

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended, Be Printed Engrossed and Be Referred to the Committee on Ways and Means by Prior Reference
Vote:	8 - 0 - 2
Yeas:	Bentz, Cameron, Doherty, Gorsek, Lively, McKeown, Nathanson, Read
Nays:	0
Exc.:	Davis, Parrish
Prepared By:	Troy Rayburn, Administrator
Meeting Dates:	3/15, 4/8

WHAT THE MEASURE DOES: Establishes Oregon Growth Board Task Force. Specifies 10 member task force including: two appointees from the Senate President; two appointees from the Speaker of the House; four appointees from the Governor with one from banking, one from credit unions, one from managing investments, and one with small business employment experience; one appointee from the Treasurer's Office; and one appointee from the Oregon Business Development Department; Requires the task force to make recommendations to the Legislative Assembly regarding the formation, functions, duties, and powers of the Oregon Growth Board (renamed from the Oregon Growth Account Board; Adds the Fund to those funds that are not required to have the Oregon Innovation Council's review policies for investment funds; Stipulates that the Oregon Business Development Department shall provide staff support to the task force ; Repeals sections related to the abolishment and sunset date of the Oregon Growth Board.

ISSUES DISCUSSED:

- Relationship between access to capital and economic recovery
- Importance of access to capital for small businesses
- Benefit to rural economies where the unemployment rate remains high
- Need for state to be active partner in growth objectives
- Need to remove sunset provision in the Oregon Investment Act
- Need to support overarching strategy for investing across business life-cycle
- Need to balance drive for financial returns with creating sustainable high-wage jobs
- Need to create Oregon Growth Fund with different funding sources and disbursement obligations than Oregon Growth Account
- Need to provide the Board with allocation authority
- Importance of confirming that Board will neither invest in any specific project or company, nor compete with private capital resources
- \$35 million allocation to start the Oregon Growth Fund

EFFECT OF COMMITTEE AMENDMENT: Legislative intent and goals of the Oregon Growth Board (the Board) are expanded upon to include objectives to encourage investment and capital availability through all stages of business life cycle, particularly in the traded sector and rural Oregon. The Board duties, functions and powers are specified in greater detail regarding investment and management of the Oregon Growth Fund (the Fund) and the Oregon Growth Account (the Account). Returns earned through the Account are designated for the Education Stability Fund. Management of the Fund is specified to include competitive grants and loans for economic development.

The Board is directed to collaborate with local governments, state agencies, financial institutions and private entities and to delegate any duties or powers to those entities that they are authorized to perform. In addition, the Board is to solicit, obtain and accept local, state, federal and private resources and donations for deposit into the Account and the Fund. Requirements for Board rules are expanded to specify permissible investments and activities , create guidelines for the amount of leverage to maximize investments, provide a performance evaluation framework and methodology, and report biennially to interim committees related to business and economic development.

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This summary has not been adopted or officially endorsed by action of the committee.

The Board is to serve in an advisory capacity to the Legislature and make recommendations regarding appropriation of moneys to the Fund, tax modifications designed to promote private investment in the Fund, incentive programs for private sector investment, and Account management policy to earn returns for the Education Stability Fund. Board members are required to submit an annual Statement of Economic Interest. The Board member serving on the Oregon Innovation Council is no longer required to have experience in the field of venture capital. Board administrative costs may be covered through the Account.

BACKGROUND: The Oregon Investment Act, established with enactment of House Bill 4040, was an effort to capitalize on the opportunity to dramatically improve the state's 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 limited and fragmented – 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 has not been 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 being more strategic in 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, particularly in 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. Finally, it requires willingness by government to consolidate disparate economic development dollars, and to collaborate to advance the best opportunities for job and wage growth.