

SB 1516 B STAFF MEASURE SUMMARY

Carrier: Sen. Burdick

Joint Committee On Ways and Means**Action Date:** 02/28/18**Action:** Do pass with amendments to the A-Eng bill. (Printed B-Eng.)**Senate Vote****Yeas:** 8 - Frederick, Girod, Hansell, Johnson, Manning Jr, Monroe, President Courtney, Steiner Hayward**Nays:** 1 - DeBoer**Exc:** 3 - Roblan, Thomsen, Winters**House Vote****Yeas:** 10 - Gomberg, Holvey, Nathanson, Noble, Rayfield, Smith G, Smith Warner, Stark, Whisnant, Williamson**Exc:** 1 - McLane**Fiscal:** Fiscal impact issued**Revenue:** No revenue impact**Prepared By:** Krista Dauenhauer**WHAT THE MEASURE DOES:**

Creates Small Business Expansion Loan Fund, administered by Oregon Business Development Department. Authorizes loans of up to \$250,000 from Fund for early stage growth capital to individuals and businesses with 50 or fewer employees. Allows larger loans upon approval of the Oregon Business Development Commission. Establishes eligibility criteria and provides terms of repayment and pricing. Stipulates that loan must be secured by sufficient collateral and security. Requires Department to consult with representative from an association representing banks before adopting rules for implementation. Authorizes Department to set aside up to 20 percent of moneys in Fund for loans to applicants with low to moderate income or personal net worth who operate businesses with a majority share owned by minorities, women, or honorably discharged veterans, or that are located outside the Portland metropolitan area. Authorizes Commission to transfer moneys in Oregon Business Development Fund to the Small Business Expansion Loan Fund when reasonable and financially appropriate.

ISSUES DISCUSSED:

- Risk factors associated with these types of loans
- Possible locations where the loans may be made
- What business assets consist of
- How long it takes for a loan to process
- This is a transfer from an existing fund; no new appropriation needed
- Who owns the assets if the loan defaults
- Possibilities for receiving multiple state loans from various agencies
- Order of liens depends on how financing is structured
- OBDD to report back to the committee during the 2019 legislative session

EFFECT OF AMENDMENT:

Caps loan amounts at \$2 million and makes other non-substantive changes to statute recommended by Legislative Counsel.

BACKGROUND:

More than 95% of employers in Oregon employ fewer than 50 workers, comprising nearly 40% of the workforce in Oregon. Currently, the Oregon Business Development Department, typically referred to as Business Oregon, offers the Oregon Business Development Fund (OBDF) loan, which gives preference to projects located in rural and

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distressed areas and to small businesses with fewer than 100 employees. The maximum size of an OBDF loan is \$1 million. Businesses with 50 or fewer employees may apply for the OBDF loan, but the loan is not specific to businesses of this size and does not set aside a specific amount of funds to be made available to applicants of this size with low to moderate household income and low to moderate personal net worth who operate businesses with a majority share owned by minorities, women, or honorably discharged veterans, or that are located outside the Portland metropolitan area.

Senate Bill 1516 establishes the Small Business Expansion Loan Fund through Business Oregon for the purpose of making early stage growth capital loans to individuals or businesses with 50 or fewer employees. The measure requires that the loan be to a business that is primarily in the traded sector, has a reasonable prospect of repayment, has a reasonable potential of high growth or increased employment, and can demonstrate a readiness for market. Senate Bill 1516 also establishes the terms of repayment and pricing, stipulates that loan must be secured by sufficient collateral and security, and requires consultation with representative of association that represents banks prior to adopting rules.