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To: Senator Elizabeth Steiner Hayward, Senator Betsy Johnson, Representative Dan Rayfield, and members of the Joint Committee on Ways and Means

As an African American small business woman who volunteered with the Black Resilience Fund to assist Black community members with the devastating economic impacts of COVID, I saw first hand how hard working families, renters and homeowners in Clackamas, Multnomah and Washington Counties, who have done everything they were supposed to do fell even further behind in terms of income, wealth and access to capital.

The road to recovery must not just return Oregon to a level of pre-pandemic economic inequity - it must center the equitable distribution and capitalization of communities who have existed on the margins for far too long: communities in our rural core and communities of color in our urban centers.

As the state moves forward in its relief and recovery efforts we are proposing equitable and reparative measures to ensure our communities long-term resilience. We are proposing you utilize the infusion of capital our state will receive through the American Rescue Plan Act to 1. Provide Seed funding for a network of community banks in Oregon 2. Accelerate community-led community development 3. The formation of a State Bank to support and capitalize the aforementioned, and stabilize the state economy.

**1. Seed Funding for a network of community lending institutions in Oregon**

Even in a 'healthy' economy, Black, Latinx, and Indigenous small businesses are undercapitalized, don't grow or scale in a manner comparable to their nonminority counterparts regardless of industry, and have higher rates of unemployment. A network of community lending institutions across Oregon

that will specialize in providing small business loans to BIPOC business owners under \$1 million dollars could serve to quell these issues.

## **2. Accelerate community-led community development**

Oregonians in our rural core and our urban centers need access to capital to purchase community assets, and fund their growth and development.

## **3. The formation of a State Bank**

The creation of a state bank would serve to bolster the efforts outlined above by supporting these community lending institutions in their mission to provide local businesses with greater access to capital, and augment the lending capacity of existing privately led community banks in rural communities, provide a source of revenue for the state general fund, and stabilize our state economy.

### **Why is this needed?**

- a. Data from the Brookings Institution 2018 Small Business Credit Survey found that large banks approve around 60 percent of loans sought by white small-business owners, 50 percent of those sought by Hispanic or Latinx small-business owners, and just 29 percent of those sought by Black small-business owners. The COVID-19 economic crisis is likely to compound this issue: 42 percent of minority-owned small businesses responding to McKinsey's U.S. Small Business Pulse Survey reported that obtaining credit was becoming increasingly difficult, compared with 29 percent of all respondents."<sup>173</sup>
- b. We now know that PPP loans were based on existing banking relationships, and without these relationships BIPOC communities were at a significant disadvantage. Nationally, 51% of Black small businesses applied for less than \$20,000 in temporary funding from the federal government, and only 1 in 10 (12%) received the assistance they requested."<sup>170</sup> This lack of capitalization is not a fluke, it is a trend that predates Covid-19.
- c. In Oregon, the number of Small Business Administration (SBA) loans to African American-owned businesses is down 94% since 2007. Last year, the SBA backed just four loans to black-owned businesses in our state. The Oregonian cites that "local governments have also created small

business relief programs, but the need has far outstripped the available funds.”<sup>1</sup>

- d. Both minority-owned small businesses and minority held jobs are already being disproportionately affected by the COVID-19 crisis. While minorities composed 37 percent of the labor force in February 2020, they accounted for 58 percent of the newly unemployed on March 14, 2020. According to McKinsey’s U.S. Small Business Pulse Survey: 58 percent of minority-owned small businesses are ‘extremely’ or ‘very concerned’ about the financial viability of their business. For Native American–owned firms, the figure is 68 percent, compared with 47 percent for all U.S.-based respondents.
- e. During the 2008 recession, Black households lost 40% of their wealth and have not recovered in a manner commensurate to White households.<sup>2</sup><sup>164</sup> This is because during economic downturns, groups that have historically been excluded from labor markets tend to be the first people let go—wage and unemployment gaps continue to increase,<sup>3</sup><sup>165</sup> and entire communities and their ability to capitalize are compromised. This community has not recovered since then, and will only continue to face decimating wealth loss due to the covid-19 economic crisis.

Government action is justified when private industry banking has created a market failure in which the under capitalization of communities of color and rural communities is costing our economy jobs and revenue. Creating a system in which capital is available to those historically marginalized from accessing it, will benefit all Oregonians.

According to the Center for Global Policy Solutions, “If the number of people-of-color firms were proportional to their distribution in the labor force, people of color would own 1.1 million more businesses with employees. These firms would add about 9 million jobs and about \$300 billion in workers’ income to the U.S. economy.”<sup>5</sup>

- Investing in and capitalizing communities of color will benefit a substantially larger community and segment of the economy than the one it originates in.

- Investing in and capitalizing rural communities, will benefit a substantially larger community and segment of the economy than it originates in.

This proposal for the creation of specific community based lending institutions fills a gap where private banking is absent altogether and without it, we will continue to insufficiently capitalize a significant segment of our state population and the state legislature will be tasked to continue to back fill these gaps for generations to come.

Federal investments in our recovery creates an opportunity for bold and transformative policy that can help eliminate economic inequities that have existed and been perpetuated in Oregon since before it became a state. We look to you for creative and courageous leadership that ends dependence on services and creates the conditions in which our diverse communities can thrive.

Respectfully submitted,

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