

HB 4033 -1 STAFF MEASURE SUMMARY

House Committee On Economic Development

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/5, 2/10, 2/12

WHAT THE MEASURE DOES:

Establishes a community lender loan loss account program in the Oregon Business Development Department (Business Oregon) and appropriates \$5 million General Fund for the program. Authorizes the agency to enter into contracts with lenders who are mission-driven government agencies or nonprofits located in Oregon who provide financial and technical assistance to small businesses, microenterprises, and start-up businesses. Allocates \$250,000 in Lottery Funds to the Oregon Entrepreneurs Network to engage the entrepreneur ecosystem, analyze the needs of Oregon small businesses, collaborate with the Oregon Capital Scan, and make legislative recommendations by November 30, 2020. Allocates \$3 million in Lottery Funds to the Oregon Growth Fund to be used by the Oregon Growth Board to target entrepreneurs and emerging capital innovators; support investments in loan funds, venture capital funds, angel conferences, and associated technical assistance; leverage other funding; make investments in early stage, small, and first-time capital sources; and help fill capital gaps especially in underserved communities, rural areas, and undersupported industry sectors.

REVENUE: No revenue impact

FISCAL: Fiscal impact issued

ISSUES DISCUSSED:

- Capital needs of small businesses
- Lack of collateral as a reason for gaps in capital access
- Investment in rural start-ups
- Existing lender loan loss requirements
- Setting sideboards and criteria for program
- How to judge future success of program

EFFECT OF AMENDMENT:

-1 Clarifies that financial institutions defined in ORS 706.008 are not eligible lenders for the community lender loan loss program.

BACKGROUND:

The Oregon Capital Scan reports every two years on data, trends, and gaps in business capital. The 2018 report found strong improvement in the early stages of the company formation ecosystem, increases in equity investments and crowdfunding, increased funding for clients of the Small Business Development Centers, continued state support for innovation, strong Small Business Administration-backed lending, and decreases in traditional lending. The report focuses on the different sources of capital and trends in the number of loans or deals made but does not report on the gaps in need or whether additional resources are needed. The 2018 report recommended that the state continue to support Oregon-based venture capital funds; measure the impact of all capital across regions, demographics, and stages of growth; and measure more frequently.

During presentations to the House Interim Committee on Economic Development in September and November 2019, various organizations reported on the capital access gap for entrepreneurs and start-up businesses and the need for new tools, more funding, and technical assistance for underserved entrepreneurs and communities.

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The existing Oregon Capital Access Program at Business Oregon helps private lenders (banks and credit unions) make more commercial loans to small businesses and provide capital for start-up or expansion. All types of loans and lines of credit are eligible. Lenders build a loan-loss reserve account to protect against loan losses each time they enroll a loan and contributions to the account by the lender and borrower are matched by the program.

House Bill 4033 would create a new community lender loan loss account program for mission-driven lenders who provide financial and technical assistance to small businesses, microenterprises, and start-up businesses; fund the Oregon Entrepreneurs Network to gather information on unmet capital needs; and allocate additional funds to the Oregon Growth Board to help fill capital gaps in underserved communities, rural areas, and undersupported industry sectors.