

HB 2037 STAFF MEASURE SUMMARY

Carrier: Sen. Kennemer

Senate Committee On Labor and Business

Action Date: 04/22/21

Action: Do pass.

Vote: 5-0-0-0

Yeas: 5 - Hansell, Jama, Kennemer, Lieber, Riley

Fiscal: Has minimal fiscal impact

Revenue: No revenue impact

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Meeting Dates: 4/15, 4/22

WHAT THE MEASURE DOES:

Increases maximum amount that may be loaned to an applicant for a business development project by the Oregon Business Development Commission from \$1 million to \$2 million. Applies increased maximum loan amount to applications submitted on or after effective date. Requires Oregon Business Development Department to annually adjust maximum loan amount to reflect inflation. Prohibits adjustment in maximum loan amount from being reduced below \$2 million.

ISSUES DISCUSSED:

- History and performance of Oregon Business Development Fund
- Loan limits established in 1983
- Need for greater loan limits to serve business needs and dispense federal stimulus funds

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Business Development Department, 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 Development 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 Oregon Business Development Fund (OBDF) is a revolving loan fund that provides term, fixed-rate financing for land, buildings, equipment, machinery, and permanent working capital. Participants must typically be a traded-sector business in manufacturing, processing, or distribution. The program gives preference to projects located in rural and distressed areas and to small businesses with fewer than 100 employees. Applicants for the program must demonstrate the ability to create or retain jobs as a result of the loan. Expansion projects can be financed for up to 40 percent of eligible project cost and participation of a lending or financing partner is required. The program has a fixed interest rate equal to the U.S. Treasury securities rate plus one percent (four percent minimum), a \$200 application fee, a 1.5 percent loan origination fee, and no prepayment penalty.

House Bill 2037 increases the maximum loan amount from the OBDF from \$1 million to \$2 million beginning January 1, 2022, and requires Business Oregon to annually adjust the maximum amount to reflect inflation. The measure prohibits any adjustment from reducing the maximum loan amount below \$2 million.