

## **SB 1563 OBDD Business Loan Program Changes**

### **Testimony for House Rural Communities, by Peggy Woolsey**

We are pleased to see this proposal, which is a loan program, not a grant program. Elsewhere in our enthusiasm to support businesses, we've given away, as much as a \$1 million to a single small private business with Connect Oregon and as much as \$10 million to larger ones with the Manufacturing Tax Credit, and \$1 m a year to any size business that does research and development. All of these figures are phenomenal. Since the last session, we added up all the economic development decisions we noticed, for the last 10 years, and we found that the legislature has increased economic development spending by \$700 million this biennium. Decisions made to increase tax credits, grants, or program spending—for jobs---means we do not have \$700 million that could be paying for seven weeks of school.

That said, we are glad this version of the loan bill is the one moving forward. The House version wanted to increase the funding, when apparently there is still \$1.6 out of \$3.6 million available to commit, and of course, there are repayments on the \$2 million in loans coming in each month. We did not hear any convincing arguments for why the funding amount should be increased by a quarter of a million dollars. We are glad this version of the bill, without any extra money, is the one you are considering.

The bill increases the amount of risk the state will extend to a business that cannot get a conventional loan, from \$70,000 to \$100,000, or by 40%. However, it extends the time period for repayment from 5 to 10 years, or by 100%. Perhaps OBDD should offer courses in Crowd sourcing, instead of loading that much risk on the taxpayer's shoulders for ten years.

This bill specifies a maximum interest rate of 18%. We are concerned that a ten-year term for a start-up company seems to put the state at risk for too long a period of time. After six years, shouldn't a succeeding business have established a good credit history and be able to refinance their debt with a conventional loan, taking the risk off the taxpayer's shoulders and returning the funds to the state for loans to other startup businesses.

***We read the bills and follow the money***