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State Treasurer Ted Wheeler

**Testimony on HB 3452
House Committee on Rules**

March 30, 2011

Good afternoon.

Oregon's economy, like that of the nation, was hit hard in the economic downturn of 2007 and 2008. And even though we see the slight signs of growth, we are faced at every step with the realization that some elements of our economy have changed systemically, fundamentally, and permanently. What we now call the "new normal" is an economic landscape that forces us to re-think how we've structured the tools that buoyed us in years past – and admit that those structures need to be reevaluated and reimagined in this context.

When our local banks and credit unions are unable to lend – whether as a result of regulation or simply a revised risk profile – we need to ask ourselves how we can effectively connect Oregonians to the resources we have available.

When the State is facing a deep budget shortfall at a time when our families and farms need assistance the most – we need to ask what resources we haven't yet considered.

And when our small businesses are struggling to keep pace with a burgeoning recovery that's posting record profits for Wall Street¹ but leaving Main Street behind – we need to ask how we can get capital flowing again.

Members of the Committee, I'm going to put something on record that you might not often hear:

I don't have all the answers.

But House Bill 3452 provides a roadmap to what I see as a fruitful partnership between the State of Oregon, our existing system of local community banks and credit unions, and Oregonians who are looking for – and ready to leverage – economic opportunity. It's a first step, and a good one.

This bill has been labeled the "State Bank Bill," despite the fact that it does not set up a capitalized financial institution. The result is going to be a "bank" in the sense that a "bank" can be a repository and

¹ New York Times. "Corporate Profits Were the Highest on Record Last Quarter," 11/23/2010.

coordinator of resources – like a “seed bank” or a “blood bank.” This will establish an “economic development bank,” so to speak.

Oregon’s economic development resources are currently spread across different agencies – fragmented and without meaningful alignment or clear priorities. The legislation calls for an inter-agency board to serve as a strategic coordinator for all of Oregon’s economic development efforts. Consisting of the Governor, the Treasurer, and a third member to be selected, it will be in a position to take a broad view of the state’s disparate economic development programs – many of which are run by Business Oregon but many of which are not – and also the resources that could be available for economic development in the future. The goal is to decrease fragmentation, establish clear priorities, and ensure that we get the maximum bang for our buck with the limited resources we have.

The bill also sets up an advisory group made up of representatives of Oregon’s business community, banks, credit unions, agricultural community, and other stakeholders to advise on fine-tuning that strategy and recommending further steps. Simply put, the bill provides what we have gone without: A unified framework into which we can build our economic development strategy.

This entity will simply work within the existing agency framework, and at this point, we are not requesting any changes in the statutory sideboards of any existing funds. But I do expect that we will be able to identify new potential resources and ways to increase the flexibility and scope of the State’s efforts.

It’s a modest first step, but it’s just that: our first step. As we move forward, the State Treasury is working on two programs that will add to this effort.

First, a way to increase the activity of our community banks and credit unions: I am working with our Congressional delegation to reform the way the FDIC protects public deposits. I believe that what we have proposed is a more efficient way to bring public dollars to bear on our economy and can be a powerful tool to restart our economic engine.

Second, freeing up capital available for the State to direct: The State Debt Policy Advisory Commission recently endorsed a plan to restructure State Lottery debt and free up hundreds of millions of dollars that could be used in these economic development efforts.

These two plans alone have the potential to place billions of dollars into Oregon’s local credit markets. But without the kind of unified framework provided by HB 3452, we might as well be sowing our economic fields blindfolded.

I can’t speak for the rest of the eventual board, but I would emphasize these goals in coordinating these efforts:

- Improve loan participation and credit enhancement tools – seeded by these resources – to encourage activity in industry sectors and regions that are vital to Oregon’s continued well-being;
- Take on the types of loans that require lenders to “keep skin in the game” to ensure a well-mixed and secure portfolio;

- Use existing direct-investment tools in concert with this strategy to fill the gaps when prudent; and
- Prioritize our bonding resources. Rather than allowing our bonded dollars to become political pawns, we should give precedence to projects and funds that self-generate, draw in other resources, or compliment the infrastructure needs of the very industries we're trying to grow. Oregon is a traded-sector economy that will live or die on the strength of our transportation infrastructure.

We have here an opportunity to do something valuable for our state's entrepreneurs, our existing small businesses, our family farms, and – yes – our existing system of community banks and credit unions.

We have the potential here to begin building a repository of resources with a unified plan of how we want to mete out those resources.

We have the capability to incent more lending and get more capital flowing through our communities as a result.

Rather than the metaphorical patchwork of subsistence sharecropping into which we've been planting our economic future up until now, HB 3452 provides a wide field for us to put down roots and build something that's truly in Oregon's long-term best interest. We will cultivate lasting jobs for this generation and the next.

I am looking forward to the work ahead, and I encourage this committee to pass this legislation with the appropriate amendments. I truly believe that it is the right first step on the road to a saner, more productive economic plan for the State of Oregon.

Thank you.

Ted Wheeler, State Treasurer