

Testimony by  
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On behalf of Craft3 ([www.craft3.org](http://www.craft3.org))

Before the Joint Committee on Carbon Reduction

February 18, 2019

The Honorable Michael Dembrow, Co-Chair  
The Honorable Karin Power, Co-Chair  
The Honorable Cliff Bentz, Co-Vice Chair  
The Honorable David Brock-Smith, Co-Vice Chair  
Joint Committee on Carbon Reduction  
Oregon State Legislature  
Salem, OR

Dear Chairs, Vice-Chairs, and Members of the Committee,

Oregon is poised to become a national leader in the drive to create a prosperous and dynamic economy in a world constrained by carbon. At the same time, as Oregon lays a foundation for a cleaner, more-sustainable future, our political leaders are exploring ways to ensure public policy adequately supports transitioning businesses, communities, families, and natural systems. To that end, Craft3 supports bold, transformative actions on climate change that support this transition and manages its impact on all Oregonians.

***We feel, though, the current cap-and-invest debate is missing proposals that provide additional resources for small businesses and communities as they seek their future in a clean energy economy. That is why we support including bipartisan legislation, H.B.2808 (with amendments, outlined in the appendix to this testimony), in H.B.2020 and, in time, dedicating a portion of cap-and-invest revenues to the program it creates. Doing so would create a new revolving loan fund specifically designed to target capital at Oregon businesses operating in our emerging clean energy sector.***

Growing clean energy jobs throughout Oregon is central to the creation of economic opportunity in both rural and urban areas. According to a conservative estimate in the E2 Clean Energy Jobs in America Report,<sup>1</sup> over 55,000 Oregonians already make their living in the clean energy economy. In fact, citizens living in every political district in Oregon work in one or more sector of Oregon's clean economy.

As Oregon pursues policies designed to eliminate fossil fuels from the region's energy portfolio, making loan capital available to these companies will spur further innovation, expansion of operations, and help them meet growing consumer demand for products sourced from clean economies. However, just as we accelerate our push for a clean energy future, recent reports show that small businesses operating in Oregon struggle to access the financing they need to

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<sup>1</sup> 2018 E2 Clean Energy Jobs in America Report, <https://www.e2.org/reports/clean-jobs-oregon-2018/>.

help build and grow their businesses.<sup>2</sup> This challenge is especially true for startups, businesses in emerging sectors (like cleantech), and for entrepreneurs with limited collateral or credit history.

To that end, while studies predict the proliferation of clean energy jobs resulting from H.B.2020, members of Oregon's business community, as well as many of your colleagues in the Legislature, have expressed their frustration over the lack of incentives designed to directly stimulate job creation and business expansion.

In an effort to come up with a solution, for the past year a group of stakeholders have worked to develop a new tool that would provide the access-to-capital needed to stimulate clean tech sector development and job creation. Those stakeholders, which I have worked with for months, do not endeavor to create new, duplicative government programs, nor ask the state to move further into the business of direct lending (which comes with its associated portfolio risk). Our goal has been simple: create the structure of a program that fills a gap in the services this state offers to the entrepreneurs which make it strong.

Informational hearings kept legislators aware of our efforts as we began to design our program. And people from across the state have taken time to speak of the need for a new, different program that is dedicated to providing clean tech sector businesses access to flexible loan capital:

***"There was a great need in 2012, the school had a 74 year-old boiler. . . and it did not heat. . . we thought we had (a replacement system) financed . . . but in 2016 our finance fell through. . . we needed a finance program that met our needs."***<sup>3</sup>

Lori Cheek, board member, High Desert Biomass Cooperative

***". . . there are hundreds of clean tech focused businesses across Oregon . . . in search of the flexible capital that they can use to launch or grow their green tech businesses. Most have tried traditional sources like banks or state programs . . . but have found them unable to loan them funds in a way that fits their needs as a small business. . ."***<sup>4</sup>

Commissioner Jessica Vega Pedersen, Multnomah County

***". . . this year, when we were looking for another round of non-diluted funding . . . we have found that traditional banks don't fill that gap, they only will loan to you if you have an established record of profitability and significant assets. . . we did talk with state agencies and found that their terms were not appealing to us. . ."***<sup>5</sup>

Sam Pardue, CEO, Indow

The result of feedback from entrepreneurs, lenders, and economic development officials, our coalition has proposed H.B.2808, which creates a business development and investment tool designed to help cleantech entrepreneurs secure capital at critical moments in the business cycle. H.B.2808 grants funds to one or more competitively-selected nonprofit lenders for the

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<sup>2</sup> "Inside the Decline of Small Business Lending in Oregon, and why Minority and Women Owned Businesses are Hardest Hit," <https://www.bizjournals.com/portland/news/2018/08/30/inside-the-decline-of-small-business-lending-in.html>

<sup>3</sup> Senate Interim Committee on Business and Transportation, [http://oregon.granicus.com/MediaPlayer.php?clip\\_id=0839c739-284f-4688-9d75-6d8072ca7803&meta\\_id=a8532a9d-fed1-490d-8b42-a433085ce4f2](http://oregon.granicus.com/MediaPlayer.php?clip_id=0839c739-284f-4688-9d75-6d8072ca7803&meta_id=a8532a9d-fed1-490d-8b42-a433085ce4f2)

<sup>4</sup> House Interim Committee on Economic Development and Trade, [http://oregon.granicus.com/MediaPlayer.php?view\\_id=50&clip\\_id=25134](http://oregon.granicus.com/MediaPlayer.php?view_id=50&clip_id=25134)

<sup>5</sup> House Interim committee on Economic Development and Trade, [http://oregon.granicus.com/MediaPlayer.php?view\\_id=50&clip\\_id=25134](http://oregon.granicus.com/MediaPlayer.php?view_id=50&clip_id=25134)

operation of a revolving loan fund. By using third-party administrators, we keep state administrative costs down and leverage existing commercial and specialized lending expertise. Those lenders would use grant capital to make loans – and be solely responsible for leveraging direct private investment, processing applications, underwriting, approving, closing, and administering the loan portfolio. Under our proposal, the state would not be responsible for losses associated with non-performing businesses.

Examples of business eligible to use this loan fund include:

- Small scale and community based renewable energy projects
- Commercial energy efficiency technology deployment, development, adaptation
- Cleantech manufacturing
- Waste recycling and management
- Agriculture technology that results in the more-sustainable use of resources

Because our proposal is designed to function as a revolving loan fund, H.B.2808 stretches public dollars. It leverages non-state funding sources to expand the loan portfolio's value and, as loans are repaid, allows funds to be used again and again to continue growing our economy and reduce emissions.

While this a new concept for Oregon, revolving loan funds that function as green banks are proven tool. There are at least eleven such funds (all capitalized partially- or fully- with public support) spread across the United States, with the latest fund created in Colorado<sup>6</sup>. In fact, four funds operate next to or near Oregon: Washington, California, and Nevada:

- [California Lending for Lending and Environmental Needs Center](#)
- [Washington Clean Energy Revolving Loan Fund](#)
- [Nevada Clean Energy Fund](#)
- [Colorado Clean Energy Fund](#)

HB2808 was modeled after Washington's own green bank-like program, the Clean Energy Fund – which has now deployed grant capital in three separate budget cycles to competitively-selected nonprofit lenders. The three lenders (Craft3, Puget Sound Cooperative Credit Union, and Washington State Housing Finance Commission) have been awarded a combined \$27.3 million, which has been deployed into projects ranging from growing small businesses to multifamily nonprofit housing developments to consumer home energy upgrades. Each lender leverages its award, helping bring outside capital “off the table” and helping projects move forward.

If the legislature decides to focus Oregon's future economic growth towards a clean energy future, like so many states around us, we need a cleantech sector investment fund to provide our businesses and nonprofits with access to capital to help them grow. We respectfully submit that H.B.2808 accomplishes that objective, and would appreciate the opportunity to work with you to integrate the program into the architecture of the cap and invest program.

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## **APPENDIX: Proposed edits to H.B.2808 and H.B.2020**

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<sup>6</sup> See [www.coalitionforgreencapital.com](http://www.coalitionforgreencapital.com) for a list of national revolving loan programs focused on the clean energy sector.

We propose the following amendments to H.B.2020

- Amend Section 31 to allow use of climate investment funds to stimulate Oregon businesses through the creation of a clean tech sector investment fund.
- Add a new section where the amended language contained in HB2808 can be included

We propose to amend H.B.2808 as follows:

- The Oregon Carbon Policy Office should have administrative authority over the clean tech sector revolving loan fund:
  - Replace all references to the Oregon Business Development Department with the Oregon Carbon Policy Office (Section 2(1), lines 37-38; Section 3(2) lines 3-4; Section 3(4), line two (two places); Section 3(4) line 21; Section 4(1) line 8; Section 4(1)(b) line 11; Section 4(2)(a) line 17; Section 4(3) line 25)
- Oversight should rest with the Joint Committee on Climate Action
  - Replace the Oregon Business Development Commission with the Joint Committee on Climate Action: Section 4(1)(b) line 11; Section 4(2) line 15 and line 17
  - Add the Joint Committee on Climate Action as a legislative body with the authority to transfer funds to the Clean Tech Sector fund: Section 2(2)(a) line 41
- Improve current language in the following places:
  - Conform the definition of community based renewable with Oregon statute:
    - Section 1(2)(a) line 11: Change 35 megawatts to 20 megawatts
  - Strengthen reporting language to reflect program goals to reduce greenhouse gas emissions and invest in minority and women-owned businesses
    - Section 3(3)(d), lines 22-24, add “greenhouse gas emissions”
  - Eliminate reference to Oregon Department of Energy
    - Strike Section 4(1)(a) “~~in consultation with the State Department of Energy~~”