



TO: The Honorable Representative Caddy McKeown, Chair
The Honorable Representative, Chris Gorsek, Vice-Chair
The Honorable Representative John Davis, Vice-Chair
The Honorable Representative Cliff Bentz
The Honorable Representative Jodi Hack
The Honorable Representative John Lively
The Honorable Representative Susan McLain

FROM: John Saris, Business Services Manager

DATE: Thursday, Feb. 18, 2016

RE: SB 1589 – Substantial Benefit

During the public hearing on SB 1589 yesterday, February 17, 2016, additional clarification was requested on how the Oregon Business Development Department (Business Oregon) proposes to implement SB 1589. The proposed legislation would require that the business provide 'substantial benefit' as the sole criteria to qualify for a guarantee through the Credit Enhancement Fund (CEF).

As mentioned during the hearing, Business Oregon would be required to update the Oregon Administrative Rule (OAR) to implement SB 1589 if passed. Current OAR for the program is found in OAR 123-0021 (http://arcweb.sos.state.or.us/pages/rules/oars_100/oar_123/123_021.html).

The proposed changes specific to a qualified business would be captured in a revision to 123-021. Specifically, the definition of a Qualified Business would be revised. Initial agency discussion has focused on determining if the project funded by the loan is expected to provide substantial benefit by meeting predetermined criteria. That criteria could include, but may not be limited to, one or more of the following:

- A loan made to a traded sector firm
- A loan made to firms that provide goods and services to traded sector companies
- A loan which is expected to assist the retention or expansion of the firm impacting job creation and/or retention opportunities
- A loan that is expected to help increase or retain revenue
- A loan that is expected to help the business access new markets
- A loan that will be used to fund expansion
- The activity of the small business adds to the diversification of the local economy
- The loan will be used to fund the acquisition of fixed assets (equipment, real estate, etc.),
- The loan will be used to buy products/inventory/services from (a) Oregon-based company/companies
- The business is located in a rural community

- The business will contribute to the revitalization of the neighborhood or community
- The activity of the small business adds to the diversification of the local economy

If a loan is used to support the following financial activities, the Department may determine that the project does not demonstrate substantial benefit:

- Refinance of existing debt
- Acquisition of stock
- Speculative or investment real estate, or
- Financing intangible assets such as goodwill and client lists

Business Oregon will continue to consider options to establish criteria of substantial benefit and will work with stakeholders to develop consensus on the definition. Ultimately, we will post the Administrative Rule and obtain public comments prior to the rules being made permanent.

We would welcome the opportunity to have further discussions on this matter.

Sincerely,

John Saris
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Business Oregon
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