

Chair Jose Garcia called the meeting to order at 7:02pm. Committee member present was Jesse Roa. Mark Gomolski and Abby Reyes-Munoz were excused. Also present were Council Representatives Maria Duron and Roy Barron; City Recorder Lilly Alarcon-Strong, and Youth Advisors Heavenly Coleman and Jayson Gutierrez. The pledge of allegiance was given.

Jose thanked the City for the new flags representing all the Latino cultures that are now displayed in the Council Chambers during Hispanic Advisory Committee meetings. The flags are a reminder of inclusivity to all. And stated due to not having a quorum present, the Committee will not vote on the Minutes of the last meeting or changing the meeting schedule as listed in the agenda.

New Member Jesse Roa Introduction

Jesse Roa stated since 2008 he has served the community in social justice work and public education of their rights. He enjoys this work and is honored he has been given the opportunity to join this committee.

Jose thanked Jesse for wanting to be involved in the community in this manner and stated he met Jesse many years ago when frequent ICE raids were taking place in the Washington area. Jesse was very involved in making sure people knew their rights and laws were being followed as well.

BMCC Regional Innovation HUB Planning Grant

Darrell Green, Grants and Projects Manager at BMCC, gave information (attached) regarding what Innovation HUB can offer and how to help entrepreneurs. The State of Oregon has a 10-year innovation plan to try to advance and create a place where entrepreneurs can come together to help grow their products sell them throughout the country. Help with these items include, but are not limited to: finance, management, employment, marketing, business plan, etc. This is not meant for large chain businesses, etc. It's about building or growing a business with innovative resources.

Darrell asked that the Committee or members of the Committee consider attending/joining or recommending other Hispanic persons to attend/join the Innovation HUB Core Team and/or public meetings as the HUB is seeking to have Hispanic representation to accurately reflect the community demographics they serve in Umatilla, Morrow, Wheeler, and Gilliam Counties as there is currently not a Latino Business Network in the area. HUB Representatives also include members from: the Tribes, city staff in Hermiston and Pendleton, private sector business owners, and more, but would like to grow the committee so participants can be successful.

Innovation HUB meetings with Project Consultant EconW. These meetings are Hybrid and rotate physical locations to accommodate travel:

- March 16: 3-4:30
- April 13: 3-4:30
- May 11: 3-4:30

Core Team only meetings. These meetings are Virtual/Zoom:

- March 2: 3-3:30
- March 30: 3-3:30
- April 27: 3-3:30
- May 25: 3-3:30

Darrell stated he can be reached at 541-278-5838 or at dgreen@bluecc.edu for more information.

Money Transfer Surveillance and other information from Senator Wyden's Office

Kathleen Cathey, Field Representative for US Senator Ron Wyden, thanked the Committee for inviting her to speak and gave information (attached) on the surveillance of money transfers to other countries. Kathleen stated her objective is to give outreach information to the Hispanic community to make sure they are informed as many of the

people impacted are immigrants who do not have bank accounts and are sending money to family. The Senator will continue to work on this issue as he wants to make sure all people are represented fairly and have the same opportunities as everyone else in the country. It is unclear what was being done with the information they were gathering or what their intentions were with the information, but Wyden's office will continue to dig deeper about the issue as he strongly believes no one should be able to obtain this type of information without a valid reason and search warrant.

Jose thanked Kathleen for the information and stated a lot of people were worried when they found out about this and wondered if something bad could happen to them for sending money to family. However, he strongly believes surveillance was done to help investigate crime specifically related to drugs and the cartel as crime is everywhere.

Kathleen asked the Youth why they joined the Committee.

Jayson stated his mother is his motivation and wants to encourage youth and all people to contribute to build a better America.

Heavenly stated she is half black and half Mexican and is very involved in school activities and the black community but also wanted to have a voice and be part of the picture for the Mexican side of her roots.

Closing Comments

Public Comments

None.

Committee Comments

Jesse thanked both Darrell and Kathleen for all the work they do.

Jose thanked the Police Department and all first responders for their quick response to the swatting (false report of threat) incident at the Hermiston High School and thanked the Hermiston School District for their quick response and information they sent via text.

City Representatives

Maria, Roy, and Lilly spoke on the following:

- New Municipal Judge Cameron Bendixsen
- City Council Goal setting session
- Hermiston Historical and Cultural Society- Museum possibility
- Rebranding EOTEC
- Amending Amazon contracts
- How to address budget shortfalls and the need for additional police officers
- Hermiston School District Information- very lucky to have all area agencies respond
- Water and sewer rate increases

Youth Representatives

Heavenly and Jayson spoke regarding the lockdown event that took place at the Hermiston High School due to the swatting incident, their thoughts of real vs perceived threats they face while attending school, and their views on how to possibly improve these items.

Next Meeting

Monday, March 20th at 7:00pm at City Hall Council Chambers.

Meeting Adjourned at 8:21pm.

REGIONAL INNOVATION HUBS

Regional Innovation Hubs are a key strategy in Business Oregon's 10-Year Innovation Plan to advance innovation in the state. Hubs build and advance a regional innovation ecosystem, as well as provide access to technical assistance, capital, networking, mentorship, and talent development for science and technology-based entrepreneurs.

Purpose

Hubs are regionally focused, sector-agnostic partnerships that implement programs, strategies, and connections that meet the needs of innovation-based entrepreneurs in high-growth, traded-sector industries.

Partnership

Each Hub is required to include:

- Small Business Dev. Center
- Regional/Local Economic Dev. Org.
- County representative from region
- City representative from region
- Community-based organization that provides relevant culturally-specific business support
- University or community college
- At least three private sector representatives from key regional traded-sector industries

Activities

Technical Assistance: Education specifically targeted for innovation-based entrepreneurs in high-growth, traded-sector industries.

Access to Capital: Connectivity with diverse capital sources and helping firms become investment-ready.

Networking: Opportunities to develop relationships and connections at the regional level to support business growth.

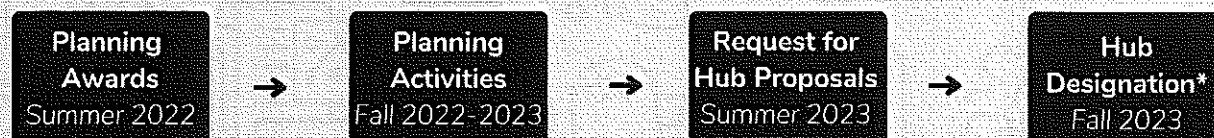
Talent development: Increased access to managerial talent and personnel to support growth.

Mentorship: Entrepreneurs-in-Residence and mentor networks for targeted guidance and access to customers, investors, business intelligence, or other resources.

Provide linkages to Centers of Innovation Excellence

Planning and Award Process

As the first stage in a two-stage process, all 11 of Business Oregon's regions have received a Regional Innovation Hub Planning Grant to determine how they can create and sustain a Hub in their region.



*Note: Not all regions will receive full Regional Innovation Hub designation.

FOREWORD

On behalf of Oregon's Futures Commission, it is a great pleasure to introduce our state's 10-Year Innovation Plan. Oregon has made significant strides in its innovation economy since the first plan was created in 2006. The world and our state, however, have changed significantly since then, and the time is ripe for a new Innovation Plan that addresses the challenges of the future while building on the successes of the past. While 2020 was a difficult year, with unprecedented social, economic, environmental, and public health challenges, we strongly believe that implementation of the 10-Year Plan will lead to a brighter future for the State.

Oregon's unique assets and vibrant innovation economy help define our state's identity. Our unmatched natural resources help attract and retain top talent and spur related economic activity. We benefit from our proximity to innovation hubs on the West Coast and our access to the Pacific Rim's fast-growing export markets. In fields such as semiconductor manufacturing and sustainable technologies, our anchor firms and vibrant industry clusters help foster an innovative and entrepreneurial culture. However, while these assets have guided economic growth for decades, access to opportunities in innovation-oriented fields has been unequal. In the next decade, we must focus Oregon's economy on engaging all of our citizens to cultivate more inventors, entrepreneurs, and leaders of innovation-driven enterprises. We believe that economic justice is a fundamental precursor to achieving an equitable outcome for all segments of our population.

The Futures Commission convened in the summer of 2020 to identify opportunities, activities, and resources to help guide inclusive, innovation-based economic prosperity for Oregon over the next 10 years. The Commission, comprised of 31 members from across the state, represents leaders from industry, academia, philanthropy, and the public sector, along with successful entrepreneurs. Over a period of six months, the Commission met to produce a plan for the creation and support of an innovation-based economy, recognizing that the continued vitality of Oregon's economy and the state's high quality of life rests on its ability to encourage innovation. This focus recognizes that innovation not only disproportionately drives the economy and creates quality jobs, but also can yield products that address social and economic issues.

We owe immense thanks and gratitude to all the individuals and organizations throughout the state who took the time to participate in this effort. Through one-on-one interviews, facilitated focus groups, multiple surveys, and other forums for discussion, the planning process successfully incorporated a range of diverse perspectives that augmented our own beliefs. Without the benefit of input from these numerous stakeholders and partners, the attached plan would not be as robust or comprehensive.

As Futures Commission members, we believe that our best days are ahead of us. In order to support Oregon's recovery from recent crises and to build a resilient economy, we must strengthen and grow our capacity to foster the formation of innovation-based businesses and support them as they scale-up and generate new, high-wage jobs. By actively implementing the strategies and actions outlined in this plan, we can achieve a brighter tomorrow together.



Kanth Gopalpur
Co-Chair, Futures Commission



Jenn Lynch
Co-Chair, Futures Commission

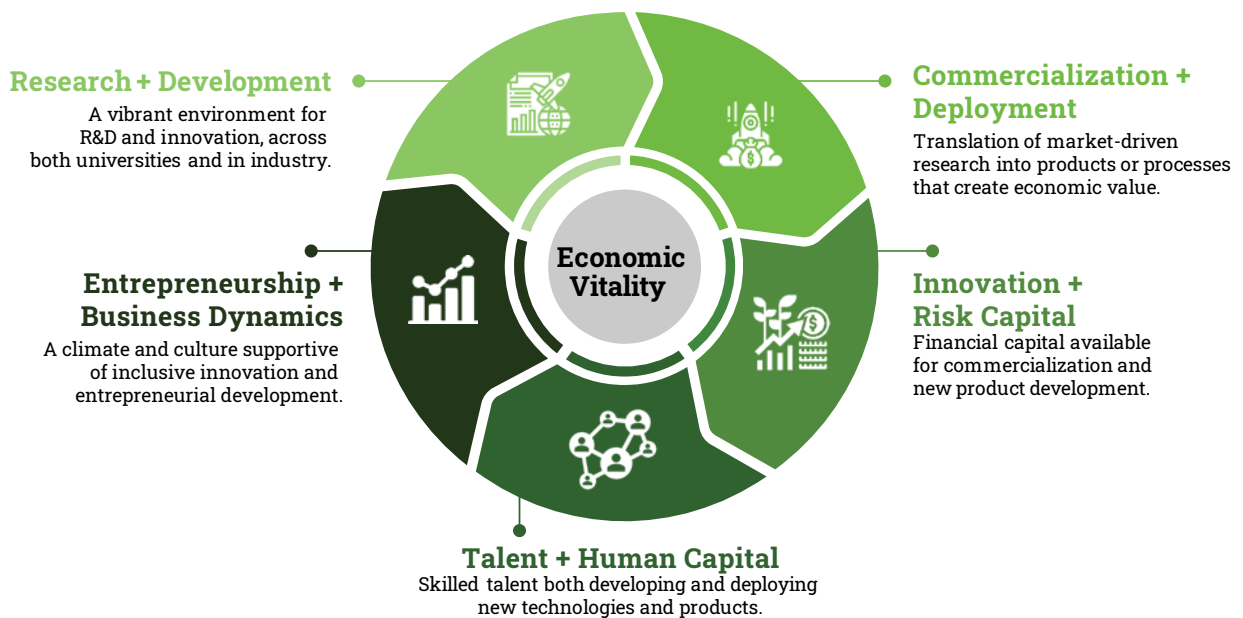
EXECUTIVE SUMMARY

Oregon's Innovation Plan is built on the central premise that the continued vitality of Oregon's economy and the state's high quality of life rests on its ability to encourage innovation.

At a time when Oregon is faced with tremendous uncertainty driven in large part by a global pandemic, but also further complicated by political, natural, and socioeconomic challenges, there is an even greater need to focus on innovation-based economic growth. By coming together around a common issue – innovation – Oregon has an opportunity to improve the livelihoods of its citizens across the state.

Developing a robust, inclusive innovation ecosystem is at the core of Oregon's ability to achieve broad-based economic vitality. Innovation ecosystems consist of five interconnected elements, each of which plays a vital role in developing new value-added products and services that create strong economic impacts (Figure ES-1).

FIGURE ES-1: INTERRELATED COMPONENTS OF A ROBUST INNOVATION ECOSYSTEM



Source: TEconomy Partners, LLC.

Supporting the elements of a robust, inclusive innovation ecosystem will drive economic development in Oregon in the coming decades.

While it is noted throughout the Innovation Plan that a robust innovation ecosystem will require dedicated efforts, ultimately, driving catalytic change in Oregon's innovation economy will also require efforts to effectively address three critical dependencies to economic vitality (see Figure ES-2):

- Pervasive, affordable, and accessible high-quality digital infrastructure (broadband).
- A thriving talent base with inclusive and accessible pathways to cultivate human capital.
- A robust industry- and academic- research and development (R&D) enterprise that tackles our toughest problems.

FIGURE ES-2: CRITICAL DEPENDENCIES FOR INNOVATION PLAN SUCCESS



Source: TEconomy Partners, LLC.

The Futures Commission, a public-private thought leadership group comprised of 31 members representing industry, academia, philanthropy, and government, engaged a wide range of innovation and entrepreneurship expertise over the course of its work with more than 125 stakeholders contributing to this strategic effort. Figure ES-3 illustrates the five-part process that informed the development of Oregon's Innovation Plan.



FIGURE ES-3: OREGON'S INNOVATION PLAN METHODOLOGY

FUTURES COMMISSION

Six total meetings and ongoing participation from thought leaders throughout Oregon, including private industry, philanthropy, academia, and other sectors.

EXTERNAL OUTREACH

Opportunities for individuals from across the state to participate in the planning process through surveys and other processes.



SITUATIONAL ANALYSIS

An analysis of Oregon's innovation ecosystem based on a thorough review of previous and ongoing qualitative and quantitative research.

SIX FOCUS GROUPS

- Availability of Risk Capital
- Availability of Value-Added Entrepreneurial Services
- Connectivity of Industry Clusters
- Regional + Geographic Models
- Diversity, Equity, Inclusion Models
- Emerging Market Opportunities

STRATEGY DEVELOPMENT

Synthesizing input to develop a 10-year innovation plan with actionable short-and long-term strategies.

Source: TEconomy Partners, LLC.

It is important to note that Oregon currently has multiple efforts in place to support innovation across the state. Through its historic investments, Oregon's state leadership has demonstrated an understanding that a vibrant and high-functioning innovation ecosystem is necessary for the state's economy to reach its full potential.

Even with these investments, however, Oregon faces significant challenges across a number of critical factors:

- The lack of a statewide entrepreneurial culture stymies the innovation ecosystem and represents a limiting factor to Oregon's ability to scale companies.
- The agglomeration of national risk-capital markets is threatening Oregon's ability to finance its deal flow.
- While levels of R&D are quite high, and commercialization is growing, more can be done to ensure the pipeline of deal flow is robust and "sticky" to the Oregon economy.
- The lack of "buzz" or image regarding Oregon as a desirable location for innovative companies and investment is hindering the development of the ecosystem.

These challenges, however, are not insurmountable and, with a renewed and re-oriented focus toward addressing these barriers, the state's innovation ecosystem can thrive. In the pages that follow, Oregon's Innovation Plan lays out a series of recommended bold strategies and concrete actions that if undertaken will help foster greater levels of economic prosperity for all Oregonians in the years to come.

OREGON'S 10-YEAR INNOVATION PLAN

If Oregon's economy is going to prosper in the coming decades, it must ensure its competitive position through four means:

- Oregon must have traded sector industries that **constantly innovate**, not only the products that they make but also the technological processes that they use to make them.
- Oregon must foster a robust **entrepreneurial ecosystem** that ensures support services are available that address the continuum of needs from early-stage startups to scalable enterprises.
- Oregon must have **financial capital markets** receptive and prone to investing in innovative firms and entrepreneurs that are developing and applying cutting-edge technologies to products and processes.
- Oregon must **promote** itself as a place to start and grow an innovative company.

Oregon's 10-year innovation vision is captured in the following statement, which is both bold as well as realistic.

VISION

In 10 years, Oregon is globally known as a model for a diverse, inclusive, and resilient economy: a place where innovative people solve the greatest challenges of our times to create novel, sustainable products, processes, and companies that drive economic growth.

To achieve this Vision, Oregon, serving as a steward for all its citizens, will support investments and policies through public-private-philanthropic partnerships that:

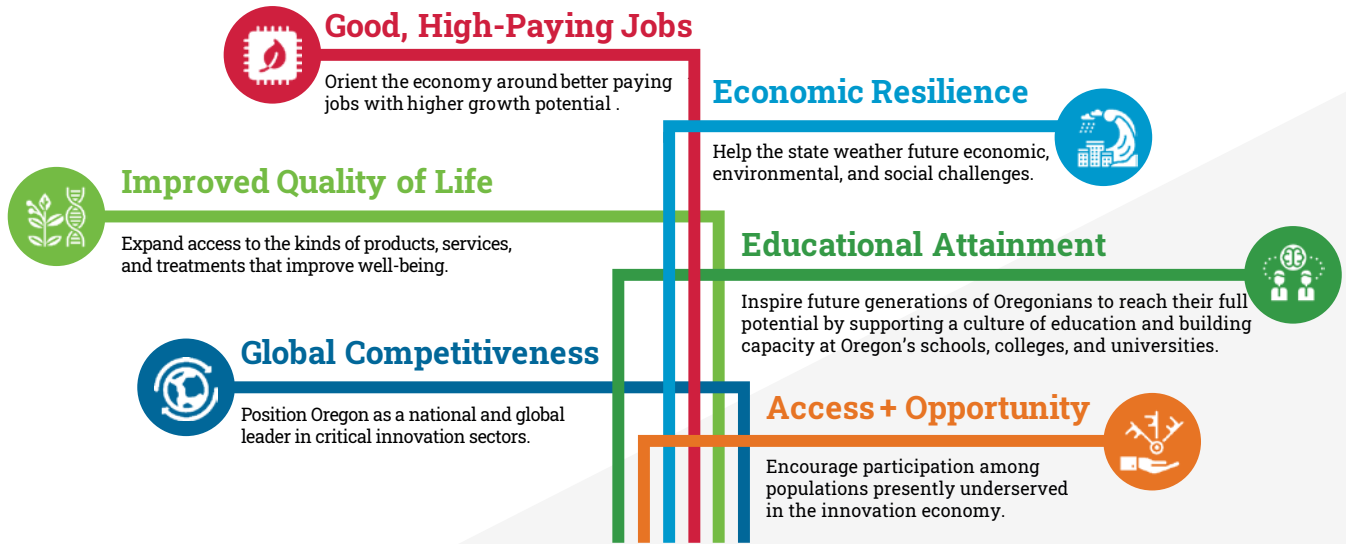
- Create and promote a diverse and inclusive innovation ecosystem that cultivates inventors, entrepreneurs, and leaders of innovation-driven enterprises.
- Intentionally ensure that historically underserved groups are fully integrated into the innovation ecosystem and have an equal opportunity to lead and prosper.
- Strengthen Oregon's unique industrial and natural resources.
- Create an unparalleled quality of life by supporting citizens and businesses striving for economic, societal, and environmental resilience.



By achieving this 10-year innovation vision, Oregon will help ensure the state's future economic vitality.

Examples of anticipated economic and societal impacts that will be realized through the successful implementation of this 10-year Innovation Plan can be found in Figure ES-4.

FIGURE ES-4: IMPACTS OF INNOVATION-BASED ECONOMIC DEVELOPMENT



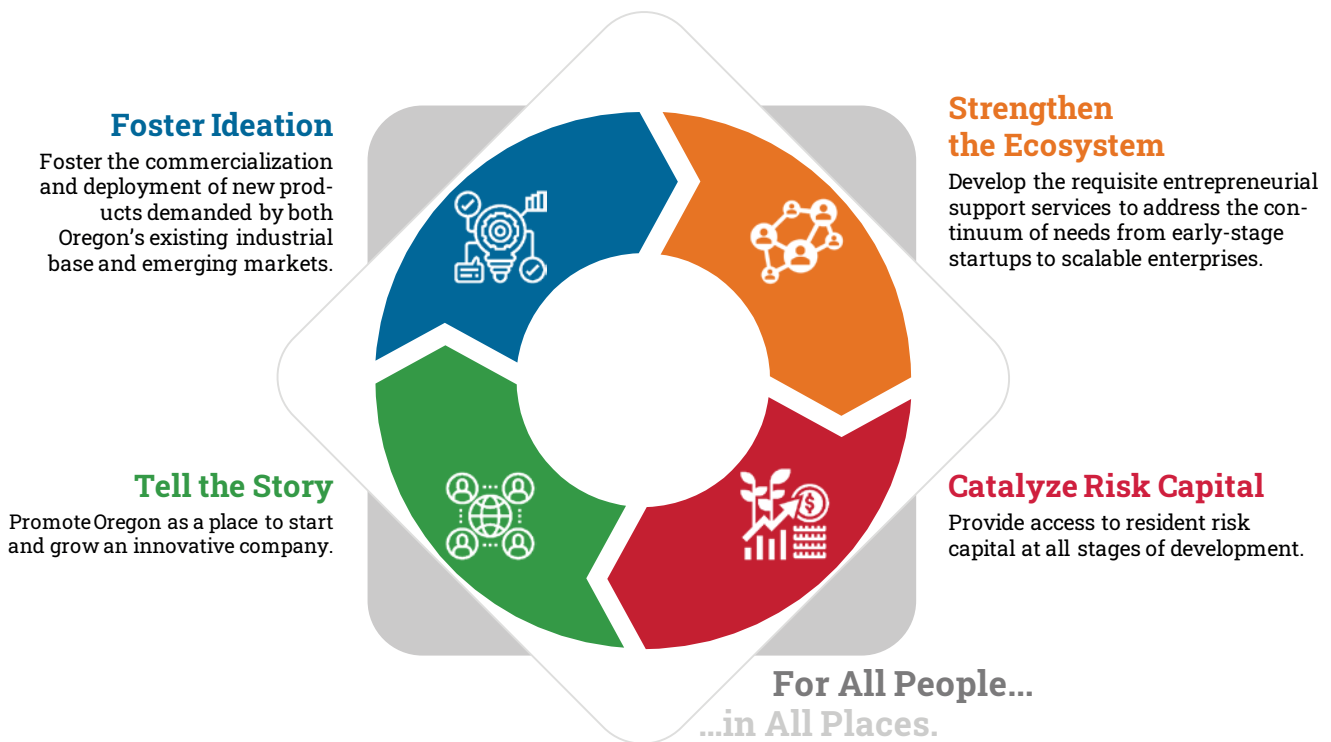
Source: TEconomy Partners, LLC.





Strengthening an innovation ecosystem does not happen on its own, but rather through a series of intentional, strategic, and proactive decisions. Oregon's Innovation Plan has been designed to be driven by public-private partnerships that capitalize on Oregon's comparative advantages while ensuring that future investments are focused on building the innovation, knowledge, and capital that will help ensure Oregon's economic vitality for all people in all places (Figure ES-5).



FIGURE ES-5: OREGON'S 10-YEAR INNOVATION PLAN STRATEGIC FRAMEWORK



Source: TEconomy Partners, LLC.

It is proposed that Business Oregon and its strategic partners initiate a set of four strategies and an associated set of 10 actions to leverage and complement existing efforts while seeking to overcome existing innovation/entrepreneurial challenges and help catalyze long-term economic growth across the state (Figure ES-6). To guide investments, this Innovation Plan is intended to be both an actionable but amendable document, with a wide range of proposed short- and long-term actions to address gaps in Oregon's innovation ecosystem.

FIGURE ES-6: OREGON'S 10-YEAR INNOVATION PLAN ROADMAP

<p>Strategy 1: Foster Ideation – Catalyze the commercialization and deployment of new products/services within Oregon’s existing traded sectors as well as emerging markets.</p> 	
Action 1:	Support Centers of Innovation Excellence that leverage Oregon’s existing traded-sector strengths and emerging market opportunities.
Action 2:	Leverage and expand sources of nondilutive capital to catalyze the commercialization of new innovations.
Action 3:	Support early-stage innovation within Oregon’s university, college, and other research settings, ensuring opportunities for all people in all places to connect to resources.
<p>Strategy 2: Strengthen the Innovation Ecosystem – Develop a systemic, regionally based entrepreneurial service delivery system.</p> 	
Action 4:	Create Regional Innovation Hub designations that will fund and incentivize collaboration to build and advance innovation-focused ecosystems, ensuring opportunities for all innovation-based businesses throughout Oregon.
Action 5:	Link talent to innovation efforts.
<p>Strategy 3: Catalyze Access to Risk Capital.</p> 	
Action 6:	Foster the further development of Oregon’s risk-capital stack.
Action 7:	Incentivize angel investments in Oregon’s innovation-based firms.
Action 8:	As deal flow increases across the state, focus efforts to drive more of the Oregon Growth Account’s investments to Oregon’s businesses.
<p>Strategy 4: Brand Oregon as The Place for Innovation – Tell Our Story.</p> 	
Action 9:	Develop Oregon’s Innovation Brand and market within the state – the brand should be aligned with and leverage Oregon’s existing strengths.
Action 10:	Develop an external marketing campaign that showcases Oregon’s unique identity and competitive strengths in innovation.

Source: TEconomy Partners, LLC.

The details regarding each strategy and subsequent action are outlined in the narrative that follows.

STRATEGY 1: FOSTER IDEATION

Catalyze the commercialization and deployment of new products/services within Oregon's existing traded sectors as well as emerging markets.



Action 1: Support Centers of Innovation Excellence that leverage Oregon's existing traded-sector strengths and emerging market opportunities.

Centers of Innovation Excellence are created through peer-reviewed competitions based on the capacity to do the following:

- Undertake applied R&D around the identified core innovation platform critical to Oregon's traded-sector strength or emerging global market opportunity.
- Include industry-led applied research programs that are supported by a broad consortium of private-sector members.
- Partner with higher education institutions, including research universities, smaller colleges and universities, and research organizations in the projects and programs they undertake.
- Provide access to domain experts with market knowledge that can guide products/services through the commercialization continuum and successful market entry, regardless of location.
- Provide nondilutive early stages of risk-capital funding, and also have the ability to take small equity stakes in the startups they help to create.
- Play an important role in building the state's educated talent base in the multidisciplinary fields required by the innovation platform work by offering new curricula, internships, and work-study opportunities, as well as increasing the pipeline of graduates.
- Help promote inclusive economic growth by intentionally collaborating with relevant and culturally specific organizations to support diverse entrepreneurs, promote talent development, and cultivate innovation-oriented, community-based partnerships.
- Deliver services statewide to meet opportunities wherever they are found.
- Leverage state funds over time with multifold increases in federal and industry support.

Action 2: Leverage and expand sources of nondilutive capital to catalyze the commercialization of new innovations.

- Support funding for the Small Business Innovation Research (SBIR) Support Program.
- Support the University Venture Development Fund (UVDF).
- Strengthen the Commercialization Gap Fund by doing the following:
 - Requiring a 1:1 match for future state investments into the fund.
 - Opening the fund to university and research endowments as potential partners.
 - Requiring the fund to include nondilutive investments.
- Create a Proof-of-Concept Grant Program to be administered through the Centers of Innovation Excellence.
- Create a Traded Sector Matching Grant Program that will match investments by Oregon's private, traded-sector companies in Oregon startups.

Action 3: Support early-stage innovation within Oregon's university, college, and other research settings, ensuring opportunities for all people in all places to connect to resources.

- Support the University Innovation Research Fund (UIRF).
- Create Oregon Corps, leveraging federal National Science Foundation (NSF) funding, to assist faculty and graduate students from across all Oregon universities, colleges, and research institutions in validating the market potential of technologies and launching startup companies.
- Further expand the InventOR Program, which successfully assists college and university students in prototyping novel inventions and honing their entrepreneurial skills by continuing to scale the program by strengthening partnerships with community colleges and additional universities and exploring additional pathways for student inventors and entrepreneurs.

STRATEGY 2: STRENGTHEN THE INNOVATION ECOSYSTEM

Develop a systemic, regionally based entrepreneurial service delivery system to help diversify the state's economy, take advantage of innovation-based opportunities, and drive broader participation among underserved communities.



Action 4: Create Regional Innovation Hub designations that will fund and incentivize collaboration to build and advance innovation-focused ecosystems, ensuring opportunities for all innovation-based businesses throughout Oregon.

The Innovation Hubs will be expected to do the following:

- Build a sufficient scale of talented serial entrepreneurs in the region by providing intensive, in-depth help and assistance to innovative firms.
- Connect entrepreneurial efforts to existing regional industrial base and emerging opportunities, thereby tailoring each effort to leverage the region's comparative advantages.
- Deliver services throughout the region in coordination with existing efforts, academic assets, and other key stakeholders.
- Consider how best to address the need for physical infrastructure/placemaking to catalyze an entrepreneurial culture within the region.
- Address the need for more robust, value-added inclusive networking throughout each region and across the state.
- Provide linkages/vetting to Centers of Innovation Excellence (Action 1) to ensure the technical domain expertise needs are met for all innovative firms within the region, regardless of the area of technology.
- Provide access/vetting to the risk-capital stack (Action 6) that will be developed to support innovative firms throughout the state.
- Ensure programming is culturally specific and accessible to rural and historically under-resourced populations.

Action 5: Link talent to entrepreneurial efforts.

Support for experiential learning opportunities (internships, co-ops, apprenticeships, etc.) that can help strengthen and retain Oregon's locally rooted talent (particularly those in science, technology, engineering, and mathematics [STEM] fields) by linking students to interesting, innovative traded-sector companies by doing as follows:

- Providing a marketplace to connect students with entrepreneurial employment opportunities.
- Targeting students across the postsecondary continuum (from associate degrees through postdoctoral degrees) and ensuring that programs seek to engage students presently underserved in the innovation economy, such as women; Black, Indigenous, and People of Color (BIPOC); and those outside of the Willamette Valley.
- Providing matching grants to offset costs of internship/co-op student (it is expected that all students will receive financial compensation).
- Supporting unique programs such as InventOR or regional efforts targeting key traded-sector industry clusters, such as the Yamhill Carlton School District's support of the viticulture industry.



STRATEGY 3: CATALYZE ACCESS TO RISK CAPITAL.



Action 6: Foster the further development of Oregon's risk-capital stack.

- Support additional angel, pre-seed, and seed funds in Oregon managed by resident private fund managers and matched at least 3:1.
- Develop a network of sector-specific risk-capital sources of funding so that as Centers of Innovation Excellence (Action 1) come on-line and develop a pipeline of deal flow, sector-specific funds that align with targeted areas of innovation are available.
- Create a working capital loan program for traded-sector startups with limited access to funding from conventional financing sources due to technical and commercial risk factors associated with the development of new products or services within targeted traded sectors.

Action 7: Incentivize angel investments in Oregon's promising innovation-based firms.

- Create an angel investment tax credit that provides a qualified investor with an income tax credit equal to 25 percent of an eligible investment in an eligible Oregon company.
- Encourage Angel Networks by providing funding to offset costs of professional fund management, network administration, and due diligence. Leveraging Action 6, it is recommended that angel networks be encouraged to form by providing 3:1 matching grant dollars.

Action 8: As deal flow increases across the state, focus efforts to drive more of the Oregon Growth Account's investments to Oregon's businesses.

- Foster access to follow-on venture funding by leveraging the Oregon Growth Account by ensuring that policies and guidelines are in place that encourage out-of-state capital partners to have a meaningful Oregon connection/presence.

STRATEGY 4: BRAND OREGON AS THE PLACE FOR INNOVATION — TELL OUR STORY.



Action 9: Develop Oregon's Innovation Brand and market within the state — the brand should be aligned with and leverage Oregon's existing strengths.

- Leverage Oregon's strengths in marketing and communication, as well as its pre-existing functions for tourism and visitor attraction, to develop a shared statewide brand for innovation and entrepreneurship.
- Encourage ecosystem partners to advance this branding as part of their overall marketing efforts and develop an Innovation Ecosystem Ambassador program to elevate the voices of champions for innovation and entrepreneurship.
- Generate excitement through in-person events that celebrate innovation and entrepreneurship.

Action 10: Develop an External Marketing Campaign that showcases Oregon's unique identity and competitive strengths in innovation.

- Update (or create a new) website for Oregon's Innovation and Entrepreneurship programs and initiatives to encourage online connectivity across the ecosystem.
- Establish a digital marketing campaign to further highlight Oregon's unique strengths.
- Develop a consistent and active media presence.



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U.S. SENATOR
OREGON

KATHLEEN CATHEY
FIELD REPRESENTATIVE

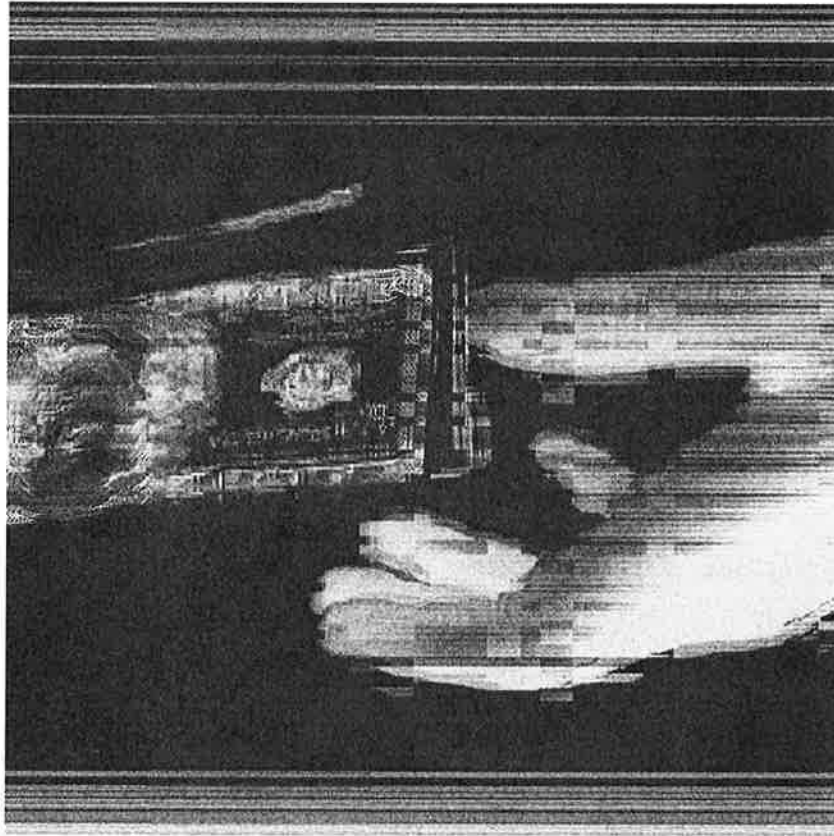
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THE WALL STREET JOURNAL.



The TRAC program gives law-enforcement agencies from the FBI to local police warrantless access to details on millions of money transfers.

ILLUSTRATION: ALEXANDRA CITRIN-SAFADI/THE WALL STREET JOURNAL

Little-Known Surveillance Program Captures Money Transfers Between U.S. and More Than 20 Countries

Law-enforcement agencies across the U.S. have direct access to over 150 million transactions housed at an Arizona nonprofit

By *Dustin Volz* and *Byron Tau*

Jan. 18, 2023 7:00 am ET

WASHINGTON—Hundreds of federal, state and local U.S. [law-enforcement](#)

countries, according to internal program documents and an investigation by Sen. Ron Wyden.

The database, housed at a little-known nonprofit called the Transaction Record Analysis Center, or TRAC, was set up by the Arizona state attorney general's office in 2014 as part of a settlement reached with [Western Union](#) to combat [cross-border trafficking of drugs](#) and people from Mexico. It has since expanded to allow officials of more than 600 law-enforcement entities—from federal agencies such as the Federal Bureau of Investigation, the Drug Enforcement Administration, and Immigration and Customs Enforcement to small-town police departments in nearly every state—to monitor the flow of funds through money services between the U.S. and countries around the world.

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TRAC's data includes the full names of the sender and recipient as well as the transaction amount. Rich Lebel, TRAC's director, said the program has directly resulted in hundreds of leads and busts [involving drug cartels](#) and other criminals seeking to launder money, and has revealed patterns of money flow that help law-enforcement agencies get a broader grasp on smuggling networks.

"It's a law-enforcement investigative tool," Mr. Lebel said. "We don't broadcast it to the world, but we don't run from or hide from it either." The office of the Arizona attorney general didn't respond to a request for comment.

Mr. Wyden, an Oregon Democrat, said TRAC allows the government to "serve itself an all-you-can-eat buffet of Americans' personal financial data while bypassing the normal protections for Americans' privacy."

Internal records, including TRAC meeting minutes and copies of 140 subpoenas from the Arizona attorney general, were obtained by the American Civil Liberties Union and reviewed by The Wall Street Journal. They show that any authorized law-enforcement agency can query the data without a warrant to examine the transactions of people inside the U.S. for evidence of [money laundering](#) and other crimes. One slideshow prepared by a TRAC investigator showed how the program's data could be used to scan for categories such as "Middle Eastern/Arabic names" in bulk transaction records.

Speech, Privacy, and Technology Project, said. “This program should never have been launched, and it must be shut down now.”



TRAC captures details on money transferred through companies such as MoneyGram, DolEx, Ria and Western Union, an office of which is pictured in Beirut.

PHOTO: FRANCESCA VOLPI/BLOOMBERG NEWS

To obtain material such as bank records or emails, law enforcement typically needs to show that documents are relevant to an investigation and secure them through a subpoena or a warrant.

TRAC captures money transfers occurring through companies such as Western Union, MoneyGram, DolEx and Euronet

through its Ria brand. These services are used by millions of people—especially those without bank accounts—to transfer funds between friends and family. They are an especially popular way for Mexican migrants to remit money earned in the U.S. to family members across the border.

Money-services companies are more loosely regulated than banks, often at the state level. Congress requires federal agencies to get a subpoena for bank records and notify customers when their records are being seized. Under federal regulations, banks must also monitor transactions for suspicious activity, report those over \$10,000 in cash and conduct due diligence on customers.

Those laws don't apply to money-services companies, which have drawn scrutiny from law enforcement over the years because of concerns about terrorist financing, drug smuggling and other illicit activities. Customers using money-services companies such as Western Union and MoneyGram aren't told that their transactions will be available to government entities.

Mr. Lebel said that because money-services companies don't have the same know-your-customer rules as banks, bulk data needs to be captured to discern patterns of fraud and money laundering. He said TRAC put a \$500 minimum threshold in place to avoid collecting the overwhelming majority

Mr. Wyden determined last year that the federal government participated in TRAC, and specifically that Homeland Security Investigations, an arm of the U.S. Immigration and Customs Enforcement, used customs summonses, a type of subpoena, to collect about six million records of money transfers from Western Union and Maxitransfers since 2019. All those records ended up stored in the TRAC system, Mr. Wyden said.

“The scope of this surveillance program and federal agencies’ role is far greater than initially revealed,” Mr. Wyden said this week in a letter asking the Justice Department inspector general to investigate the FBI and DEA’s relationship with the program.

The Department of Homeland Security watchdog informed Mr. Wyden’s office last year that it was reviewing the activities of ICE’s investigative arm to combat drug trafficking in response to his questions about TRAC. ICE didn’t respond to a request for comment.



Sen. Ron Wyden determined last year that the federal government participated in TRAC.

PHOTO: DREW ANGERER/GETTY IMAGES

Mr. Wyden’s office said its continuing investigation had found three money-services companies—MoneyGram, Euronet and Viamericas—sent TRAC bulk tranches of customer data in response to subpoenas issued by a U.S. Immigration and Customs Enforcement office in San Juan, Puerto Rico.

Euronet and Viamericas had received customs summonses from that office seeking data for transactions between anywhere in the U.S. and countries including many in the Caribbean and Latin America as well as Canada, France, Spain, Ukraine and China, the companies told Mr. Wyden. Those subpoenas ordered the money-services companies to turn the data over to TRAC.

Euronet said the demands came in 2021 for data back to 2019; Viamericas said data disclosures were ongoing but declined to specify dates.

MoneyGram said the ICE office had demanded data between 2019 and 2021

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What should be the response to the surveillance program that hundreds of local and federal law-enforcement offices have access to? Join the conversation below.

MoneyGram said it doesn't voluntarily share data about transfers with third parties except when required by law and that it "responded to subpoenas that it received under the TRAC program in the same manner as it responds to any other valid subpoena."

Euronet said the subpoenas at issue were subject to ongoing litigation and declined to comment further. Viamericas said it was committed to consumer privacy and adhering to compliance obligations. DoEx didn't respond to requests for comment.

On the web portal to the TRAC database, publicly available online, a sign-up page states that TRAC is "a law enforcement-only site" and warns visitors that their requests for access will be denied if they aren't in law enforcement and don't provide an active government email address.

Mr. Lebel said TRAC has never identified a case in which a law-enforcement official has accessed data improperly or the database has been breached by outsiders. The program has seen an increase in use in recent years because of the [surging opioid crisis in the U.S.](#), he said.

Law-enforcement agencies use TRAC's data to establish patterns in the flow of funds suspected of being linked to criminal activity, Mr. Lebel said, and the more comprehensive the data, the better the analysis. TRAC manages data that law enforcement provides, he said, and what it is receiving and storing is often in flux.

While declining to discuss TRAC's funding, Mr. Lebel said the nonprofit was originally stood up with money from the Western Union settlement that has since been exhausted. Mr. Wyden and others have said TRAC is federally funded.



PHOTO: BEATA ZAWRZEL/NURPHOTO/GETTY IMAGES

Many of the subpoenas through which TRAC acquires data are drafted broadly, often requiring the money-transfer companies to turn over data on all transactions between certain places above the \$500 threshold, the documents show.

Even wholly domestic money transfers are captured in TRAC's database—such as when an American living in a border state sends or receives \$500 or more from another American living elsewhere in the country. Surveillance programs that capture fully domestic records get heightened scrutiny from courts because of the privacy issues they raise.

U.S. courts have rarely blessed bulk law-enforcement collection of records for ordinary criminal activities—usually requiring criminal investigations to be narrowly targeted at individuals, not entire populations. Intelligence agencies operate under different rules, but Mr. Lebel said TRAC has denied requests from intelligence agencies and the defense industry for access to the data.

Privacy advocates have long argued against collecting records in bulk, saying that approach is ineffective and runs afoul of constitutional and statutory privacy expectations.

Western Union, the largest and oldest money-transfer company in the U.S., tried to fight a bulk subpoena for its customer records. In 2006, at the dawn of the Arizona attorney general's interest in acquiring this data, the company challenged a state subpoena that demanded that Western Union produce all transaction records between Arizona and the Mexican state of Sonora. At the time, Arizona was concerned about sophisticated criminal enterprises using the company to launder money. An Arizona appeals court ruled that bulk subpoenas to Western Union were overly broad under Arizona law.

Despite prevailing in court, Western Union later found itself part of an investigation by the Arizona attorney general into whether its services facilitated money laundering. In a \$94 million settlement that resolved differences between Arizona and the company in 2010, Western Union agreed to give over the transaction data that the Arizona attorney general requested and help fund more effective law-enforcement measures against money laundering. A few years later, the settlement was modified to house the transaction records in a nonprofit organization and TRAC was born.

Even though the appeals court ruled that asking for large numbers of transaction records was overbroad, state officials continued to send subpoenas to more than a dozen other money-transfer companies. No such company except Western Union challenged the subpoenas in court.

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(https://www.wyden.senate.gov/imo/media/doc/Wyden_Infastructure%20Guide%202021.pdf)

January 18, 2023

Wyden Calls for DOJ Watchdog To Investigate Mass Surveillance of Money Transfers

Wyden Investigation Reveals Surveillance Was Far Broader than Previously Known; Millions of Money Transfer Records Are Held by Arizona Nonprofit and Searched by Local, State and Federal Agents

Washington, D.C. – Sen. Ron Wyden, D-Ore., asked the Department of Justice Inspector General to investigate the relationship between multiple federal law enforcement agencies and an Arizona nonprofit that has collected records of millions of Americans' money transfers. Wyden's request reflects new details about the Transaction Record Analysis Center (TRAC) that he uncovered as part of a year-long investigation showing the program is far broader than previously known.

In March 2022 Wyden revealed that Homeland Security Investigations (HSI) had issued customs summonses, which is a form of subpoena, for millions of records for money transfers from customers of Western Union and Maxitransfers who sent \$500 or more to or from four states and Mexico. The companies were ordered to deliver records to TRAC, a nonprofit based in Arizona, where thousands of law enforcement agencies could search the records. Homeland Security withdrew that subpoena following Wyden's inquiry.

In his letter to the DOJ Inspector General today, Wyden said the program included far more states and foreign nations than the government disclosed in briefings, based on information Wyden learned from briefings with three other money transfer companies

- Euronet (RIA Envia), MoneyGram and Viamericas.

Wyden revealed in the letter that the data included records for transfers of \$500 or more between any U.S. state and 22 foreign nations and one U.S. territory: Dominican Republic, Ukraine, Tortola (British Virgin Islands), Bolivia, the U.S. Virgin Islands, Peru, Columbia, Ecuador, Venezuela, Hong Kong, St. Martin/St. Maarten, Curaçao, China, Argentina, Canada, Spain, Panama, France, Malaysia, Costa Rica, Thailand, Bahamas and Barbados.

Additionally, Viamericas said it had received subpoenas for bulk money transfer records from the FBI and U.S. Drug Enforcement Agency. MoneyGram said it had received bulk money transfer record subpoenas from the DEA.

“This unorthodox arrangement between state law enforcement, DHS and DOJ agencies to collect bulk money-transfer data raises a number of concerns about surveillance

disproportionately affecting low-income, minority and immigrant communities,” Wyden wrote to the DOJ Inspector General. **“Members of these communities are more likely to use money transfer services because they are more likely to be unbanked, and therefore unable to send money using electronic checking or international bank wire transfers, which are often cheaper. Moreover, money transfer businesses are not subject to the same protections as bank-based transactions under the Right to Financial Privacy Act.”**

Wyden is working on legislation to close legal loopholes and ensure people who use money transfer services have the same privacy as those who use banks or money transfer apps. Venmo/PayPal, Zelle, Wise, Cash App, and Green Dot, which operates

Apple Cash, have all told Wyden's office they had not provided records to the TRAC database.

For more information about the request, read the full letter to the DOJ IG here.

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