to deploy and increase capital availability that further early stage investments.
    - Target investments that support the capital ecosystem and grow those scalable, traded sector companies in Oregon.

3. Transfer oversight of the Oregon Growth Account and its current, recurring allocation from the State Treasury to the Board. The existing Oregon Growth Account Board would be abolished. The Growth Account receives a portion of Lottery proceeds to invest in early-stage companies, alongside private sector partners with returns used to benefit the Education Stability Fund.

4. Broaden the scope of the Growth Account to allow for additional investment beyond emerging growth businesses, so that other business stages can be considered for investments, looking at return on investment and economic development factors. In addition, to support the goals of return on investment and economic development, and the somewhat different objectives between the two, the Board recognizes the need for a separate fund dedicated to economic development purposes.

5. The Board will also develop metrics to measure and report on investment performance based on the investment stage, retaining the flexibility to address return on investment and economic development objectives focusing on these items, among them are:

    - Leverage
    - Returns
    - Job creation and Wage Growth
    - Increase in businesses assisted

6. Provide the Board with allocation authority, in consultation with the Oregon Business Development Commission, to coordinate the deployment of capital resources, but not as

direct investments into individual companies – the Board will not directly invest in any project or company.

Staffing Impact:
None

Quantifying Results:
A key goal is that these activities be built into a coordinated, unified strategy and structured as part of an investment portfolio. Through increased coordination of functions, the Board believes the state can save costs and duplication.

The Board would build off the initial capital scan and additional data received to date and seek advice from business and industry throughout the state, as well as pioneering entities like the Oregon Innovation Council (Oregon InC). Based on that information, investment allocations and targets would be established and also be regularly reevaluated. Recognizing that market conditions change, the Board would maintain the authority and flexibility to adjust those allocations as necessary.

By adopting a broader, more flexible approach to investment, the Board believes Oregon can better meet the demands of businesses and entrepreneurs as needs and opportunities arise.

Revenue Source:
Lottery Funds

Additional Information:
This initiative is directly tied to the Economy and Jobs 10-Year Plan.

Background on the Oregon Investment Act –

The Oregon Investment Act (HB 4040, 2012) is an opportunity to dramatically improve our efforts to attract and improve the availability of capital to help catalyze economic development across the state.

While Oregon can point to some notable success stories around capital deployment, many of the state's efforts have been fragmented or meager – a study shows those efforts have fallen short of helping employers across the business spectrum overcome a series of capital gaps. At the same time, the private sector alone is not able to sufficiently address this capital need for Oregon businesses.

The Investment Act opened the door for Oregon to establish a new framework to address our shortcomings by doing a better job at deploying public resources, in concert with leveraged funding from private investors. Oregon is not unique in looking at new models that help local businesses attract private capital: at least 30 other states have varying investment models that help them assist businesses, in particular supporting business formation and growth capital.

This new strategy requires an innovative vision regarding capital deployment that brings together the strengths of the public and private sector. It requires clear objectives and safeguards, and a clear methodology to measure results. It requires the private sector to assume a substantial amount of risk. And critically, it requires willingness by government to abandon the status quo, to consolidate disparate economic development dollars, and to collaborate to advance the best opportunities for job and wage growth.