

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 4033 - A3**

80th Oregon Legislative Assembly – 2020 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Establishes community lender loan loss account program, authorizes Oregon Business Development Department to distribute funds to lenders' loan loss accounts to provide reimbursements for losses on defaulted loans. Appropriates General Fund to the Oregon Growth Fund to help fill capital gaps facing businesses in underserved communities, rural areas and undersupported industry sectors. Supports an Oregon Entrepreneurs Network study of business funding needs and gaps.

**Government Unit(s) Affected:**

Oregon Business Development Department (OBDD)

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

	<b>2019-21 Biennium</b>	<b>2021-23 Biennium</b>
General Fund	\$8,250,000	\$25,000
<b>Total Funds</b>	<b>\$8,250,000</b>	<b>\$25,000</b>
Positions	0	0
FTE	0.00	0.00

**Analysis:**

HB 4033 - A3 establishes the community lender loan loss account program and provides support to the Oregon Growth Fund and the Oregon Entrepreneurs Network, with the goal of increasing lending to certain business owners and entrepreneurs who lack access to capital to start or grow their businesses. This measure appropriates a total of \$8,250,000 General Fund to the Oregon Business Development Department (OBDD) as outlined below.

This measure authorizes OBDD to award funds to certain lenders. The program is limited to qualified lending institutions that are community development financial institutions, nonprofits, economic development districts or local governments. Lenders who are awarded funds are to create and deposit funds in a loan loss account, from which they may reimburse themselves for losses incurred due to defaults on reimbursable loans. OBDD is directed to administer a competitive RFP process to fund lenders' loan loss accounts with proposals reviewed by a committee. If the lender has met certain requirements after 10 years, they may use the balance of their loan loss account for any purpose. If lenders do not meet certain requirements, they must repay OBDD the balance of the moneys awarded. Lenders who receive awards must report annually to OBDD.

OBDD is to report on this program each year, on or before September 15, to the interim committees of the Legislative Assembly related to economic development. By September 15, 2022, these committees are to evaluate the effectiveness of this program and make recommendations for future legislation.

This measure appropriates \$5 million General Fund to OBDD for the purposes of implementing this community lender loan loss account program. Of these funds, \$75,000 will be used by OBDD for program administration in

the 2019-21 biennium. Costs to OBDD include legal fees, setting up an RFP process, and other administrative tasks. OBDD anticipates that an additional \$25,000 General Fund will need to be appropriated in the 2021-23 biennium to pay for ongoing costs of administration.

The measure also appropriates \$250,000 General Fund to OBDD for distribution to the Oregon Entrepreneurs Network. Funds are not to be distributed until matching funds of at least \$150,000 are pledged from private, nonprofit or philanthropic sources. These funds will be used to interview entrepreneurial stakeholders, to research economic needs and the impact of Oregon small businesses, to collaborate with the Oregon Capital Scan, and to fund a project manager position and technology to create a statewide, connected, and engaged entrepreneurial ecosystem community. The funds will also be used to create recommendations for legislation that will be reported to the Legislature in November 2020. There are no additional administrative costs to OBDD to implement this portion of the measure.

The measure further appropriates \$3 million General Fund to OBDD for deposit in the Oregon Growth Fund. These moneys are continuously appropriated to OBDD for use of the Oregon Growth Board to target entrepreneurs and emerging capital innovators, support economic growth through certain investments, leverage other funds for investment in Oregon companies, and to help fill capital gaps encountered by Oregon businesses in underserved communities, rural areas and undersupported industry sectors. There are no additional administrative costs to OBDD to implement this portion of the measure.