

HB 2038 STAFF MEASURE SUMMARY
House Committee On Economic Recovery and Prosperity

Carrier: Rep. Cate

Action Date: 03/09/21
Action: Do Pass.
Vote: 7-0-1-0
Yeas: 7 - Cate, Kropf, Levy, Lively, Prusak, Ruiz, Wallan
Exc: 1 - Clem
Fiscal: Has minimal fiscal impact
Revenue: No revenue impact
Prepared By: Wenzel Cummings, LPRO Analyst
Meeting Dates: 2/9, 3/9

WHAT THE MEASURE DOES:

Extends sunset from 2021 to 2024 on increased revenue limit for qualified applicants to receive Entrepreneurial Development Loan and on increased maximum loan to a borrower. Requires Oregon Business Development Department to adjust revenue and loan limits annually, starting in calendar year 2023, by percentage change in Consumer Price Index. Prohibits annual adjustment of revenue limit from being reduced below \$1.5 million and maximum loan amount from being reduced below \$250,000 between 2023 and 2025. Prohibits annual adjustment of revenue limit from being reduced below \$500,000 and maximum loan amount from being reduced below \$100,000 starting in 2025. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Technical assistance and its effect on delinquency
- Impact of economic downturn on startups
- Data on demographics and effectiveness of assistance

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Business Development Department (OBDD), more commonly known as “Business Oregon,” is the state’s economic development agency. Its mission is to invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy. The overall work of the Department is guided by the nine-member Business Oregon Commission with additional input and expertise provided by several other advisory bodies and boards associated with specific programs, including business finance programs that are backed by lottery dollars for direct loan and loan guarantees.

The Entrepreneurial Development Loan Fund (EDLF) provides direct loans to help start-ups, micro-enterprises and small businesses expand or become established in Oregon. Applicants must meet eligibility criteria, such as a limit on revenues within the previous 12 months, and loans are limited in amount to any one borrower.

During the 2020 2nd Special Session, the Legislative Assembly increased the revenue limit from \$500,000 to \$1.5 million and the maximum loan amount from \$100,000 to \$250,000. Under current law, these increases will sunset December 31, 2021. House Bill 2038 further extends the sunset to December 31, 2024. The revenue limit was also increased during the 2nd Special Session and is likewise scheduled to return to \$500,000 and the maximum loan amount would return to \$100,000 on January 1, 2022. House Bill 2038 changes this date to January 1, 2025. The measure also requires OBDD to adjust annually the revenue limit and maximum loan amount by the percentage change in the Consumer Price Index.