

REVENUE: No revenue impact**FISCAL: Minimal fiscal impact, no statement issued****Action:** Do Pass with amendments to the A-Engrossed Measure. (Printed B-Engrossed)**Vote:** 4 - 0 - 1**Yeas:** Boquist, Dingfelder, George, Shields**Nays:** 0**Exc.:** Rosenbaum**Prepared By:** Jan Nordlund, Administrator**Meeting Dates:** 2/20, 2/22

WHAT THE MEASURE DOES: Expands the definition of qualified businesses eligible for credit guarantees from the Credit Enhancement Fund to include nontraded sector businesses. Establishes sunset date of July 1, 2015. Declares emergency, effective upon passage.

ISSUES DISCUSSED:

- History of Credit Enhancement Fund
- Current statutory restrictions may prevent spending federal funds before December 2016 deadline
- Default rate on loans insured by program
- How program leverages private loans
- Definition of “traded sector”
- Several counties are no longer defined as “distressed”
- Clarification of “qualified business” definition

EFFECT OF COMMITTEE AMENDMENT: Clarifies that businesses located within distressed areas are eligible for the credit enhancement program during the temporary expansion of the program and after the temporary expansion sunsets July 1, 2015.

BACKGROUND: The Credit Enhancement Fund (CEF), which was created in 1993 and is administered by the Oregon Business Development Department, is a loan insurance program available to lenders to assist businesses in obtaining access to capital. The Fund guarantees loans made by lenders providing working capital or fixed-asset loans to businesses and is available for traded sector manufacturing, production, processing and distribution companies. The program can assist most businesses located in a designated distressed area and businesses that are using proceeds to clean up a brownfield site. Loan guarantees are typically for up to 80 percent of the loan amount, up to \$2 million exposure for term loans; and for up to 75 percent of the loan, up to \$1.5 million exposure for operating lines of credit.

As noted, only traded sector businesses (those in which member firms sell their goods or services into markets in which national or international competition exists) are eligible for loan guarantees through the Credit Enhancement Fund. House Bill 4150-A expands access to businesses that do not operate in a traded sector industry, such as retail and service businesses.