

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4033 - 2

80th Oregon Legislative Assembly – 2020 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Establishes community lender loan loss account program, authorizing Oregon Business Development Department to enter into contracts with lenders pursuant to which department shall reimburse lenders from moneys in lenders' loan loss accounts for principal financial losses incurred due to default on qualified loans to small Oregon businesses.

Government Unit(s) Affected:

Department of Administrative Services (DAS), Department of Consumer and Business Services (DCBS), Oregon Business Development Department (OBDD)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2019-21 Biennium	2021-23 Biennium
General Fund	\$5,000,000	\$25,000
Lottery Funds	3,250,000	
Total Funds	\$8,250,000	\$25,000
Positions	0	0
FTE	0.00	0.00

Analysis:

HB 4033 - 2 establishes the community lender loan loss account program, with the goal of increasing lending to certain business owners and entrepreneurs who lack access to capital to start or grow their businesses.

This measure authorizes the Oregon Business Development Department (OBDD) to award funds to certain lenders. Lenders who are awarded funds are to create and deposit funds in a loan loss account, from which they may reimburse themselves for losses incurred due to defaults on reimbursable loans. OBDD is directed to administer a competitive RFP process to fund lenders loan loss accounts, with proposals reviewed by a committee. After 10 years, if the lender has met certain requirements, they may use the balance of their loan loss account for any purpose. If lenders do not meet certain requirements, they must repay OBDD the balance of the moneys awarded.

Lenders who receive awards must report annually to OBDD. OBDD is to report on this program each year, on or before September 15, to the interim committees of the Legislative Assembly related to economic development. By September 15, 2022, these committees are to evaluate the effectiveness of this program and make recommendations for legislation.

This measure appropriates \$5 million General Fund to OBDD for the purposes of implementing this program. This fiscal assumes that the appropriation language of "implementing... this 2020 act" is inclusive of administrative costs, meaning that of these funds, \$75,000 will be used by OBDD for program administration in the 2019-21

biennium. Costs to OBDD include legal fees, setting up an RFP process, and other administrative tasks. OBDD anticipates that an additional \$25,000 General Fund will need to be appropriated in the 2021-23 biennium to pay for ongoing costs of administration.

The measure allocates \$250,000 in Lottery Funds from the Administrative Services Economic Development Fund (EDF) to the Department of Administrative Services (DAS) for distribution to the Oregon Entrepreneurs Network. Funds are not to be distributed until matching funds of at least \$150,000 are pledged from private, nonprofit or philanthropic sources. These funds will be used to interview entrepreneurial stakeholders, research economic needs and the impact of Oregon small businesses, collaborate with the Oregon Capital Scan, and to fund a project manager position and technology to create a statewide, connected, and engaged entrepreneurial ecosystem community.

The measure further allocates \$3 million in Lottery Funds from the EDF to OBDD for deposit in the Oregon Growth Fund. These moneys are continuously appropriated to OBDD for use of the Oregon Growth Board to target entrepreneurs and emerging capital innovators, support economic growth through certain investments, leverage other funds for investment in Oregon companies, and help fill capital gaps encountered by Oregon Businesses.

DAS currently distributes the EDF in adherence with constitutional and statutory funding priorities, as well as specific legislative allocations. The Oregon Constitution includes dedicated transfers to the Education Stability Fund (18%), Parks and Natural Resources Fund (15%), and Veterans' Services Fund (1.5%). Statutory dedications include outdoor school education programs (4%, up to a maximum of \$5.5 million per quarter adjusted for inflation), county economic development programs (2.5% of net video lottery receipts), gambling addiction treatment programs (1%), public university sports programs and academic scholarships (1%), and county fair programs (1%, up to a maximum of \$1.53 million annually adjusted for inflation). Additionally, SB 1049 (2019), dedicated an amount equal to the net proceeds generated from sports betting from the EDF to the Public Employees Retirement System Employer Incentive Fund.

The additional distributions to the Oregon Entrepreneurs Network and Oregon Growth Board from the EDF would reduce the amount of net lottery revenues available in the subsequent biennium for other purposes.

Allocations of net lottery revenues for statutory percentage transfers and legislative dedications from the EDF are approved as fixed amounts each session in a lottery allocation bill. DAS distributes amounts from the EDF based on the constitutional, statutory, and legislatively approved allocations. The transfers from the EDF to the Oregon Entrepreneurs Network and Oregon Growth Board would be included in the next lottery allocation bill.

There is no impact to DAS or the Department of Consumer and Business Services to implement this measure.

This measure is referred to the Joint Committee on Ways and Means by prior reference.